

CITY OF WALLIS, TEXAS
Financial Statements
With Report of Independent Auditor
For the Year Ended September 30, 2021

City of Wallis, Texas
For the Year Ended September 30, 2021

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CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Wallis, Texas

Report on the Financial Statements

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Wallis, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Wallis, Texas's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wallis, Texas, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9, the Texas Municipal Retirement System ("TMRS") schedule of changes in net pension liability (asset) and related ratios on page 45, the TMRS schedule of contributions on page 46, and the schedule of changes in total OPEB liability and related ratios on page 47, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wallis, Texas' basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

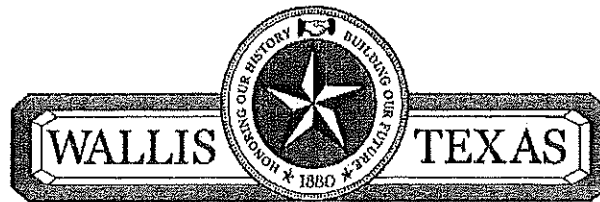
procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2023 on our consideration of City of Wallis, Texas's 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 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 City of Wallis, Texas's internal control over financial reporting and compliance.

Brenham, Texas
December 7, 2023

Seidel Schneider



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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Wallis, we offer readers of the City of Wallis' financial statements this narrative overview and analysis of the financial activities of the City of Wallis for the fiscal year ended September 30, 2021. Please read it in conjunction with the independent auditors' report and the City's basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Wallis exceeded its liabilities and deferred inflows of resources at the close the most recent fiscal year by \$7,468,438 (*net position*). Of this amount, \$519,725 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$1,688,430.
- The City's governmental funds reported ending fund balances of \$585,242, which was a decrease of \$118,644 from the prior year.
- The City's proprietary fund reported net position of \$2,598,181, which was an increase of \$34,355 from the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental funds, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For the proprietary fund, the financial statements tell how goods or services of

the City were sold to customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins with the government-wide financial statements. Their primary purpose is to show whether the City is better off as a result of the year's activities. The Statement of Net Position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, 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 regardless of when cash is received or paid.

The Statement of Net Position and the Statement of Activities report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we report the activities of the City as follows:

- Governmental activities - Most of the City's basic services are reported here. Property and sales taxes and state and federal grants finance most of these activities.
- Business-type activities - The City charges a fee to "customers" to help cover all or most of the cost of services it provides for water, sewer, and garbage services.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. The City establishes funds to help control and manage money for particular purposes. The City's two types of funds, governmental and proprietary, use different accounting approaches.

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds

and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

- Proprietary funds - The City reports the activities for which it charges users in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The City's proprietary fund is included in the business-type activities reported in the government-wide statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Statement of Net Position (Table 1) and Changes in Net Position (Table 2) of the City's governmental and business-type activities.

Net position of the City's governmental activities increased by \$1,654,075. The increase in the governmental activities net position was primarily due to grant proceeds in the current year. Total assets increased by \$1,648,194 primarily due to the capital grant projects in progress in the current year.

Net position of the City's business-type activities increased by \$34,355. Total assets increased by \$207,694 primarily due to an increase in cash from grant proceeds. Total liabilities increased by \$174,596 primarily due to the unearned revenue related to the grant proceeds.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
ASSETS:						
Current and other assets	\$ 1,033,716	\$ 1,225,145	\$ 552,323	\$ 239,651	\$ 1,586,039	\$ 1,464,796
Capital assets, net	4,220,712	2,381,089	2,300,688	2,405,666	6,521,400	4,786,755
Total assets	5,254,428	3,606,234	2,853,011	2,645,317	8,107,439	6,251,551
Deferred Outflows related to pensions	39,336	27,213	11,257	1,819	50,593	29,032
Deferred Outflows related to OPEB	9,444	6,444	2,703	341	12,147	6,785
LIABILITIES:						
Long-term liabilities	33,610	44,922	-	15,657	33,610	60,579
Other liabilities	361,294	316,554	257,902	67,649	619,196	384,203
Total liabilities	394,904	361,476	257,902	83,306	652,806	444,782
Deferred Inflows related to pensions	38,047	62,233	10,888	310	48,935	62,543
deferred Inflows related to OPEB	-	-	-	35	-	35
NET ASSETS:						
Investment in capital assets						
net of related debt	4,187,102	2,371,063	2,300,688	2,395,640	6,487,790	4,766,703
Restricted	460,923	729,824	-	14,665	460,923	744,489
Unrestricted	222,232	115,295	297,493	153,521	519,725	268,816
Total net assets	<u>\$ 4,870,257</u>	<u>\$ 3,216,182</u>	<u>\$ 2,598,181</u>	<u>\$ 2,563,826</u>	<u>\$ 7,468,438</u>	<u>\$ 5,780,008</u>

Total revenues (excluding transfers) from governmental activities increased by \$1,704,845 primarily due to an increase in grant revenues. Total expenses from governmental activities decreased by \$154,501, primarily due to an increase in personnel expenses.

Total revenues (excluding transfers) from business-type activities decreased by \$262,467. The decrease in revenue was primarily due to an decrease in capital grant revenue. Total expenses from business-type activities increased by \$149,936. The increase in expense was primarily due to an increase in personnel expenses.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
REVENUES:						
Program revenues:						
Charges for service	\$ 6,737	\$ -	\$ 595,461	\$ 567,832	\$ 602,198	\$ 567,832
Fees and fines	406,840	288,044	-	-	406,840	288,044
Grants and contributions	1,915,009	374,987	21,392	309,000	1,936,401	683,987
General revenues:						
Property taxes	465,701	445,938	-	-	465,701	445,938
Sales, franchise and other taxes	200,651	180,612	-	-	200,651	180,612
Interest income	4,326	12,712	309	2,641	4,635	15,353
Gain (loss) on sale of assets	10,009	-	-	-	10,009	-
Other revenues	36,477	38,612	-	156	36,477	38,768
Total revenues	3,045,750	1,340,905	617,162	879,629	3,662,912	2,220,534
EXPENDITURES:						
General government	384,868	247,290	-	-	384,868	247,290
Public safety	643,705	844,172	-	-	643,705	844,172
Highway and streets	197,592	330,736	-	-	197,592	330,736
Culture and recreation	84,944	41,509	-	-	84,944	41,509
Interest and fees	-	1,903	-	-	-	1,903
Water and sewer	-	-	535,179	382,681	535,179	382,681
Sanitation	-	-	128,194	130,756	128,194	130,756
Total expenditures	1,311,109	1,465,610	663,373	513,437	1,974,482	1,979,047
Increase in net position before transfers	1,734,641	(124,705)	(46,211)	366,192	1,688,430	241,487
Transfers	(80,566)	83,885	80,566	(83,885)	-	-
Change in net position	1,654,075	(40,820)	34,355	282,307	1,688,430	241,487
BEGINNING NET POSITION	3,216,182	3,257,002	2,563,826	2,281,519	5,780,008	5,538,521
ENDING NET POSITION	\$ 4,870,257	\$ 3,216,182	\$ 2,598,181	\$ 2,563,826	\$ 7,468,438	\$ 5,780,008

