

CITY OF WALLIS, TEXAS
Financial Statements
With Report of Independent Auditor
For the Year Ended September 30, 2023

City of Wallis, Texas
For the Year Ended September 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinions

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 the City of Wallis, Texas, (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion section, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wallis, Texas, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Special Revenue City Park Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions

Management has not disclosed the outstanding principal balances of conduit debt obligations as required by Governmental Accounting Standards Board Statement No. 91, *Conduit Debt Obligations*. Accounting principles generally accepted in the United States of America require that the outstanding balance of conduit debt obligations be disclosed in the notes to the financial statements. The failure to disclose such information does not affect the assets, liabilities, fund balances, net position, revenues or expenses/ expenditures of the City of Wallis, Texas.

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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


Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, the Texas Municipal Retirement System ("TMRS") schedule of changes in net pension liability (asset) and related ratios on page 47, the TMRS schedule of contributions on page 48, and the schedule of changes in total OPEB liability and related ratios on page 49, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2024 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
November 20, 2024



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, 2023. 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 \$7,961,371 (*net position*). Of this amount, \$548,554 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position decreased by \$2,763.
- The City's governmental funds reported ending fund balances of \$591,640, which was a decrease of \$90,413 from the prior year.
- The City's proprietary fund reported net position of \$3,135,344, which was an increase of \$236,610 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 decreased by \$239,373. Total assets decreased by \$410,153 primarily due to a decrease in cash.

Net position of the City's business-type activities increased by \$236,610. Total assets decreased by \$336,871 primarily due to a decrease in grants receivable. Total liabilities decreased by \$532,361 primarily due to a decrease in accounts payable and unearned revenue related to grant projects.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
ASSETS:						
Current and other assets	\$ 882,620	\$ 1,223,550	\$ 463,615	\$ 1,035,788	\$ 1,346,235	\$ 2,259,338
Capital assets, net	4,344,676	4,413,899	2,848,437	2,613,135	7,193,113	7,027,034
Total assets	5,227,296	5,637,449	3,312,052	3,648,923	8,539,348	9,286,372
Deferred Outflows related to pensions	112,600	34,171	30,283	9,827	142,883	43,998
Deferred Outflows related to OBEP	5,687	8,385	1,270	2,412	6,957	10,797
LIABILITIES:						
Long-term liabilities	186,821	118,004	12,201	12,026	199,022	130,030
Other liabilities	324,067	414,048	194,124	726,660	518,191	1,140,708
Total liabilities	510,888	532,052	206,325	738,686	717,213	1,270,738
Deferred Inflows related to pensions	-	80,219	-	23,071	-	103,290
Deferred Inflows related to OPEB	8,668	2,334	1,936	671	10,604	3,005
NET POSITION:						
Net investment in capital assets	4,103,840	4,250,982	2,824,385	2,588,650	6,928,225	6,839,632
Restricted	484,592	467,021	-	-	484,592	467,021
Unrestricted	237,595	347,397	310,959	310,084	548,554	657,481
Total net position	<u>\$ 4,826,027</u>	<u>\$ 5,065,400</u>	<u>\$ 3,135,344</u>	<u>\$ 2,898,734</u>	<u>\$ 7,961,371</u>	<u>\$ 7,964,134</u>

Total revenues (excluding transfers) from governmental activities decreased by \$239,142 primarily due to a decrease in grant revenue. Total expenses from governmental activities increased by \$150,348, primarily due to an increase in personnel expenses.

Total revenues (excluding transfers) from business-type activities decreased by \$54,641. The decrease in revenue was primarily due to a decrease in grant revenue. Total expenses from business-type activities increased by \$54,328. The increase in expense was primarily due to an increase in personnel expenses.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
REVENUES:						
Program revenues:						
Charges for service	\$ 7,460	\$ 7,554	\$ 618,858	\$ 621,019	\$ 626,318	\$ 628,573
Fees and fines	377,711	356,686	-	-	377,711	356,686
Grants and contributions	138,457	499,767	395,820	454,792	534,277	954,559
General revenues:						
Property taxes	539,441	497,780	-	-	539,441	497,780
Sales, franchise and other taxes	224,382	221,870	-	-	224,382	221,870
Interest income	54,660	12,422	3,489	709	58,149	13,131
Gain (loss) on sale of assets	7,371	-	-	(3,712)	7,371	(3,712)
Other revenues	36,018	28,563	-	-	36,018	28,563
Total revenues	1,385,500	1,624,642	1,018,167	1,072,808	2,403,667	2,697,450
EXPENDITURES:						
General government	452,473	403,011	-	-	452,473	403,011
Public safety	807,026	686,893	-	-	807,026	686,893
Highway and streets	252,940	292,523	-	-	252,940	292,523
Culture and recreation	101,203	88,916	-	-	101,203	88,916
Interest and fees	11,231	3,182	-	-	11,231	3,182
Water and sewer	-	-	648,013	597,083	648,013	597,083
Sanitation	-	-	133,544	130,146	133,544	130,146
Total expenditures	1,624,873	1,474,525	781,557	727,229	2,406,430	2,201,754
Increase in net position before transfers	(239,373)	150,117	236,610	345,579	(2,763)	495,696
Transfers	-	45,026	-	(45,026)	-	-
Change in net position	(239,373)	195,143	236,610	300,553	(2,763)	495,696
BEGINNING NET POSITION	5,065,400	4,870,257	2,898,734	2,598,181	7,964,134	7,468,438
ENDING NET POSITION	\$ 4,826,027	\$ 5,065,400	\$ 3,135,344	\$ 2,898,734	\$ 7,961,371	\$ 7,964,134

