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CERTIFIED PUBLIC ACCOUNTANT

**The City of**  
**UHLAND, TEXAS**  
*ANNUAL FINANCIAL REPORT*  
*With SUPPLEMENTARY INFORMATION*  
*For the Year Ended*  
*September 30, 2022*

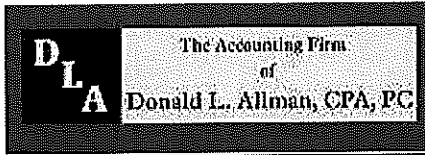
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**INTRODUCTORY SECTION**

**FINANCIAL SECTION**



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CERTIFIED PUBLIC ACCOUNTANT

## Independent Auditor's Report

To the Honorable Mayor and  
City Council Members of the  
City of Uhland, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Uhland, Texas, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Uhland, Texas's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Uhland, Texas, as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Uhland, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Uhland, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Umland, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Umland, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 37-38 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2023, on our consideration of the City of Umland, Texas internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Umland, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Umland, Texas internal control over financial reporting and compliance.

Donald L. Allman, CPA, P.C.



Georgetown, TX  
July 27, 2023

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF UHLAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**

The purpose of the Management's Discussion and Analysis (MD&A) is to provide a narrative overview of the City of Uhlend, Texas' (the City) financial activities for the year ended September 30, 2022. The analysis is based on currently known facts, decisions, and economic conditions. The information should be used in conjunction with the transmittal letters and accompanying basic financial statements.

**Financial Highlights**

- Total assets at September 30, 2022 were \$5,209,065 for the governmental funds.
- Total liabilities at September 30, 2022 were \$188,752 for the governmental funds.

Net income for the fiscal year ending September 30, 2022 was \$2,142,492 in Government Wide financial statements and \$1,396,418 for governmental fund financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The structure of this financial report divided into three areas. These areas are the Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information.

The City's basic financial statements include (1) the independent auditor's report, (2) the government-wide financial statements, (3) the fund financial statements and (4) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**Government-Wide Statements**

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows, and using the full accrual method rather than modified accrual that is used in the fund level statements.



**CITY OF UHLAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**

The Statement of Net Position and Statement of Activities divide the City's financial into two classes of activities:

1. *Governmental Activities* – include the city's tax-supported services, sanitation, streets drainage (public works), community services, and general administrative services (general government). Property tax, sales tax, franchise taxes municipal court fines, and permit fees fund most of these activities.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Economic Development Corporation for which the City pays over 90% of its revenues through City Sales Taxes. Financial information for this component unit is reported separately from the financial information present for the primary government itself.

**FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The City uses one fund type – governmental.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains three individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund. The remaining governmental funds are combined into single, aggregated presentation.

The City adopts an annual budget for its general funds. A budgetary comparison schedule has been provided to demonstrate compliance with this budget.

**Proprietary Funds (The City of Uhlend Does not Have a Proprietary Fund)**

**CITY OF UHLAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**

**Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

**Other Information**

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund, Proprietary Fund, and a schedule of funding progress for the Texas Municipal Retirement System. RSI can be found after the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Position:**

The Condensed Statement of Net Position is displayed in Table One. This statement is often referred to as the Balance Sheet. The statement shows a modest increase in assets of the Governmental Activities as the City added several pieces of new equipment to the public works area.

The city's financial position for the last two years is presented in Table 1, the Condensed Statement of Net Position.

**Table 1**  
**Summary of Net Position**

	<u>2022</u>	<u>2021</u>
Cash and Current Assets	\$ 3,727,360	\$ 2,215,828
Capital Assets	<u>1,481,705</u>	<u>746,196</u>
Total Assets	5,209,065	2,962,024
Current Liabilities	<u>188,752</u>	<u>84,203</u>
Total Liabilities	188,752	84,203
Net Position:		
Net Investment in Capital Assets	1,481,705	746,196
Unrestricted	<u>3,538,608</u>	<u>2,131,625</u>
Total Net Position	<u><u>5,020,313</u></u>	<u><u>2,877,821</u></u>

**CITY OF UHLAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**

**Statement of Activities:**

The Condensed Statement of Activities and Changes in Net Position is displayed in Table 2. This statement is often referred to as the Profit and Loss Statement. Revenues of the Governmental Activities fund showed a positive increase of \$2,142,492. The following table provides a summary of the City's changes in net position.