THE CITY'S FUNDS

General Fund Budgetary Highlights

The City's Council annually adopts an operating budget. Total actual revenues were \$1,879,852 more than budgeted, primarily due to higher than anticipated grant revenue. Actual expenditures were over budget by \$1,749,914, primarily due to the increase in capital outlay in the current year.

In total, the actual net increase in fund balance was \$91,859 compared to a budgeted decrease of \$17,358 for 2021.

Capital Assets

As of September 30, 2021, the City had \$6,487,790 invested in capital assets.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 341,030	\$ 341,030	\$ 9,570	\$ 9,570	\$ 350,600	\$ 350,600
Construction in progress	1,967,978	189,643	12,225	-	1,980,203	189,643
Buildings and improvements	1,428,339	1,366,501	2,048	2,457	1,430,387	1,368,958
Infrastructure	294,645	315,378	-	-	294,645	315,378
Vehicles	104,366	105,006	-	2,684	104,366	107,690
Furniture and equipment	84,354	63,531	1,906	1,797	86,260	65,328
Machinery and equipment	-	-	32,881	27,299	32,881	27,299
Water and sewer system	-	-	2,242,058	2,361,859	2,242,058	2,361,859
	<u>\$ 4,220,712</u>	<u>\$ 2,381,089</u>	<u>\$ 2,300,688</u>	<u>\$ 2,405,666</u>	<u>\$ 6,521,400</u>	<u>\$ 4,786,755</u>

This year's major additions included:

Drainage improvements	\$ 1,698,929
Park improvements	208,630
2020 Dodge Durango	44,616
Tractor and boom mower	42,012

Debt

At year-end, the City had \$33,610 of outstanding debt. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Notes payable	\$ 33,610	\$ 10,026	\$ -	\$ 10,026	\$ 33,610	\$ 20,052
Total	<u>\$ 33,610</u>	<u>\$ 10,026</u>	<u>\$ -</u>	<u>\$ 10,026</u>	<u>\$ 33,610</u>	<u>\$ 20,052</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at the City of Wallis, Texas, at 6810 Guyler, Building B, Wallis, Texas 77485.

**City of Wallis, Texas
Statement of Net Position
September 30, 2021**

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	City of Wallis Development Corporation	Wallis Cultural Education Facilities Financing Corporation	Wallis Education Facilities Financing Corporation
Assets						
Cash and equivalents	\$ 503,529	\$ 137,539	\$ 641,068	\$ -	\$ -	\$ -
Receivables, net of allowance for uncollectibles	162,694	76,458	239,152	-	-	-
Internal balances	(251,006)	251,006	-	-	-	-
Due from primary government	-	-	-	17,935	-	-
Net pension asset	114,163	32,670	146,833	-	-	-
Restricted assets:						
Cash	504,336	54,650	558,986	317,036	-	-
Capital assets:						
Non-depreciable	2,309,008	21,795	2,330,803	37,062	-	-
Depreciable, net	1,911,704	2,278,893	4,190,597	-	-	-
Total assets	5,254,428	2,853,011	8,107,439	372,033	-	-
Deferred Outflows of Resources						
Deferred amounts related to pensions	39,336	11,257	50,593	-	-	-
Deferred amounts related to OPEB	9,444	2,703	12,147	-	-	-
Liabilities						
Accounts payable	147,649	20,565	168,214	-	-	-
Accrued expenses	135,368	4,281	139,649	-	-	-
Unearned revenue	-	161,433	161,433	-	-	-
Due to component unit	17,935	-	17,935	-	-	-
Customer deposits	-	56,239	56,239	-	-	-
Liability for compensated absences:						
Due in more than one year	21,507	4,270	25,777	-	-	-
Total OPEB liability	38,835	11,114	49,949	-	-	-
Notes payable:						
Due within one year	7,998	-	7,998	-	-	-
Due in more than one year	25,612	-	25,612	-	-	-
Total liabilities	394,904	257,902	652,806	-	-	-
Deferred Inflows of Resources						
Deferred amounts related to pensions	38,047	10,888	48,935	-	-	-
Net Position						
Net investment in capital assets	4,187,102	2,300,688	6,487,790	37,062	-	-
Restricted for:						
Park	419,907	-	419,907	-	-	-
Restricted for security and technology	41,016	-	41,016	-	-	-
Economic development	-	-	-	334,971	-	-
Unrestricted	222,232	297,493	519,725	-	-	-
Total net position	\$ 4,870,257	\$ 2,598,181	\$ 7,468,438	\$ 372,033	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

City of Wallis, Texas
Statement of Activities
For the Year Ended September 30, 2021