THE CITY'S FUNDS

General Fund Budgetary Highlights

The City's Council annually adopts an operating budget. Total actual revenues were \$3,110,078 less than budgeted, primarily due to less grant revenue than expected. Actual expenditures were under budget by \$2,882,866. Capital outlay was under budget by \$3,120,006 due to less projects funded by grant revenue ongoing during the year.

In total, the actual net decrease in fund balance was \$107,984 compared to a budgeted increase of \$1,863 for 2023.

Capital Assets

As of September 30, 2023, the City had \$7,193,113 invested in capital assets.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 341,030	\$ 341,030	\$ 9,570	\$ 9,570	\$ 350,600	\$ 350,600
Construction in progress	227,900	194,900	185,332	185,332	413,232	380,232
Buildings and improvements	1,353,429	1,429,976	1,230	1,639	1,354,659	1,431,615
Infrastructure	2,087,801	2,173,286	-	-	2,087,801	2,173,286
Vehicles	50,776	72,682	-	-	50,776	72,682
Furniture and equipment	85,147	64,720	1,009	1,389	86,156	66,109
Machinery and equipment	-	-	12,107	21,825	12,107	21,825
Water and sewer system	-	-	2,627,543	2,368,895	2,627,543	2,368,895
Lease right-to-use assets	198,593	137,305	11,646	24,485	210,239	161,790
	<u>\$ 4,344,676</u>	<u>\$ 4,413,899</u>	<u>\$ 2,848,437</u>	<u>\$ 2,613,135</u>	<u>\$ 7,193,113</u>	<u>\$ 7,027,034</u>

This year's major additions included:

Vehicles	\$ 153,314
Sewer upgrades	81,021
Water meter project	309,636

Debt

At year-end, the City had \$44,148 of outstanding debt. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

	Governmental Activities		Total	
	2023	2022	2023	2022
Notes payable	\$ 44,148	\$ 25,612	\$ 44,148	\$ 25,612
Total	<u>\$ 44,148</u>	<u>\$ 25,612</u>	<u>\$ 44,148</u>	<u>\$ 25,612</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, 2023

	Primary Government			Component Units		
	Governmental	Business-Type	Total	City of Wallis	Wallis Cultural Education Facilities Financing Corporation	Wallis Education Facilities Financing Corporation
	Activities	Activities		Development Corporation		
Assets						
Cash and equivalents	\$ 336,693	\$ 132,627	\$ 469,320	\$ -	\$ -	\$ -
Receivables, net of allowance for uncollectibles	88,923	80,907	169,830	-	-	-
Grants receivable	19,983	71,155	91,138	-	-	-
Internal balances	(108,062)	108,062	-	-	-	-
Due from primary government	-	-	-	20,774	-	-
Net pension asset	44,536	11,978	56,514	-	-	-
Restricted assets:						
Cash	500,547	58,886	559,433	291,223	-	-
Capital assets:						
Non-depreciable	568,930	194,902	763,832	67,062	-	-
Depreciable and right-to-use, net	3,775,746	2,653,535	6,429,281	-	-	-
Total assets	5,227,296	3,312,052	8,539,348	379,059	-	-
Deferred Outflows of Resources						
Deferred amounts related to pensions	112,600	30,283	142,883	-	-	-
Deferred amounts related to OPEB	5,687	1,270	6,957	-	-	-
Total deferred outflows of resources	118,287	31,553	149,840	-	-	-
Liabilities						
Accounts payable	82,321	108,240	190,561	1,100	-	-
Accrued expenses	115,163	7,899	123,062	-	-	-
Unearned revenue	156	-	156	-	-	-
Due to component unit	20,774	-	20,774	-	-	-
Customer deposits	-	61,299	61,299	-	-	-
Liability for compensated absences:						
Due within one year	3,573	-	3,573	-	-	-
Due in more than one year	13,783	9,203	22,986	-	-	-
Total OPEB liability	34,282	7,658	41,940	-	-	-
Lease liability:						
Due within one year	51,915	9,028	60,943	-	-	-
Due in more than one year	144,773	2,998	147,771	-	-	-
Note payable:						
Due within one year	15,883	-	15,883	6,000	-	-
Due in more than one year	28,265	-	28,265	12,000	-	-
Total liabilities	510,888	206,325	717,213	19,100	-	-
Deferred Inflows of Resources						
Deferred amounts related to OPEB	8,668	1,936	10,604	-	-	-
Net Position						
Net investment in capital assets	4,103,840	2,824,385	6,928,225	67,062	-	-
Restricted for:						
Park	401,517	-	401,517	-	-	-
Security and technology	83,075	-	83,075	-	-	-
Economic development	-	-	-	292,897	-	-
Unrestricted	237,595	310,959	548,554	-	-	-
Total net position	\$ 4,826,027	\$ 3,135,344	\$ 7,961,371	\$ 359,959	\$ -	\$ -