**Table 2**  
**Summary of Changes in Net Position**

	<u>2022</u>	<u>2021</u>
Program Revenues:		
Charges for Services	\$ 1,680,036	\$ 1,738,252
General Revenues:		
Property Taxes	215,436	127,031
Franchise Taxes	55,693	39,367
Local Sales Taxes	932,805	629,340
Community Center Rent	-	-
Grant income	1,100,380	195,552
Other	-	1,227
Interest Income	<u>15,770</u>	<u>456</u>
Total Revenues	\$ 4,000,120	\$ 2,731,225
Program Expenses		
General Government	<u>\$ 1,857,628</u>	<u>\$ 1,324,565</u>
Total Expenses	\$ 1,857,628	\$ 1,324,565
Change in Net Position	\$ 2,142,492	\$ 1,406,660
Beginning Net Position	\$ 2,877,821	\$ 1,471,161
Ending Net Position	<u>\$ 5,020,313</u>	<u>\$ 2,877,821</u>

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The budget for the year ended September 30, 2022 had revenues estimated at \$4,406,563 and actual revenues were \$4,000,120 a deficit of \$406,443. Budgeted expenses were \$4,992,149 and actual expenses were \$2,601,272, a surplus of \$2,390,877.

**CITY OF UHLAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2022**

**CAPITAL ASSETS**

At fiscal year-end 2022, the City's investment in capital assets, net of accumulated depreciation, totaled \$1,481,705. The increase was due to increases in the equipment purchases and infrastructure.

**Capital Assets**  
**Net of Accumulated Depreciation**

	<u>2022</u>	<u>2021</u>
Non-depreciable Assets		
Land	\$ 36,000	\$ 36,000
Depreciable Assets:		
Buildings	260,000	260,000
Improvements	1,245,331	410,550
Heavy Equipment	202,820	202,820
Parks	18,345	18,345
Furniture & Equipment	57,444	57,444
Accumulated Depreciation	<u>(338,235)</u>	<u>(238,963)</u>
Totals:	<u>\$ 1,481,705</u>	<u>\$ 746,196</u>

**LONG-TERM DEBT**

The City has no indebtedness.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City of Uhlend continues to experience rapid and expansive growth. Revenues for property taxes and sales taxes increased more than 50%.

**REQUESTS FOR INFORMATION**

Requests for information may be addressed to:

The City of Uhlend, Texas  
 15 North Old Spanish Trail  
 Uhlend, Texas, 78640

The City's phone number is (512) 398-7399.

**BASIC FINANCIAL STATEMENTS**

**CITY OF UHLAND, TEXAS**  
**STATEMENT OF NET POSITION**  
**September 30, 2022**

**Primary Government**

	<b>Governmental Activities</b>	<b>Total</b>	<b>Component Unit EDC</b>
<b><u>ASSETS:</u></b>			
Current assets:			
Cash and Cash Equivalents	\$ 1,079,424	\$ 1,079,424	854,491
CD's & Investments	2,541,708	2,541,708	
Receivables (net)	<u>106,228</u>	<u>106,228</u>	<u>30,279</u>
Total Current Assets	\$ 3,727,360	\$ 3,727,360	884,770
Capital Assets:			
Land	\$ 36,000	\$ 36,000	
Capital Assets, net of Accumulated Depreciation	<u>1,445,705</u>	<u>1,445,705</u>	-
Total Capital Assets	\$ 1,481,705	\$ 1,481,705	-
<b>Total Assets:</b>	<b><u><u>\$ 5,209,065</u></u></b>	<b><u><u>\$ 5,209,065</u></u></b>	<b><u><u>884,770</u></u></b>
<b><u>LIABILITIES:</u></b>			
Current Liabilities:			
Accounts Payable and Accrued Expenses	\$ 188,752	\$ 188,752	-
Total Current Liabilities	\$ 188,752	\$ 188,752	-
<b>Total Liabilities:</b>	<b><u><u>\$ 188,752</u></u></b>	<b><u><u>\$ 188,752</u></u></b>	<b><u><u>-</u></u></b>
<b><u>NET POSITION:</u></b>			
Net Investment in Capital Assets	\$ 1,481,705	\$ 1,481,705	-
Restricted for: Special Revenue	-	-	-
Unrestricted	<u>3,538,608</u>	<u>3,538,608</u>	<u>884,770</u>
<b>Total Net Position</b>	<b><u><u>\$ 5,020,313</u></u></b>	<b><u><u>\$ 5,020,313</u></u></b>	<b><u><u>884,770</u></u></b>