Program Activities	Program Revenues					Net (Expenses) Revenues and Changes in Net Position			
	Primary Government					Component Units			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	City of Wallis Development Corporation	Wallis Cultural Education Facilities Financing Corporation
Primary government:									
Governmental activities:									
General government	\$ 384,868	\$ 15,867	\$ -	\$ -	\$ (369,001)	\$ -	\$ (369,001)	\$ -	\$ -
Public safety	643,705	390,973	162,245	1,752,764	1,662,277	-	1,662,277	-	-
Highways and streets	197,592	-	-	-	(197,592)	-	(197,592)	-	-
Culture and recreation	84,944	6,737	-	-	(78,207)	-	(78,207)	-	-
Total governmental activities	1,311,109	413,577	162,245	1,752,764	1,017,477	-	1,017,477	-	-
Business-type activities:									
Water and Sewer	535,179	430,136	-	21,392	-	(83,651)	(83,651)	-	-
Sanitation	128,194	165,325	-	-	-	37,131	37,131	-	-
Total business-type activities	663,373	595,461	-	21,392	-	(46,520)	(46,520)	-	-
Total primary government	\$ 1,974,483	\$ 1,009,038	\$ 162,245	\$ 1,774,156	\$ 1,017,477	(46,520)	970,957	-	-
Component units:									
City of Wallis Development Corporation	56,325	-	-	-	-	-	-	(56,325)	-
Wallis Cultural Education Facility Financing Corporation	10,000	-	-	-	-	-	-	(10,000)	-
	66,325	-	-	-	-	-	-	(66,325)	(10,000)
General revenues:									
Taxes:									
Property taxes					465,701	-	465,701	-	-
Sales taxes					147,922	-	147,922	73,961	-
Franchise taxes					51,472	-	51,472	-	-
Mixed beverage taxes					1,257	-	1,257	-	-
Investment earnings					4,326	309	4,635	1,103	-
Other revenue					20,377	-	20,377	159	-
Gain on sales of capital assets					10,009	-	10,009	74,154	-
Contributions from component unit					16,100	-	16,100	-	-
Transfers					(80,566)	80,566	-	-	-
Total general revenues and transfers					636,598	80,875	717,473	149,377	10,000
Change in net position					1,654,075	34,355	1,688,430	93,052	-
Net position, beginning of year					3,216,182	2,563,826	5,780,008	278,981	-
Net position at end of year					\$ 4,870,257	\$ 2,598,181	\$ 7,468,438	\$ 372,033	\$ -

General revenues:

Taxes:

Property taxes

Sales taxes

Franchise taxes

Mixed beverage taxes

Investment earnings

Other revenue

Gain on sales of capital assets

Contributions from component unit

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position at end of year

The notes to the financial statements are an integral part of this statement.

**City of Wallis, Texas
Balance Sheet
Governmental Funds
September 30, 2021**

	General	Special Revenue City Park Fund	Non- Major- Security & Technology	Total Governmental Funds
Assets				
Cash	\$ 503,529	\$ -	\$ -	\$ 503,529
Receivables, net of allowance for uncollectibles	162,694	-	-	162,694
Restricted assets:				
Restricted cash	-	463,320	41,016	504,336
Total assets	\$ 666,223	\$ 463,320	\$ 41,016	\$ 1,170,559
Liabilities, deferred inflows of resources, and fund balances				
Liabilities:				
Accounts payable	\$ 120,119	\$ 27,530	\$ -	\$ 147,649
Accrued expenses	134,933	435	-	135,368
Due to other funds	235,558	15,448	-	251,006
Due to component units	17,935	-	-	17,935
Total liabilities	508,545	43,413	-	551,958
Deferred Inflows of Resources				
Unavailable revenue - taxes	33,359	-	-	33,359
Fund Balances				
Restricted for:				
Unassigned (deficit) reported in:				
Restricted for city park	-	419,907	-	419,907
Restricted for security and technology	-	-	41,016	41,016
Unassigned	124,319	-	-	124,319
Total fund balances	124,319	419,907	41,016	585,242
Total liabilities, deferred inflows of resources, and fund balances	\$ 666,223	\$ 463,320	\$ 41,016	\$ 1,170,559

The notes to the financial statements are an integral part of this statement.

City of Wallis, Texas
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2021

Fund balances - total governmental funds	\$	585,242
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds:

Governmental capital assets	\$	5,465,972	
Less accumulated depreciation		(1,245,260)	4,220,712

Deferred tax revenues reported in the governmental funds are recognized as revenues for the governmental activities.		33,359
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Long-term liabilities are not due and payable in the current year and
therefore are not reported in the governmental funds.

Notes Payable	\$	(33,610)	
Compensated absences		(21,507)	(55,117)

Deferred outflows are not receivable and net pension liabilities, deferred inflows and total OPEB liabilities are not payable in the current period and, therefore, are not reported in the governmental funds.		86,061
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Net position of governmental activities	\$	4,870,257
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The notes to the financial statements are an integral part of this statements.

City of Wallis, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2021

	General	Special Revenue City Park Fund	Non- Major- Security & Technology	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 466,060	\$ -	\$ -	\$ 466,060
Sales	147,922	-	-	147,922
Franchise	51,472	-	-	51,472
Mixed beverage	1,257	-	-	1,257
Licenses and permits	15,867	-	-	15,867
Grant revenue	1,995,575	-	-	1,995,575
Fines	347,728	-	43,245	390,973
Property rentals	6,737	-	-	6,737
Investment income	1,485	2,717	124	4,326
Other revenues	15,827	4,550	-	20,377
Total revenues	3,049,930	7,267	43,369	3,100,566
Expenditures:				
Current:				
General government	337,199	-	5,736	342,935
Public safety	618,232	-	-	618,232
Highways and streets	181,444	-	-	181,444
Culture and recreation	-	34,059	-	34,059
Capital outlay	1,790,323	199,337	22,007	2,011,667
Debt service:				
Principal	10,026	-	-	10,026
Total expenditures	2,937,224	233,396	27,743	3,198,363
Excess (deficiency) of revenues over (under) expenditures	112,706	(226,129)	15,626	(97,797)
Other financing sources (uses):				
Proceeds from sales of capital assets	10,009	-	-	10,009
Proceeds from long-term debt	33,610	-	-	33,610
Contributions from component unit	16,100	-	-	16,100
Transfers out	(80,566)	-	-	(80,566)
Total other financing sources (uses)	(20,847)	-	-	(20,847)
Net change in fund balances	91,859	(226,129)	15,626	(118,644)
Fund balances, beginning	32,460	646,036	25,390	703,886
Fund balances at end of year	\$ 124,319	\$ 419,907	\$ 41,016	\$ 585,242

The notes to the financial statements are an integral part of this statement.

City of Wallis, 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, 2021

Net changes in fund balances - total governmental funds \$ (118,644)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Expenditures for capital assets	\$	2,011,667	
Depreciation of capital assets		(172,044)	1,839,623

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(23,584)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences	\$	4,381	
Pension expense		34,164	
OPEB expense		(940)	37,605

Some revenues in the fund statements are not reported as revenues in the Statement of Activities.

(80,925)

Change in net position of governmental activities		\$ 1,654,075
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The notes to the financial statements are an integral part of this statement.