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, 2023

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position						
					Primary Government			Component Units			
			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	Wallis Education Facilities Financing Corporation
Program Activities	Expenses										
Primary government:											
Governmental activities:											
General government	\$ 452,473	\$ 31,288	\$ -	\$ -	\$ (421,185)	\$ -	\$ (421,185)	\$ -	\$ -	\$ -	
Public safety	807,026	346,423	74,123	7,734	(378,746)	-	(378,746)	-	-	-	
Highways and streets	252,940	-	10,500	40,000	(202,440)	-	(202,440)	-	-	-	
Culture and recreation	101,203	7,460	6,100	-	(87,643)	-	(87,643)	-	-	-	
Interest on long-term debt	11,231	-	-	-	(11,231)	-	(11,231)	-	-	-	
Total governmental activities	1,624,873	385,171	90,723	47,734	(1,101,245)	-	(1,101,245)	-	-	-	
Business-type activities:											
Water and Sewer	648,013	455,506	17,563	378,257	-	203,313	203,313	-	-	-	
Sanitation	133,544	163,352	-	-	-	29,808	29,808	-	-	-	
Total business-type activities	781,557	618,858	17,563	378,257	-	233,121	233,121	-	-	-	
Total primary government	\$ 2,406,430	\$ 1,004,029	\$ 108,286	\$ 425,991	(1,101,245)	233,121	(868,124)	-	-	-	
Component units:											
City of Wallis Development Corporation	85,009	-	-	-				(85,009)	-	-	
Wallis Cultural Education Facility Financing Corporation	-	-	-	-				-	-	-	
	85,009	-	-	-				(85,009)	-	-	
General revenues:											
Taxes:											
Property taxes					539,441	-	539,441	-	-	-	
Sales taxes					170,840	-	170,840	85,420	-	-	
Franchise taxes					51,785	-	51,785	-	-	-	
Mixed beverage taxes					1,757	-	1,757	-	-	-	
Investment earnings					54,660	3,489	58,149	1,257	-	-	
Other revenue					36,018	-	36,018	9	-	-	
Gain (loss) on sales of capital assets					7,371	-	7,371	-	-	-	
Total general revenues and transfers					861,872	3,489	865,361	86,686	-	-	
Change in net position					(239,373)	236,610	(2,763)	1,677	-	-	
Net position, beginning of year					5,065,400	2,898,734	7,964,134	358,282	-	-	
Net position at end of year					\$ 4,826,027	\$ 3,135,344	\$ 7,961,371	\$ 359,959	\$ -	\$ -	