**CITY OF UHLAND, TEXAS**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION**  
**For the Year Ended September 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense)</u> <u>Revenue</u>	<u>EDC</u>
<b>Primary Government</b>				
Governmental Activities:				
General Government	\$ 1,624,636	\$ 255,794	\$ (1,368,842)	
Public Works	42,249	-	(42,249)	
Health and Sanitation	190,743	-	(190,743)	
Interest on Long-term Debt	-	-	-	
Total Governmental Activities	<u>\$ 1,857,628</u>	<u>\$ 255,794</u>	<u>\$ (1,601,834)</u>	
 Total Primary Government	 <u>\$ 1,857,628</u>	 <u>\$ 255,794</u>	 <u>\$ (1,601,834)</u>	
Component Unit:				
Economic Development Corporation	<u>\$ 19,999</u>	<u>\$ -</u>		<u>\$ (19,999)</u>
 <b>General Revenues:</b>				
Taxes:				
Property Taxes			\$ 215,436	
Franchise Taxes			55,693	
Local Sales and Use Taxes			932,805	304,736
Charges for Services			1,424,242	
Grant income			1,100,380	
Interest Income			15,770	4,048
Community Center Rental Income			-	
Miscellaneous			-	
Total General Revenues:			<u>\$ 3,744,326</u>	<u>308,784</u>
 <b>Change in Net Position</b>			 <b>\$ 2,142,492</b>	 <b>288,785</b>
 <b>Net Position - Beginning</b>			 <b>\$ 2,877,821</b>	 <b>595,985</b>
<b>Net Position - Ending</b>			<u><b>\$ 5,020,313</b></u>	<u><b>884,770</b></u>

**CITY OF UHLAND, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2022

	<u>General</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 1,079,424	\$ 1,079,424
CD's & Investments	2,541,708	2,541,708
Receivables (net)	<u>106,228</u>	<u>106,228</u>
<b>Total Assets:</b>	<u>\$ 3,727,360</u>	<u>\$ 3,727,360</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 188,752	\$ 188,752
Deferred Revenue	<u>9,614</u>	<u>9,614</u>
<b>Total Liabilities</b>	<u>\$ 198,366</u>	<u>\$ 198,366</u>
<b>Liabilities and Fund Balances</b>		
Special Revenue Funds	\$ -	\$ -
Unreserved	<u>3,528,994</u>	<u>3,528,994</u>
<b>Total Fund Balances</b>	<u>\$ 3,528,994</u>	<u>\$ 3,528,994</u>
<b>Total Liabilities &amp; Fund Balances</b>	<u>\$ 3,727,360</u>	<u>\$ 3,727,360</u>

See Notes to Financial Statements



**CITY OF UHLAND, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**September 30, 2022**

Total Fund Balance - Total governmental Funds	\$ 3,528,994
Amounts reported for governmental activities in the statement of net assets are different because:	
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected.	9,614
Capital assets of \$1,481,705 net of accumulated depreciation, are not financial resources, and therefore, are not reported in the funds. See Note 3.A.3. for additional detail.	1,481,705
Long-term liabilities of \$0.00 are not due and payable I the current period and are not reported in the funds. See Note 3.B.1. for detail.	<u>-</u>
Net Position of Governmental Activities	<u><u>\$ 5,020,313</u></u>

**CITY OF UHLAND, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2022**

	<u>General</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>		
Property Taxes	\$ 213,006	\$ 213,006
Franchise Taxes	55,693	55,693
Local Sales and Use Tax	932,805	932,805
General Government	255,794	255,794
Charges for Services	1,424,242	1,424,242
Grant income	1,100,380	1,100,380
Interest Income	15,770	15,770
Community Center Rent	-	-
Other	-	-
<b>Total General Revenues</b>	<b><u>\$ 3,997,690</u></b>	<b><u>\$ 3,997,690</u></b>
<b><u>Expenditures</u></b>		
General Government	\$ 1,533,499	\$ 1,533,499
Public Works	42,249	42,249
Health & Sanitation	190,743	190,743
Principal Payments	-	84,498
Interest on Long-term Debt	-	381,486
Capital Outlay	834,781	834,781
<b>Total Expenditures</b>	<b><u>\$ 2,601,272</u></b>	<b><u>\$ 2,601,272</u></b>
<b>Excess (deficiency) of Revenues &amp; Expenditures</b>	<b>\$ 1,396,418</b>	<b>\$ 1,396,418</b>
Loan Proceeds	-	-
Transfers In	-	-
Transfers Out	-	-
<b>Net Changes in Fund Balances</b>	<b><u>\$ 1,396,418</u></b>	<b><u>\$ 1,396,418</u></b>
<b>Fund Balances - Beginning</b>	<b>\$ 2,132,576</b>	<b>\$ 2,132,576</b>
<b>Fund Balances - Ending</b>	<b><u>\$ 3,528,994</u></b>	<b><u>\$ 3,528,994</u></b>