City of Wallis, Texas
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Over (Under)
Revenues:				
Taxes:				
Property	\$ 473,239	\$ 473,239	\$ 466,060	\$ (7,179)
Sales	151,085	151,085	147,922	(3,163)
Franchise	51,000	51,000	51,472	472
Mixed beverage	1,150	1,150	1,257	107
Licenses and permits	28,000	28,000	15,867	(12,133)
Grant revenue	84,430	84,430	1,995,575	1,911,145
Fines	347,800	347,800	347,728	(72)
Property rentals	7,274	7,274	6,737	(537)
Investment income	6,100	6,100	1,485	(4,615)
Other revenues	20,000	20,000	15,827	(4,173)
Total revenues	<u>1,170,078</u>	<u>1,170,078</u>	<u>3,049,930</u>	<u>1,879,852</u>
Expenditures:				
Current:				
General government	335,259	335,259	337,199	1,940
Public safety	651,157	651,157	618,232	(32,925)
Highways and streets	202,920	202,920	181,444	(21,476)
Capital outlay	8,000	8,000	1,790,323	1,782,323
Debt service:				
Principal	-	-	10,026	10,026
Total debt service	<u>-</u>	<u>-</u>	<u>10,026</u>	<u>10,026</u>
Total expenditures	<u>1,197,336</u>	<u>1,197,336</u>	<u>2,937,224</u>	<u>1,749,914</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(27,258)</u>	<u>(27,258)</u>	<u>112,706</u>	<u>139,964</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	3,800	3,800	10,009	6,209
Proceeds from long-term debt	-	-	33,610	33,610
Contributions from component unit	6,100	6,100	16,100	10,000
Transfers out	-	-	(80,566)	(80,566)
Total other financing sources (uses)	<u>9,900</u>	<u>9,900</u>	<u>(20,847)</u>	<u>(30,747)</u>
Net change in fund balances	<u>(17,358)</u>	<u>(17,358)</u>	<u>91,859</u>	<u>109,217</u>
Fund balance, beginning	<u>32,460</u>	<u>32,460</u>	<u>32,460</u>	<u>-</u>
Fund balance, ending	<u>\$ 15,102</u>	<u>\$ 15,102</u>	<u>\$ 124,319</u>	<u>\$ 109,217</u>

The notes to the financial statements are an integral part of this statement.

City of Wallis, Texas
Statement of Net Position
Proprietary Funds
September 30, 2021

	Enterprise Fund
Assets	
Current assets:	
Cash and equivalents	\$ 137,539
Accounts receivable, net of allowance for uncollectibles	76,458
Due from other funds	251,006
Restricted cash and cash equivalents	54,650
Total current assets	<u>519,653</u>
Non-Current assets:	
Net pension asset	32,670
Land	9,570
Buildings and other improvements	1,489,496
Distribution and collection systems	3,464,170
Equipment	323,055
Construction in progress	12,225
	<u>5,298,516</u>
Less: accumulated depreciation	<u>(2,997,828)</u>
Capital assets, net of accumulated depreciation	<u>2,300,688</u>
Total non-current assets	<u>2,333,358</u>
Total assets	<u>\$ 2,853,011</u>
Deferred outflows of resources	
Deferred outflows related to pensions	11,257
Deferred outflows related to OPEB	2,703
Liabilities	
Current liabilities:	
Accounts payable	\$ 20,565
Accrued expenses	4,281
Unearned revenue	161,433
Customer deposits payable	56,239
Total current liabilities	<u>242,518</u>
Long-term liabilities:	
Liability for compensated absences	4,270
Total OPEB liability	11,114
Total long-term liabilities	<u>15,384</u>
Total liabilities	<u>257,902</u>
Deferred inflows of resources.	
Deferred inflows related to pensions	10,888
Net Position	
Net investment in capital assets	2,300,688
Unrestricted	297,493
Total net position	<u>\$ 2,598,181</u>

The notes to the financial statements are an integral part of this statement.

City of Wallis, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2021

	Enterprise Fund
Operating revenues:	
Charges for sales and services:	
Water sales	\$ 229,232
Sewer services	179,722
Garbage collection fees	165,325
Tap and reconnect fees	10,075
Penalties	11,107
Total operating revenues	<u>595,461</u>
Operating expenses:	
Personnel costs	222,357
Purchased sanitation services	128,194
Purchased professional and technical services	26,337
Maintenance	67,965
Supplies and fuel	26,800
Utilities	42,595
Other operating expenses	14,104
Depreciation	135,021
Total operating expenses	<u>663,373</u>
Operating income (loss)	<u>(67,912)</u>
Nonoperating revenues (expenses):	
Grant proceeds	21,392
Interest income	309
Total nonoperating revenues (expense)	<u>21,701</u>
Income (loss) before transfers	(46,211)
Transfers in	80,566
Total other financing sources (uses)	<u>80,566</u>
Change in net position	34,355
Net position, beginning of year	<u>2,563,826</u>
Net position, end of the year	<u><u>\$ 2,598,181</u></u>

The notes to the financial statements are an integral part of this statement.

City of Wallis, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021

	Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 593,992
Cash payments to suppliers for goods and services	(469,083)
Cash payments to employees for services	(229,231)
Net cash provided by (used in) operating activities	<u>(104,322)</u>
Cash flows from non-capital financing activities:	
Transfers in	80,566
Net cash provided by (used in) non-capital financing activities	<u>80,566</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(30,042)
Capital grants	182,825
Principal payments	(10,026)
Net cash provided by (used in) capital and related financing activities	<u>142,757</u>
Cash flows from investing activities:	
Interest on cash and investments	<u>309</u>
Net increase in cash and equivalents	119,310
Cash and equivalents, beginning of year	<u>72,879</u>
Cash and equivalents, end of year	<u><u>\$ 192,189</u></u>
Reconciliation of cash and equivalents:	
Unrestricted cash and equivalents	\$ 137,539
Restricted cash and investments	54,650
Total cash and equivalents	<u><u>\$ 192,189</u></u>

The notes to the financial statements are an integral part of this statement.

City of Wallis, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021

	<u>Enterprise Fund</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ (67,912)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation and amortization	135,021
Increase (decrease) in cash resulting from changes in assets and liabilities:	
Accounts receivable	(9,642)
Due from other funds	(171,305)
Prepays	1,774
Deferred outflows related to pensions	(9,438)
Net pension asset	(14,189)
Accounts payable	6,443
Customer deposits	8,173
Net OPEB liability	5,483
Liability for compensated absences	3,089
Deferred outflows related to OPEB	(2,362)
Deferred inflows related to pensions	10,578
Deferred inflows related to OPEB	(35)
Net cash provided by (used in) operating activities	<u>\$ (104,322)</u>

The notes to the financial statements are an integral part of this statement.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

B. Basis of Presentation

Government-wide financial statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The effect of interfund activity, other than interfund services provided and used within the governmental and business-type activities, has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (General Government, Public Safety, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; grants and contributions that are restricted to meeting the operational requirements of a particular function or segment; and grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Fund financial statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Governmental Funds

General Fund

The General Fund is the primary operating fund of the city and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

City Park Fund

The City Park Fund is classified as a major fund and is used to account for the resources from a trust gift of approximately 50 acres in real property and improvements.