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

City of Wallis, Texas
Balance Sheet
Governmental Funds
September 30, 2023

	General	Special Revenue City Park Fund	Non- Major- Security & Technology	Total Governmental Funds
Assets				
Cash	\$ 336,693	\$ -	\$ -	\$ 336,693
Receivables, net of allowance for uncollectibles	88,923	-	-	88,923
Grant receivables	19,983	-	-	19,983
Due from other funds	15,598	-	-	15,598
Restricted assets:				
Restricted cash	-	417,472	83,075	500,547
Total assets	<u>\$ 461,197</u>	<u>\$ 417,472</u>	<u>\$ 83,075</u>	<u>\$ 961,744</u>
Liabilities, deferred inflows of resources, and fund balances				
Liabilities:				
Accounts payable	\$ 81,964	\$ 357	\$ -	\$ 82,321
Accrued expenses	115,163	-	-	115,163
Due to other funds	108,062	15,598	-	123,660
Due to component units	20,774	-	-	20,774
Total liabilities	<u>325,963</u>	<u>15,955</u>	<u>-</u>	<u>341,918</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	<u>28,186</u>	<u>-</u>	<u>-</u>	<u>28,186</u>
Fund Balances				
Restricted:				
Restricted for city park	-	401,517	-	401,517
Restricted for security and technology	-	-	83,075	83,075
Unassigned	<u>107,048</u>	<u>-</u>	<u>-</u>	<u>107,048</u>
Total fund balances	<u>107,048</u>	<u>401,517</u>	<u>83,075</u>	<u>591,640</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 461,197</u>	<u>\$ 417,472</u>	<u>\$ 83,075</u>	<u>\$ 961,744</u>

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, 2023

Fund balances - total governmental funds	\$ 591,640
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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	\$	5,774,612	
Less accumulated depreciation		(1,628,529)	4,146,083

Leased assets and liabilities are not current financial resources	1,905
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Deferred tax revenues reported in the governmental funds are recognized as revenues for the governmental activities.	28,030
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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	\$	(44,148)	
Compensated absences		(17,356)	(61,504)

Deferred outflows and net pension assets are not receivable, and deferred inflows and total OPEB liabilities are not payable in the current period and, therefore, are not reported in the governmental funds.	119,873
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Net position of governmental activities	\$ 4,826,027
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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, 2023

	General	Special Revenue City Park Fund	Non- Major- Security & Technology	Total Governmental Funds
Revenues:				
Taxes:				
Property	\$ 536,509	\$ -	\$ -	\$ 536,509
Sales	170,840	-	-	170,840
Franchise	51,785	-	-	51,785
Mixed beverage	1,757	-	-	1,757
Licenses and permits	31,288	-	-	31,288
Grant revenue	132,357	-	-	132,357
Fines	310,236	-	36,187	346,423
Property rentals	7,460	-	-	7,460
Investment income	31,136	19,998	3,526	54,660
Payment from component unit	6,100	-	-	6,100
Other revenues	18,581	17,437	-	36,018
Total revenues	<u>1,298,049</u>	<u>37,435</u>	<u>39,713</u>	<u>1,375,197</u>
Expenditures:				
Current:				
General government	405,462	-	12,359	417,821
Public safety	728,125	-	-	728,125
Highways and streets	166,823	-	-	166,823
Culture and recreation	-	39,718	-	39,718
Capital outlay	178,814	-	7,500	186,314
Debt service:				
Principal	68,763	-	-	68,763
Interest and fiscal charges	11,231	-	-	11,231
Total expenditures	<u>1,559,218</u>	<u>39,718</u>	<u>19,859</u>	<u>1,618,795</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(261,169)</u>	<u>(2,283)</u>	<u>19,854</u>	<u>(243,598)</u>
Other financing sources (uses):				
Proceeds from note	31,405	-	-	31,405
Proceeds from sales of capital assets	7,371	-	-	7,371
Proceeds from leases	114,409	-	-	114,409
Total other financing sources (uses)	<u>153,185</u>	<u>-</u>	<u>-</u>	<u>153,185</u>
Net change in fund balances	<u>(107,984)</u>	<u>(2,283)</u>	<u>19,854</u>	<u>(90,413)</u>
Fund balances, beginning	<u>215,032</u>	<u>403,800</u>	<u>63,221</u>	<u>682,053</u>
Fund balances at end of year	<u>\$ 107,048</u>	<u>\$ 401,517</u>	<u>\$ 83,075</u>	<u>\$ 591,640</u>

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, 2023

Net changes in fund balances - total governmental funds	\$	(90,413)
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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 are depreciated and amortized over their estimated useful lives:

Expenditures for capital assets	\$	186,314	
Depreciation and amortization expense		(255,537)	(69,223)

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.