**CITY OF UHLAND, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**For the Year Ended September 30, 2022**

Net Change in Fund Balance - Total Governmental Funds \$1,396,418

Amounts reported for governmental activities in the statement of net assets are different because:

Differences between government-wide and governmental funds accounting 8,135

Governmental funds report capital outlays as expenditures, and capital asset retirements as inflows. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount which capital outlays exceeded capital asset retirements in the current period. \$ 834,781

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. \$ (99,272)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes Not Collected	\$ 9,614
Less Prior Year	7,184
	<hr/>
	\$ 2,430

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the amount of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal Payments	
Loan Issuance	-
	<hr/>
	\$ -

Changes in Net Position of Governmental Activities \$2,142,492

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF UHLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

The City follows Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless they conflict with Government Accounting Standards Board (GASB) pronouncements.

**Financial Reporting Entity**

The City of Uhlend, Texas (the City) was incorporated in 1985, under the provisions of the State of Texas. The City operates under a General Law Charter. A Mayor and five Council members are elected by voters for the City, at large, for four-year terms.

The City Council is the principal legislative and administrative body of the City. Subject to confirmation of the City Council, the Mayor has the power to appoint all boards, commissions, agencies, and officers provided for the charter or by ordinance. The Mayor is the presiding officer of the City Council.

The City provides the following services: public works, solid waste collection and disposal (contract), community services, and general government.

The City is an independent political subdivision of the State of Texas governed by an elected Council and a Mayor and is considered a primary government. As required by generally accepted accounting principles. These basic financial statements have been prepared based on consideration regarding the potential for inclusion of other entities, organization, or functions as part of the City's financial reporting entity. As the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting City are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting City status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**A. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and any component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from legally separate *component units* for which the primary government is financially accountable.

**CITY OF UHLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**B. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the inter-fund services.

*Component Units* are separate legal entities that meet the component unit criteria. Currently, the Uhland Economic Development Corporation meets the criteria and is discretely presented within the government-wide financial statements of the City. The Uhland Economic Development Corporation was formed 10/28/2008 by resolution of the City Council. By special election dated August 12, 2000, the Citizens of the City of Uhland, Texas approved adoption of a one half of one percent sales tax pursuant to Section 4B of the Development Corporation Act of 1979.

**C. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds. The emphasis of fund financial statement is on the major governmental is presented.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services, and trash and refuse collections. Expenditures include general government, public safety, public works, trash and refuse collection services, and community services. The intent of the governing body for trash and refuse collections, is that the cost (expense including depreciation) of providing goods or services for the general public on a continuing basis will be financed or recovered primarily through user charges.

Additionally, the City reports the following fund type:

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from /to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e. the governmental and internal serve funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, the amounts are reported at gross amounts as transfer in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**CITY OF UHLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirement imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days yearend). All other revenue items are considered to be measurable and available only when cash is received by the City.

**E. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the general fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents. All cash amounts are secured by the FDIC.

**F. Investments**

Although the City does not currently have any pooled investments. City policy requires that it comply with GASB Statement No. 31. Accounting on Reporting for Certain Investments and External Investment Pools when excess funds for investment into pools are available. The City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs.

**CITY OF UHLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**F. Investments (Continued)**

Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, are authorized to invest in the following:

- Direct obligations of the U.S. Government for U.S. Government agencies
- Fully collateralized certificates of deposit
- Money market mutual funds that meet certain criteria
- Banker's acceptance
- Statewide investment pools

**G. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures / expenses when consumed rather than when purchased.

**H. Accounts Receivable**

The City has a history of mediocre collectability in the governmental fund. The City's allowance for doubtful accounts are those amounts exceeding 60 days past due. The City does not recognize an allowance for non-collectable ad valorem taxes.

**I. Restricted Assets**

When applicable, certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their uses are limited by applicable bond covenants or contractual agreements. Restricted assets of governmental fund are restricted by bond covenants for repayment of debt and finance construction projects.