Other Governmental Funds

Other Governmental Funds is a summation of all of the non-major governmental funds.

Proprietary Funds

Enterprise Fund

This fund is used to account for the operations of the City's utility systems, which include water, sewer, and sanitation services.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item "b" below.

In the fund financial statements, the "*current financial resources*" measurement focus or the "*economic resources*" measurement focus is used as appropriate:

- a. All governmental funds utilize a "*current financial resources*" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

- b. The proprietary funds utilize an *"economic resources"* measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when *"measurable and available"*. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property, sales, gross receipt tax revenues, and private reimbursement of governmental funds are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines, contributions and miscellaneous revenues are recorded when received in cash, as these revenues are not measurable and available until cash is received. Investment income is recorded as earned since it is measurable and available. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used. Operating revenues and expenses for proprietary funds include activities related to providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. Revenues and expenses that do not meet this definition are reported as non-operating revenues and expenses.

D. Budgets

Annual appropriated budgets are adopted for the general fund and proprietary funds. The budgets for all funds are prepared and adopted on a basis consistent with generally accepted accounting principles, which is the same basis of accounting used for financial reporting in these financial statements. Budgets are adopted by passage of a budget ordinance. All annual budget appropriations lapse at fiscal year-end.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Encumbrance accounting is a system under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. The City does not employ encumbrance accounting as it feels its current system is adequate to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

E. Cash and Investments

For the purpose of the Statement of Net Position and the Statement of Cash Flows, "Cash and cash equivalents" consists of cash on hand, amounts in demand deposit accounts and interest-bearing checking accounts, as well as certificates of deposits and investments with maturities of three months or less.

F. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds," respectively, on the fund financial statements. Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

G. Restricted Assets

Amounts in governmental funds which are legally identified for specific purposes either by City ordinance or contractual obligation are reflected as restricted assets. When both restricted and unrestricted resources are available for use, it is the government's policy to use the restricted resources first, then unrestricted resources as they are needed.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds.

The City defines capital assets as assets with an estimated useful life greater than one year or more for land, machinery or equipment, buildings or improvements other than buildings. All capital assets are valued at historical cost or estimated historical cost if the actual historical cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Interest incurred during construction is not capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Infrastructure assets (such as roads, bridges, curbs and gutters, streets and sidewalks, and drainage systems) purchased before October 1, 2003, have not been capitalized and are excluded from capital assets of governmental activities.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation over the following estimated useful lives:

Buildings	40 years
Infrastructure	30-40 years
Improvements other than buildings	20 years
Machinery and equipment	3-10 years

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures of the governmental fund at the time of acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

I. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the City and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the City and its employees are accounted for in the period in which such services are rendered or in which such events take place.

In the governmental fund financial statements, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. Therefore, a liability for these amounts is recognized only if they have matured, for example, as a result of employee resignations and retirements. In the government-wide and proprietary fund financial statements, compensated absences are accrued as incurred.

J. Long-term Obligations

The accounting treatment for long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the governmental activities column of the government-wide Statement of Net Position. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

K. Fund Equity

Government-wide statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund statements

Proprietary fund equity is classified the same as in the government-wide statements.

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, and/or unassigned.

Classification of fund balances

The *nonspendable* fund balance includes the portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include supplies inventories and prepaid items, long-term advances to other funds net of deferred interest revenue, long-term receivable net of deferred interest revenue, nonfinancial assets held for resale, and unrealized change in the fair value of investments.

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, and contributors), laws and regulations of other governments, or through enabling legislation. The enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation. The City's revenue generated through enabling legislation includes municipal court fees.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Council actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials to assign amounts to be used for specific purposes, but are neither restricted nor committed. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions. The assigned fund balance is only reported in the General Fund.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes.

Spending Prioritization in Using Available Resources

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

L. Interfund Transfers

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions in expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used and reimbursements, are reported as transfers.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Other Post-employment Benefits

The City participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Note 2. Legal Compliance - Budgets

In June of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. The City Administrator has ultimate responsibility for the budget and formulates the budget goals for the City under the direction of the City Council. The budget is prepared by fund, department, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

In compliance with the state's uniform budget law, the City Administrator files the proposed budget with the City Secretary and City Council before the 30th day prior to the date the City adopts its tax levy for the fiscal year. Once filed, the proposed budget is available for inspection by the public. The City is required to hold a public hearing on the proposed budget not less than 15 days after the budget is filed with the City Secretary and prior to the date the Council makes the tax levy. The City publishes notice of the public hearing in the official newspaper not more than 30 days and not less than 10 days before the hearing. Once the hearing is concluded and before adopting the proposed budget, the Council may make any changes it considers warranted by law or in the best interest of the taxpayers. The annual operating budget is then adopted through passage of an annual budget ordinance. Upon approval by the Council, the annual budget document becomes a matter of public record which is available for use and inspection by all interested persons and organizations. It is filed with the City Secretary.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

The legal level of budgetary control is the department. Therefore, expenditures may not legally exceed budget appropriations at the department level.

Expenditures/Expenses in Excess of Appropriations

General fund expenditures/expenses exceeded appropriations at the legal level of budgetary control by \$1,782,323 for capital outlay and \$10,026 for long-term debt principal.

Note 3. Deposits and Investments

Custodial credit risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government's deposits may not be returned to it. The City has a depository policy for custodial risk incorporated into its depository contracts. Of the bank and certificates of deposit balances, \$500,000 was covered by federal depository insurance and \$1,778,991 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Note 4. Restricted Assets

At September 30, 2021, restrictions on cash and investments were as follows:

	Governmental Funds	Proprietary Funds	Wallis Economic Development Corporation
<u>Cash and Investments</u>			
Restricted for:			
City park	\$ 463,320	\$ -	\$ -
Building security and technology	41,016	-	-
Economic development	-	-	317,036
Utility deposits	-	54,650	-
	<u>\$ 504,336</u>	<u>\$ 54,650</u>	<u>\$ 317,036</u>

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 5. Receivables

Receivables at September 30, 2021, consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Receivables:		
Taxes:		
Property	\$ 44,282	\$ -
Sales	44,838	-
Accounts	-	84,878
Grants	82,447	-
Less:		
Allowance for uncollectibles	(8,873)	(8,420)
Net total receivables	<u>\$ 162,694</u>	<u>\$ 76,458</u>

Property taxes attach as an enforceable lien on property as of February 1. Taxes are levied on October 1 and are payable by January 31. After which time they become delinquent, and penalties and interest may be assessed by the City.