(77,051)

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	\$	(1,075)	
Pension expense		(1,001)	
OPEB expense		(3,541)	(5,617)

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

2,931

Change in net position of governmental activities	\$	(239,373)
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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, 2023

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	to Budget	Budget	Final Budget
			Basis	Basis	Basis	Over (Under)
Revenues:						
Taxes:						
Property	\$ 547,281	\$ 547,281	\$ 536,509	\$ -	\$ 536,509	\$ (10,772)
Sales	168,000	168,000	170,840	-	170,840	2,840
Franchise	51,000	51,000	51,785	-	51,785	785
Mixed beverage	1,500	1,500	1,757	-	1,757	257
Licenses and permits	20,000	20,000	31,288	-	31,288	11,288
Grant revenue	3,206,433	3,206,433	132,357	-	132,357	(3,074,076)
Fines	375,500	375,500	310,236	-	310,236	(65,264)
Property rentals	7,100	7,100	7,460	-	7,460	360
Investment income	2,150	2,150	31,136	-	31,136	28,986
Payment from component unit	6,100	6,100	6,100	-	6,100	-
Other revenues	23,063	23,063	18,581	-	18,581	(4,482)
Total revenues	<u>4,408,127</u>	<u>4,408,127</u>	<u>1,298,049</u>	<u>-</u>	<u>1,298,049</u>	<u>(3,110,078)</u>
Expenditures:						
Current:						
General government	343,869	343,869	405,462	-	405,462	61,593
Public safety	687,062	687,062	728,125	-	728,125	41,063
Highways and streets	192,327	192,327	166,823	-	166,823	(25,504)
Capital outlay	3,153,006	3,153,006	178,814	(145,814)	33,000	(3,120,006)
Debt service:						
Principal	-	-	68,763	-	68,763	68,763
Interest	-	-	11,231	-	11,231	11,231
Total debt service	<u>-</u>	<u>-</u>	<u>79,994</u>	<u>-</u>	<u>79,994</u>	<u>79,994</u>
Total expenditures	<u>4,376,264</u>	<u>4,376,264</u>	<u>1,559,218</u>	<u>(145,814)</u>	<u>1,413,404</u>	<u>(2,882,866)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,863</u>	<u>31,863</u>	<u>(261,169)</u>	<u>145,814</u>	<u>(115,355)</u>	<u>(147,218)</u>
Other financing sources (uses):						
Proceeds from note	-	-	31,405	(31,405)	-	-
Proceeds from sale of capital assets	-	-	7,371	-	7,371	7,371
Proceeds from lease	-	-	114,409	(114,409)	-	-
Transfers out	(30,000)	(30,000)	-	-	-	30,000
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>153,185</u>	<u>(145,814)</u>	<u>7,371</u>	<u>37,371</u>
Net change in fund balances	<u>1,863</u>	<u>1,863</u>	<u>(107,984)</u>	<u>-</u>	<u>(107,984)</u>	<u>(109,847)</u>
Fund balance, beginning	<u>215,032</u>	<u>215,032</u>	<u>215,032</u>	<u>-</u>	<u>215,032</u>	<u>-</u>
Fund balance, ending	<u>\$ 216,895</u>	<u>\$ 216,895</u>	<u>\$ 107,048</u>	<u>\$ -</u>	<u>\$ 107,048</u>	<u>\$ (109,847)</u>

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

City of Wallis, Texas
Special Revenue City Park Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Over (Under)
Revenues:				
Investment income	\$ 2,000	\$ 2,000	\$ 19,998	\$ 17,998
Other revenues	-	-	17,437	17,437
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>37,435</u>	<u>35,435</u>
Expenditures:				
Current:				
Culture and recreation	5,607	5,607	39,718	34,111
Capital outlay	<u>400</u>	<u>400</u>	-	(400)
Total expenditures	<u>6,007</u>	<u>6,007</u>	<u>39,718</u>	<u>33,711</u>
Excess (deficiency) of revenues over (under) expenditures	(4,007)	(4,007)	(2,283)	1,724
Fund balance, beginning	<u>403,800</u>	<u>403,800</u>	<u>403,800</u>	-
Fund balance, ending	<u>\$ 399,793</u>	<u>\$ 399,793</u>	<u>\$ 401,517</u>	<u>\$ 1,724</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, 2023