**J. Capital Assets**

Capital assets, which include property, plant equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the governmental activities column of the government-wide financial statement. In accordance with GASB Statement No.34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are completed and placed in service. Interest costs incurred in connection with construction of government fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Property, Plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:



**CITY OF UHLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

<b>Asset Description</b>	<b>Estimated Useful Life</b>
Building and improvements	40 years
Equipment	5-7 years
Infrastructure	50 years

**K. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometime report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represent an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, *unavailable revenue*, are reported only in the governmental funds, balance sheet. The governmental funds report unavailable revenues from property taxes, court fines and warrants, and refuse. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**L. Compensated Employee Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Amounts accumulated, up to certain amounts set by Council, may be paid to employees upon termination of employment.

Upon retirement from the City, an employee will receive compensation for unused sick leave hours up to the approved maximum hours. The estimated amount of compensation for services provided that is expended to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidate with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

**M. Long-Term Obligation**

The City has no long-term debt.

**N. Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

**CITY OF UHLAND, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2022**

**O. Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of the unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**P. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Non-spendable fund balance represents amounts that cannot be spent because they are either in non-spendable form (such as inventory or prepaid insurance) or are legally required to be maintained intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance represents amounts that are constrained by external parties, constitutional provisions, or by enabling legislation.

The committed fund balance classification includes amount that can be used only for the specific purposes determined by formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balances. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriation in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The City strives to maintain a minimum unassigned fund balance in the general fund between 90 and 100 days of current year operating expenditures.

**Q. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make estimates and assumption that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures / expenses during the reporting period. Actual results could differ from those estimates.

**R. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, series or privileges provided by a given function or segment and 2) grants, and contributions (including special assessments) that are restricted to meeting the operation or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes and other internally dedicated resources are reported as general revenues rather than as program revenues.

**CITY OF UHLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**S. Property Taxes**

Property taxes are levied during October of each year and are due upon receipt of the City’s tax bill. Taxes become delinquent, with an enforceable lien on property on February 1 of the following year.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget, as defined by the charter, is at the department level for funds. Appropriations lapse at the end of the year, excluding capital project budgets. There were no supplemental budgets appropriations may be made for the year ended September 30, 2022.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

As of September 30, 2022, the City had the following cash and investments:

	<u>Balance</u> <u>September 30, 2022</u>	<u>Insured</u>	<u>Collateralized</u>	<u>Balance</u> <u>Uncollateralized</u>
General Fund - Cash	\$ 1,079,424	\$ 500,000	\$ 579,424	\$ -
General Fund-Invest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,079,424</u>	<u>\$ 500,000</u>	<u>\$ 579,424</u>	<u>\$ -</u>

*Interest rate risk* – In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

*Custodial credit risk deposits* – In the case of deposits, this is the risk that the City’s deposits may not be returned in the event of a bank failure. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of September 30, 2022, fair market values of pledged securities and FDIC coverage exceed bank balances.

**CITY OF UHLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

*Custodial credit risk investments* – For an investment, this is the risk that the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of counterpart. The City’s investment policy requires that it will seek to safe keep securities at financial institutions, avoiding physical possession. Further, all trades where applicable shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody / safekeeping agent.

**NOTE 4 – CAPITAL ASSETS**

A summary of changes in capital assets for the year end is as follows:

Primary Government	Balance		Balance	
	Sept. 30, 2021	Additions	Deletions	Sept. 30, 2022
Land	\$ 36,000	\$ -	\$ -	\$ 36,000
Buildings	260,000	-	-	260,000
Improvements	410,550	834,781	-	1,245,331
Heavy Equipment	202,820	-	-	202,820
Parks	18,345	-	-	18,345
Furniture & Fixtures	57,444	-	-	57,444
Accumulated Depreciation	(238,963)	(99,272)	-	(338,235)
<b>Total</b>	<b>\$ 746,196</b>	<b>\$ 735,509</b>	<b>\$ -</b>	<b>\$ 1,481,705</b>

**NOTE 5 – RECEIVABLES**

Amounts are aggregated into single account receivable (net of allowance for uncollectable) line for certain funds and aggregated columns. Below is the detail of receivables for the general fund, and the enterprise fund, including the applicable allowances for uncollectible accounts:

	<b>Governmental Activities</b>
Accounts Receivable	106,228

Property taxes are collected and remitted to the city by the Hays and Caldwell County Tax Assessor-Collector. The Hays and Caldwell County Appraisal District appraises property values for the City. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Code. Current taxes become delinquent on February 1 following the tax year. The City’s Ad Valorem Tax Rate for 2022 was \$0.1751 per \$100.00 assessed valuation. The adjusted original tax roll was \$215,436 on total taxable assessed value of \$123,035,979.