Note 6. Capital Assets

Capital asset activity during the year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 341,030	\$ -	\$ -	\$ 341,030
Construction in Progress	189,643	1,778,335	-	1,967,978
Total capital assets not being depreciated	530,673	1,778,335	-	2,309,008
Capital assets being depreciated				
Buildings and improvements	1,740,346	129,224	-	1,869,570
Infrastructure	549,870	-	-	549,870
Vehicles	347,619	48,439	55,160	340,898
Furniture and Equipment	344,331	55,669	3,374	396,626
Total at historical cost	2,982,166	233,332	58,534	3,156,964
Less accumulated depreciation	1,131,750	172,044	58,534	1,245,260
Total capital assets being depreciated, net	1,850,416	61,288	-	1,911,704
Governmental activities capital assets, net	<u>\$ 2,381,089</u>	<u>\$ 1,839,623</u>	<u>\$ -</u>	<u>\$ 4,220,712</u>

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Business-type activities</u>				
Capital assets not being depreciated				
Land	\$ 9,570	\$ -	\$ -	9,570
Construction in progress	-	12,225	-	12,225
Total capital assets not being depreciated	9,570	12,225	-	21,795
Capital assets being depreciated				
Buildings and improvements	11,973	-	-	11,973
Furniture and Equipment	25,434	1,698	-	27,131
Machinery and equipment	215,117	16,121	13,223	218,015
Vehicles	73,877	-	-	73,877
Water and Sewer System	4,945,725	-	-	4,945,725
Total at historical cost	5,272,126	17,819	13,223	5,276,721
Less accumulated depreciation	2,876,030	135,021	13,223	2,997,828
Total capital assets being depreciated, net	2,396,096	(117,202)	-	2,278,893
Business-type activities capital assets, net	\$ 2,405,666	\$ (104,977)	\$ -	\$ 2,300,688

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>City of Wallis Development Corporation</u>				
Capital assets not being depreciated				
Land	\$ 58,982	\$ -	\$ 21,920	\$ 37,062
Total capital assets not being depreciated	58,982	-	21,920	37,062
City of Wallis Development Corporation capital assets, net	\$ 58,982	\$ -	\$ 21,920	\$ 37,062

Depreciation expense was charged as direct expense to programs of the primary government as follows:

General government	\$ 50,516
Streets	20,733
Public Safety	49,079
Culture and recreation	51,715
Business-type	135,021
	<u>\$ 307,065</u>

Note 7. 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; injuries to employees; and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool for its insurance and pays a quarterly premium to the Pool. The Pool is intended to be self-sustaining through member premiums and reinsures through commercial companies for excessive claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

requires 13 quarterly payments of \$1,925 beginning in February 2022. The total liability has been recorded in the general fund as of September 30, 2021.

Note 12.

Pension Plans

A. Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contribution, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Plan provisions for the City were as follows:

	Plan Year	
	2019	2020
Employee Deposit Rate	6%	6%
Matching Ratio (City to Employee)	1 to 1	1 to 1
A member is vested after	10 years	10 years
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/10, 0/20
Updated Service Credit	100% repeating, transfers	100% repeating, transfers
Annuity Increase (to retirees)	0% of CPI repeating	0% of CPI repeating

Employees covered by benefit terms.

At the December 31, 2020 evaluation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	20
Active employees	16
	43

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The required contribution rates for the City were 2.40% and 2.27% in calendar years 2020 and 2021, respectively. The city's contributions to TMRS for the year ended September 30, 2021, were \$42,868, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Actuarial assumptions:

The Total Pension Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% including inflation
Investment rate of return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%.

For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, and 100% for employers with 11 to 15 members and 110% for employers with less than 100 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%). The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2019, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018, first used in the December 31, 2019 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method.

Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability/Asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability/Asset.

Changes in the Net Pension Liability/(Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2019	\$ 1,215,823	\$ 1,350,614	\$ (134,791)
Changes for the year:			
Service Cost	63,233	-	63,233
Interest	81,216	-	81,216
Difference between expected and actual experience	29,913	-	29,913
Contributions - employer	-	41,307	(41,307)
Contributions - employee	-	42,677	(42,677)
Net investment income	-	103,109	(103,109)
Benefit payments, including refunds of employee contributions	(88,478)	(88,478)	-
Administrative expense	-	(663)	663
Other charges	-	(26)	26
Net changes	85,884	97,926	(12,042)
Balance at 12/31/2020	\$ 1,301,707	\$ 1,448,540	\$ (146,833)

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Sensitivity of the net position liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5.75%) or 1 percentage-point higher (7.75%) than the current rate.

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability/(asset)	\$ 7,827	\$ (146,833)	\$ (275,386)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense/(benefit) of (\$2,877).

At September 30, 2021, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 19,875	\$ 3,262
Changes in actuarial assumptions	-	5,963
Difference between projected and actual investment earnings	-	39,710
Contributions subsequent to the measurement date	30,718	-
Total	<u>\$ 50,593</u>	<u>\$ 48,935</u>

An amount of \$30,718 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Year ended December 31:	
2021	\$ (9,644)
2022	5,868
2023	(22,897)
2024	(2,387)
Total	<u>\$ (29,060)</u>

Note 13. Other Post-Employment Benefits (OPEB)

A. Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System ("TMRS") known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

B. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or "OPEB".

Employees covered by benefit terms.

At October 1, 2020, the effective date of the most recent OPEB valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>16</u>
	24

C. Contributions and Actuarial Information

The City contributes to the SBDF as a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year, the intent is to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust as defined by paragraph 4 of GASB Statement No. 75.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

The total supplemental death benefit ("SDB") contribution rates were 0.02% and 0.21% for calendar years 2020 and 2021, respectively. The City's contributions for the year ended September 30, 2021 were \$1,516 and were equal to the required contributions.

D. Total OPEB Liability

The City's total OPEB liability of \$49,949 was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2019.