	Enterprise Fund
Assets	
Current assets:	
Cash and equivalents	\$ 132,627
Accounts receivable, net of allowance for uncollectibles	80,907
Grants receivable	71,155
Due from other funds	108,062
Restricted cash and cash equivalents	58,886
Total current assets	<u>451,637</u>
Non-Current assets:	
Net pension asset	11,978
Capital assets:	
Land	9,570
Buildings and other improvements	1,489,496
Distribution and collection systems	4,098,124
Equipment	291,355
Right- to-use leased asset	37,323
Construction in progress	185,332
	<u>6,111,200</u>
Less: accumulated depreciation and amortization	<u>(3,262,763)</u>
Capital assets, net of accumulated depreciation and amortization	<u>2,848,437</u>
Total non-current assets	<u>2,860,415</u>
Total assets	<u>\$ 3,312,052</u>
Deferred outflows of resources	
Deferred outflows related to pensions	30,283
Deferred outflows related to OPEB	1,270
Total deferred outflows of resources	<u>31,553</u>
Liabilities	
Current liabilities:	
Accounts payable	108,240
Accrued expenses	7,899
Customer deposits payable	61,299
Lease liability, current	9,028
Total current liabilities	<u>186,466</u>
Long-term liabilities:	
Lease liability, long-term	2,998
Liability for compensated absences	9,203
Total OPEB liability	7,658
Total long-term liabilities	<u>19,859</u>
Total liabilities	<u>206,325</u>
Deferred inflows of resources	
Deferred inflows related to OPEB	<u>1,936</u>
Net Position	
Net investment in capital assets	2,836,411
Unrestricted	298,933
Total net position	<u><u>\$ 3,135,344</u></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, 2023

	Enterprise Fund
Operating revenues:	
Charges for sales and services:	
Water sales	\$ 240,041
Sewer services	193,557
Garbage collection fees	163,352
Tap and reconnect fees	10,500
Penalties	11,408
	<hr/>
Total operating revenues	618,858
	<hr/>
Operating expenses:	
Personnel costs	262,650
Purchased sanitation services	133,544
Purchased professional and technical services	30,303
Maintenance	111,041
Supplies and fuel	32,775
Utilities	49,861
Other operating expenses	5,410
Depreciation and amortization	155,355
	<hr/>
Total operating expenses	780,939
	<hr/>
Operating income (loss)	(162,081)
	<hr/>
Nonoperating revenues (expenses):	
Grant proceeds	395,820
Interest income	3,489
Interest expense	(618)
	<hr/>
Total nonoperating revenues (expense)	398,691
	<hr/>
Change in net position	236,610
Net position, beginning of year	2,898,734
	<hr/>
Net position, end of the year	\$ 3,135,344
	<hr/> <hr/>

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, 2023

	Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 619,446
Cash payments to suppliers for goods and services	(119,376)
Cash payments to employees for services	(254,569)
Net cash provided by operating activities	<u>245,501</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(543,102)
Grant proceeds	322,732
Repayment of leases	(13,473)
Net cash provided by (used in) capital and related financing activities	<u>(233,843)</u>
Cash flows from investing activities:	
Interest on cash and investments	<u>3,489</u>
Net increase in cash and equivalents	15,147
Cash and equivalents, beginning of year	<u>176,366</u>
Cash and equivalents, end of year	<u><u>\$ 191,513</u></u>
Reconciliation of cash and equivalents:	
Unrestricted cash and equivalents	\$ 132,627
Restricted cash and investments	58,886
Total cash and equivalents	<u><u>\$ 191,513</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, 2023

	Enterprise Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ (162,081)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation and amortization	155,355
Increase (decrease) in cash resulting from changes in assets and liabilities:	
Accounts receivable	(2,183)
Due from other funds	300,179
Deferred outflows related to pensions	(20,456)
Deferred outflows related to OPEB	1,142
Net pension asset	46,745
Accounts payable	(56,621)
Accrued liabilities	2,151
Customer deposits	2,771
Net OPEB liability	(3,783)
Liability for compensated absences	4,088
Deferred inflows related to pensions	(23,071)
Deferred inflows related to OPEB	1,265
Net cash provided by operating activities	<u>\$ 245,501</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, 2023

Note 1. Summary of Significant Accounting Policies

The financial statements of the City of Wallis, Texas (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

A. Reporting Entity

The City of Wallis, Texas (the City) was incorporated in 1973 under the provisions of the State of Texas. The City operates as a Council-Administrator government. With few exceptions, all powers of the City are vested in an elective Council, which enacts local legislation, adopts budgets, determines policies, and appoints the City Attorney and the Municipal Court Judge. The Council also appoints the City Administrator, who executes the laws and administers the government of the City. The City provides the following services to its citizens: public safety, street maintenance, solid waste collection and disposal, recreation programs, municipal court, community development, public improvements, water and sewer services, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Units

City of Wallis Development Corporation is a non-profit corporation created in 2000 under the Development Corporation Act of 1979. The Corporation receives one-half of one percent of local sales tax collected, which is used to promote economic development within the City. The Corporation is governed by a Board of Directors appointed by the City Council.