Property taxes as of September 30, 2022, are as follows:

Current Taxes Receivable \$2,072, Delinquent Taxes Receivable 7,542 Total \$9,614.

**CITY OF UHLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022**

**NOTE 6 – LONG-TERM OBLIGATIONS**

The City has not long-term debt.

**NOTE 7 – TRANSFERS**

The general fund did not have any transfers.

**NOTE 8 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors, and omissions; and natural disasters for which the City participates along with over 2,600 other entities in the Texas Municipal League’s Intergovernmental Risk Pools (the “Pool”). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

**NOTE 9 – CONTINGENT LIABILITIES**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is not a defendant in any lawsuits.

**NOTE 10 – OTHER**

**A. Contracts**

The City did not have any significant contracts at September 30, 2022.

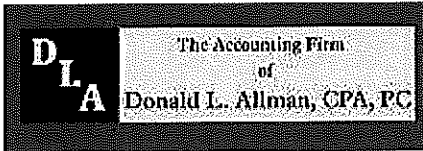
**B. Subsequent Events and Related Party Transactions**

There are no reportable subsequent events as of the report date. There were no significant related party transactions during the fiscal year.

**REQUIRED SUPPLEMENTARY SCHEDULES**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BUDGET AND ACTUAL – GOVERNMENTAL FUND  
For the Year Ended September 30, 2022**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenue</b>				
Property Taxes	\$ 423,139	\$ 423,139	\$ 213,006	\$ (210,133)
Franchise Taxes	113,724	113,724	55,693	(58,031)
Sales Taxes	1,067,000	1,067,000	932,805	(134,195)
Code Permits & Enforcement	2,145,350	2,145,350	1,472,338	(673,012)
Interest Earnings	500	500	15,770	15,270
Community Center	-	-	-	-
Solid Waste Service	655,000	655,000	207,698	(447,302)
Grant income			1,100,380	
Other	1,850	1,850	-	(1,850)
<b>Total Revenues</b>	<b>\$ 4,406,563</b>	<b>\$ 4,406,563</b>	<b>\$ 3,997,690</b>	<b>\$ (1,509,253)</b>
<b>Expenditures:</b>				
Electric	\$ -	\$ -	\$ 5,811	\$ 5,811
Mayor & Council expenditures	17,900	17,900	-	(17,900)
Trash	264,000	264,000	190,743	(73,257)
Internet Service (IP Telephone)	-	-	-	-
Payroll Expenses	515,091	515,091	362,852	(152,239)
TML Insurance Package	47,221	47,221	48,780	1,559
Contract Labor	272,000	272,000	334,135	62,135
Reparis & Maintenance	-	-	-	-
Professional Fees	153,500	153,500	118,706	(34,794)
police Department	90,800	90,800	-	(90,800)
Street Repair	2,528,000	2,528,000	42,249	(2,485,751)
Community Center	-	-	6,195	6,195
Office supplies and expenses	10,700	10,700	27,319	16,619
Permits	-	-	-	-
Misc Expenses	250,544	250,544	331,216	80,672
EDC Portion of Sales Tax	342,393	342,393	298,485	(43,908)
Capital outlay	500,000	500,000	834,781	334,781
Transfer to Savings	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 4,992,149</b>	<b>\$ 4,992,149</b>	<b>\$ 2,601,272</b>	<b>\$ (2,390,877)</b>
<b>Excess (Deficiency) of Revneues</b>				
<b>Over (Under) Expenditures</b>	<b>\$ (585,586)</b>	<b>\$ (585,586)</b>	<b>\$ 1,396,418</b>	<b>\$ 881,624</b>
<b>Net Changes in Fund Balances</b>	<b>\$ (585,586)</b>	<b>\$ (585,586)</b>	<b>\$ 1,396,418</b>	
<b>Fund Balances - Beginning</b>	<b>\$ 2,132,576</b>	<b>\$ 2,132,576</b>	<b>\$ 2,132,576</b>	
<b>(GAAP Basis)</b>				
<b>Fund Balances - Ending</b>	<b>\$ 2,132,576</b>	<b>\$ 2,132,576</b>	<b>\$ 3,528,994</b>	



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**CERTIFIED PUBLIC ACCOUNTANT**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Mayor & City Council  
City of Umland, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Umland, Texas, as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the City of Umland, Texas' basic financial statements, and have issued our report thereon dated July 27, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Umland, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Umland, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Umland, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Umland, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Donald L. Allman, CPA, PC  
Georgetown, TX  
July 27, 2023