Actuarial Assumptions

The total OPEB in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions as of the December 31, 2020 measurement date:

Inflation	2.5% per year
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	2.00%

Salary increases were based on a service-related table. Mortality rates for service retirees are based on the 2019 Municipal Retirees of Texas Mortality Tables. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set forward for males and a 3-year set-forward for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2019 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2014 through December 31, 2018. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2019	\$ 40,527
Changes for the year:	
Service Cost	1,565
Interest	1,134
Difference between expected and actual experience	63
Changes of assumptions	6,802
Benefit payments, including refunds of employee contributions	(142)
Net changes	<u>9,422</u>
Balance at 12/31/2020	<u>\$ 49,949</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's total OPEB liability	\$ 61,594	\$ 49,949	\$ 41,129

E. Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$5,542. At September 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 249	\$ -
Changes in actuarial assumptions	10,822	-
Contributions subsequent to the measurement date	1,076	-
Total	<u>\$ 12,147</u>	<u>\$ -</u>

Amounts reported as deferred outflows and inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Year ended December 31:		
2021	\$	2,444
2022		2,444
2023		2,209
2024		2,299
2025		1,675
Total	\$	<u>11,071</u>

Note 14. Conduit Debt

Wallis Cultural Education Facilities Finance Corporation (WCEFFC) and Wallis Education Facilities Finance Corporation (WEFFC) have issued tax-exempt revenue bonds or term loan agreements on behalf of various other entities in the form of conduit debt. WCEFFC and WEFFC have no obligation for the debt which is considered to be special and limited obligations payable solely from the revenues of the borrowers.

The following conduit debt has been issued:

Date of Issuance	Issuer	Issued on Behalf of	Amount of Original Issue
September 2008	WCEFFC	Crown of Life Lutheran Church of Colleyville, TX	\$2,420,000
January 2010	WCEFFC	The Young Men's Christian Association of Austin	\$7,500,000
April 2011	WEFFC	Franco American Educational Society d/b/a Saint Joseph Academy	\$5,350,000
December 2012	WEFFC	Covenant Christian School	\$2,000,000
July 2013	WCEFFC	Head Start of Greater Dallas, Inc.	\$1,890,000
October 2013	WEFFC	Manara Academy, Inc.	\$3,400,000
July 2014	WCEFFC	San Antonio Christian Schools	\$7,349,600
January 2015	WEFFC	Liberty Educational Ministries, Incorporated	\$10,000,000
December 2016	WEFFC	Hardin-Simmons University	\$10,000,000
April 2017	WEFFC	Goodwill Industries of Fort Worth	\$10,000,000
December 2018	WEFFC	Dallas International School	\$6,453,500
October 2019	WCEFFC	Austin Habitat for Humanity, Inc.	\$7,500,000
September 2020	WCEFFC	Headwaters School	\$7,250,000

Note 15. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, 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.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 16. Related Party Transactions

In 2021, the City paid \$41,653 to a council member's business for construction work.

Note 17. Subsequent Events

In October 2022, Council approved the purchase of limestone and fabric materials for park improvements in an amount up to \$20,000.

In November 2022, the EDC approved the purchase of land in the amount of \$30,000.

In January 2023, the City approved the purchase of smart water meters using the funds from the America Rescue Plan in the amount of \$298,615.

In December 2022, the City approved the purchase of zero turn lawnmowers in the amount of \$31,405. The City financed the purchase through a note with its depository over a four year term.

REQUIRED SUPPLEMENTARY INFORMATION

City of Wallis, Texas
Texas Municipal Retirement System
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Last 10 years
(unaudited)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service Cost	\$ 63,233	\$ 62,221	\$ 56,480	\$ 54,606	\$ 45,091	\$ 32,339	\$ 22,419
Interest (on the Total Pension Liability)	81,216	78,053	73,462	69,783	63,825	60,561	58,250
Difference between expected and actual experience	29,913	(4,921)	(4,061)	(21,706)	16,626	510	(2,789)
Change of assumptions	-	(12,111)	-	-	-	25,206	-
Benefit payments, including refunds of employee contributions	(88,478)	(65,307)	(56,167)	(42,043)	(42,043)	(47,149)	(52,491)
Net Change in Total Pension Liability	85,884	57,935	69,714	60,640	83,499	71,467	25,389
Total Pension Liability - Beginning	1,215,823	1,157,888	1,088,174	1,027,534	944,035	872,568	847,179
Total Pension Liability - Ending (a)	<u>\$ 1,301,707</u>	<u>\$ 1,215,823</u>	<u>\$ 1,157,888</u>	<u>\$ 1,088,174</u>	<u>\$ 1,027,534</u>	<u>\$ 944,035</u>	<u>\$ 872,568</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 41,307	\$ 39,420	\$ 35,477	\$ 34,689	\$ 28,725	\$ 21,659	\$ 19,501
Contributions - Employee	42,677	41,206	36,956	35,885	29,697	22,406	19,452
Net Investment Income	103,109	180,548	(35,585)	141,056	63,597	1,373	51,102
Benefit payments, including refunds of employee contributions	(88,478)	(65,307)	(56,167)	(42,043)	(42,043)	(47,149)	(52,491)
Administrative expense	(663)	(1,010)	(681)	(723)	(708)	(836)	(534)
Other	(26)	(30)	(36)	(37)	(38)	(41)	(44)
Net Change in Plan Fiduciary Net Position	97,926	194,827	(20,036)	168,827	79,230	(2,588)	36,986
Plan Fiduciary Net Position - Beginning	1,350,614	1,155,787	1,175,821	1,006,994	927,764	930,352	893,366
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,448,540</u>	<u>\$ 1,350,614</u>	<u>\$ 1,155,785</u>	<u>\$ 1,175,821</u>	<u>\$ 1,006,994</u>	<u>\$ 927,764</u>	<u>\$ 930,352</u>
Net Pension Liability - Ending (a) - (b)	\$ (146,833)	\$ (134,791)	\$ 2,103	\$ (87,647)	\$ 20,540	\$ 16,271	\$ (57,784)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.28%	111.09%	99.82%	108.05%	98.00%	98.28%	106.62%
Covered Employee Payroll	\$ 711,280	\$ 686,764	\$ 615,926	\$ 598,089	\$ 494,959	\$ 373,427	\$ 324,199
Net Pension Liability as a Percentage of Covered Employee Payroll	-20.64%	-19.63%	0.34%	-14.65%	4.15%	4.36%	-17.82%

Notes to Schedule:

GASB 68 requires 10 fiscal years of data to be provided in this schedule. As GASB 68 has been initially adopted for the 2014 plan year, historical data is presented beginning that year.