Wallis Education Facilities Finance Corporation and Wallis Cultural Education Facilities Finance Corporation are non-profit corporations created in 1999 and 2006, respectively, under the Cultural Education Facilities Finance Corporation Act of 1985 for the purpose of issuing bonds for private schools and other not-for-profit entities. Each corporation is governed by a Board of Directors appointed by the City Council.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2023

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.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2023

The funds of the financial reporting entity are described below:

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.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2023

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.
- 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.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2023

D. Budgets

Annual appropriated budgets are adopted for the general fund, city park, and proprietary funds. The budgets for all funds are prepared and adopted on a basis different from generally accepted accounting principles, in that lease and note proceeds are not included in the budget. Budgets are adopted by passage of a budget ordinance. All annual budget appropriations lapse at fiscal year-end.

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.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2023

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. 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.

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2023

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.

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

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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.

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

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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.

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.

O. Leases

Right-to-use assets and lease obligations are recognized upon lease commencement based on the present value of lease payments expected to be made during the remaining lease term. The incremental borrowing rate is used in determining the present value of lease payments unless an implicit rate is provided in the lease. Subsequent amortization of the right-to-use asset is recognized as lease expense on a straight-line basis over the lease term, and accretion of the lease liability is recognized as interest expense using the effective interest method.

Right-to-use assets and lease liabilities are not recognized for leases with an initial term of twelve months or less. For these leases, lease expense is recognized on a straight-line basis over the lease term.

P. Subscription-Based Information Technology Arrangements

Effective October 1, 2022 the City implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which required the recognition of certain subscription assets and liabilities for subscriptions that

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previously were classified as operating expenses and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. The adoption of GASB No. 96 had no impact on the City's net position and no restatement of net position was made.

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.

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 \$41,063 for public safety, \$61,593 for general government, and \$79,994 for debt service.

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

City of Wallis, Texas
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depository insurance and \$843,976 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, 2023, restrictions on cash and investments were as follows:

	Governmental Funds	Proprietary Funds	City of Wallis Development Corporation
Cash and Investments			
Restricted for:			
City park	\$ 417,472	\$ -	\$ -
Building security and technology	83,075	-	-
Economic development	-	-	291,223
Utility deposits	-	58,886	-
	<u>\$ 500,547</u>	<u>\$ 58,886</u>	<u>\$ 291,223</u>

Note 5. Receivables

Receivables at September 30, 2023, consist of the following:

	Governmental Funds	Proprietary Funds
Receivables:		
Taxes:		
Property	\$ 37,281	\$ -
Sales	49,116	-
Accounts	-	92,276
Other	9,982	-
Less:		
Allowance for uncollectibles	(7,456)	(11,369)
Net total receivables	<u>\$ 88,923</u>	<u>\$ 80,907</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.

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Note 6. Capital Assets

Capital asset activity during the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 341,030	\$ -	\$ -	\$ 341,030
Construction in Progress	194,900	33,000	-	227,900
Total capital assets not being depreciated	535,930	33,000	-	568,930
Capital assets being depreciated				
Buildings and improvements	1,949,622	-	-	1,949,622
Infrastructure	2,492,412	-	-	2,492,412
Vehicles	340,898	-	-	340,898
Furniture and Equipment	405,261	38,905	21,416	422,750
Total at historical cost	5,188,193	38,905	21,416	5,205,682
Less: accumulated depreciation for:				
Buildings and improvements	519,646	76,547	-	596,193
Infrastructure	319,126	85,485	-	404,611
Vehicles	268,216	21,906	-	290,122
Furniture and Equipment	340,541	18,478	21,416	337,603
Total accumulated depreciation	1,447,529	202,416	21,416	1,628,529
Total capital assets being depreciated, net	3,740,664	(163,511)	-	3,577,153
Lease right-to-use assets				
Equipment	6,595	-	6,595	-
Vehicles	156,062	114,409	-	270,471
Total lease right-to-use assets	162,657	114,409	6,595	270,471
Less accumulated amortization for				
Equipment	4,974	1,621	6,595	-
Vehicles	20,378	51,500	-	71,878
Total accumulated amortization	25,352	53,121	6,595	71,878
Lease right-to-use assets, net	137,305	61,288	-	198,593
Governmental activities capital assets, net	\$ 4,413,899	\$ (69,223)	\$ -	\$ 4,344,676