City of Wallis, Texas
Texas Municipal Retirement System
Schedule of Contributions
Last 10 years
(unaudited)

	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 16,807	\$ 16,417	\$ 18,529	\$ 17,665	\$ 15,875	\$ 11,827	\$ 12,285
Contributions in relation to the actuarially determined contributions	42,868	38,563	39,068	34,518	34,178	27,972	21,227
Contribution deficiency (excess)	(26,061)	(22,146)	(20,539)	(16,853)	(18,303)	(16,145)	(8,942)
Covered employee payroll	\$ 740,418	\$ 667,467	\$ 680,069	\$ 598,288	\$ 588,146	\$ 481,599	\$ 365,974
Contributions as a percentage of covered employee payroll	5.79%	5.78%	5.74%	5.77%	5.81%	5.81%	5.80%

Notes to Schedule:

Valuation date:

Notes

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

FEDERAL AWARDS

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 Honorable Mayor and
Members of the City Council
City of Wallis, Texas

We have audited 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wallis, Texas, (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's 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. We considered the deficiencies described in the accompanying schedule of findings and questioned costs as 2021-001, 2021-002, and 2021-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questions costs as 2021-004, and 2021-005 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 financial statements. 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*.

City of Wallis, Texas' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on City of Wallis, Texas' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Wallis, Texas' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Brenham, Texas
December 7, 2023

Seidel Schuster



CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Program

We have audited the City of Wallis, Texas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Wallis, Texas' major federal programs for the year ended September 30, 2021. The City of Wallis, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Wallis, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Wallis, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Wallis, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the City of Wallis, Texas is responsible for establishing and maintaining effective internal controls over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Wallis, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Wallis's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the

deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-006 to be a material weakness.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brenham, Texas
December 7, 2023

Seidel Schaefer

CITY OF WALLIS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2021

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Wallis, Texas were prepared in accordance with GAAP.
2. Material weaknesses and significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City of Wallis, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One material weakness in internal control over major federal award programs disclosed during the audit is reported in the Schedule of Findings and Questioned Costs.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) reported in this schedule.
7. The programs tested as major programs were:
 - U.S. Department of Housing and Urban Development ALN 14.228.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City did not qualify as a low-risk auditee.

FINDINGS- FINANCIAL STATEMENT AUDIT

2021-001 Segregation of duties - municipal court

Condition and Criteria: The Municipal Court Clerk posts all citations to the municipal court software, receives and records municipal court payments, prepares municipal court deposits, and prepares municipal court monthly fine reports and quarterly remittance reports for submission to the State of Texas. To mitigate risk, deposits are taken to the bank by a police officer, adjustments are reviewed by the municipal court judge, and the Finance Clerk prepares the remittance payment based on the quarterly remittance report and submits it to the State of Texas.

prevented, or detected and corrected on a timely basis.

Recommendation: We recommend that a complete capital asset listing be maintained and regularly updated.

Response: The recommended procedures will be implemented.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

Material Weakness

2021-006 Federal Award Policies and Procedures

Condition and Criteria: The City does not have written policies, procedures, and standards of conduct for federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 20, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) Subparts D- Post Federal Award Requirements and E-Cost Principles. The Uniform Guidance requires the City to have written policies, procedures and standards of conduct for federal awards.

Cause: The City was unaware of a requirement to have written policies and procedures meeting these requirements.

Effect: The requirements of Subparts D-Post Federal Award Requirement sand E-Cost Principles may not be followed.

Recommendation: The City should establish written policies, procedures, and standards of conduct for federal awards in accordance with the Uniform Guidance.

Response: The City will establish procurement policies and procedures to include federal contract provisions and will establish and adopt written policies for federal awards.

CITY OF WALLIS, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2021

None

CITY OF WALLIS, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/20	FEDERAL/ STATE FUNDS RECEIVED	FY 21 FEDERAL/ STATE EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 09/30/21
Federal							
U.S. DEPARTMENT OF JUSTICE							
DJ Edward Byrne Memorial Enhanced patrol	16.738	3846701	\$ 37,085	\$ -	\$ (37,085)	\$ 37,085	\$ -
DJ Edward Byrne Memorial Criminal Investigator	16.738	3967001	55,091	-	(54,053)	54,053	-
Victims of Crime Advocate	16.575	3341104	38,341	-	(38,341)	38,341	-
			\$ 130,517	\$ -	\$ (129,479)	\$ 129,479	\$ -
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Texas Department of Agriculture							
Texas Community Development Block Grant Program-2016 Floods	14.228	19-076-039-B692	\$ 2,000,000	\$ -	\$ (1,715,679)	\$ 1,715,679	\$ -
Texas Community Development Block Grant Program-Harvey	14.228	20-065-035-C115	427,602	-	(26,601)	26,601	-
			\$ 2,427,602	\$ -	\$ (1,742,280)	\$ 1,742,280	\$ -
U.S. DEPARTMENT OF THE TREASURY							
Texas Division of Emergency Management							
COVID-19 Coronavirus Relief Fund	21.027		\$ 75,845	\$ (3,966)	\$ (60,676)	\$ 64,642	\$ -
Disaster Grants - State Public Assistance - 2020 Coronavirus Relief Fund							
COVID-19 Coronavirus State & Local Fiscal Recovery Fund	21.027		\$ 161,433	\$ -	\$ (161,433)	\$ -	\$ (161,433)
Disaster Grants - State Public Assistance - 2021 CLFRF							
U.S. DEPARTMENT OF HOMELAND SECURITY							
Texas Division of Emergency Management							
Disaster Grants-Public Assistance	97.036	PA-06-TX-4269-PW-00544	\$ 104,114	\$ -	\$ (80,566)	\$ 80,566	\$ -
Disaster Grants-Public Assistance - DR 4272 - Severe Storms and Flooding							
Total Federal			\$ 2,899,511	\$ (3,966)	\$ (2,174,434)	\$ 2,016,967	\$ (161,433)
TOTAL FEDERAL AND STATE CASH AWARDS			\$ 2,899,511	\$ (3,966)	\$ (2,174,434)	\$ 2,016,967	\$ (161,433)

CITY OF WALLIS, TEXAS
Notes to the Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the City and is presented on the modified accrual basis of accounting.

Note 2: Indirect Cost Rate

The City of Wallis has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.