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Notes to Basic Financial Statements
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	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	185,332	-	-	185,332
Total capital assets not being depreciated	194,902	-	-	194,902
Capital assets being depreciated				
Buildings and improvements	11,973	-	-	11,973
Furniture and Equipment	27,130	-	-	27,130
Machinery and equipment	218,015	-	-	218,015
Vehicles	42,177	-	-	42,177
Water and Sewer System	5,189,023	390,657	-	5,579,680
Total at historical cost	5,488,318	390,657	-	5,878,975
Less: accumulated depreciation for:				
Buildings and improvements	10,334	409	-	10,743
Furniture and Equipment	25,742	379	-	26,121
Machinery and equipment	196,190	9,718	-	205,908
Vehicles	42,177	-	-	42,177
Water and Sewer System	2,820,127	132,010	-	2,952,137
Total accumulated depreciation	3,094,570	142,516	-	3,237,086
Total capital assets being depreciated, net	2,393,748	248,141	-	2,641,889
 Lease right-to-use assets				
Vehicles	37,323	-	-	37,323
Total lease right-to-use assets	37,323	-	-	37,323
 Less accumulated amortization for:				
Vehicles	12,838	12,839	-	25,677
Total accumulated amortization	12,838	12,839	-	25,677
Lease right-to-use assets, net	24,485	(12,839)	-	11,646
Business-type activities capital assets, net	\$ 2,613,135	\$ 235,302	\$ -	\$ 2,848,437
	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<u>City of Wallis Development Corporation</u>				
Capital assets not being depreciated				
Land	\$ 67,062	\$ -	\$ -	\$ 67,062
Total capital assets not being depreciated	67,062	-	-	67,062
City of Wallis Development Corporation capital assets, net	\$ 67,062	\$ -	\$ -	\$ 67,062

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

Depreciation Expense		
General government	\$	33,540
Streets		85,485
Public Safety		21,906
Culture and recreation		61,485
Business-type		142,516
	\$	<u>344,932</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.

Note 8. Long-term Liabilities

Long-term liabilities outstanding at September 30, 2023 are comprised of the following:

<u>Long-term debt</u>	<u>Governmental activities</u>
Note payable to bank, due in monthly installments of \$748, maturing September 2025, 3.25% interest rate, secured by equipment.	\$ 17,350
Note payable to bank, due in monthly installments of \$759, maturing January 2027, 7.5% interest rate, secured by equipment.	26,799
	<u>\$ 44,148</u>

The City of Wallis Development Corporation entered into a promissory note agreement in September 2022 for \$30,000 at an annual interest rate of 4%, maturing September 2026.

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The future principal and interest payments as of September 30, 2023 were as follows:

Year ending September 30	Governmental Activities		Component Units	
	Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2024	\$ 15,883	\$ 2,201	\$ 6,000	\$ 720
2025	16,734	1,349	6,000	480
2026	8,534	578	6,000	240
2027	2,997	48		
	<u>\$ 44,148</u>	<u>\$ 4,176</u>	<u>\$ 18,000</u>	<u>\$ 1,440</u>

During the year ended September 30, 2023, the following changes occurred in other long-term liabilities:

	Balance 9/30/22	Additions	Reductions	Balance 9/30/23	Due Within One Year
<u>Governmental activities</u>					
Compensated absences	\$ 16,280	\$ 1,076	\$ -	\$ 17,356	\$ 3,573
Notes payable	<u>25,612</u>	<u>31,405</u>	<u>(12,869)</u>	<u>44,148</u>	<u>15,883</u>
Governmental activities long-term liabilities	<u>\$ 41,892</u>	<u>\$ 32,481</u>	<u>\$ (12,869)</u>	<u>\$ 61,504</u>	<u>\$ 19,456</u>
<u>Business type activities</u>					
Compensated absences	\$ 5,115	\$ 4,088	\$ -	\$ 9,203	\$ -
Business type activities long-term liabilities	<u>\$ 5,115</u>	<u>\$ 4,088</u>	<u>\$ -</u>	<u>\$ 9,203</u>	<u>\$ -</u>
<u>Component units</u>					
Notes payable	\$ 24,000	\$ -	\$ (6,000)	\$ 18,000	\$ 6,000
Component units long-term liabilities	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ (6,000)</u>	<u>\$ 18,000</u>	<u>\$ 6,000</u>

The general fund has typically been used to liquidate the liability for compensated absences for governmental activities, while the enterprise fund has been used to liquidate the liability for business-type activities.

Note 9. Interfund Receivables and Payables

Interfund receivables and payables, all considered short-term, at September 30, 2023, were as follows:

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Name of Fund	Due from other funds	Due to other funds
Governmental:		
General		\$ 92,464
Non-Major Governmental	-	15,598
Business-Type:		
Enterprise Fund	108,062	-
	<u>\$ 108,062</u>	<u>\$ 108,062</u>

Note 10. Commitments

In March 2013, the City entered into a contract with a company to collect commercial and residential garbage within the City. The renewal contract term will expire on April 1, 2024. The City paid \$122,326 to this company during the year ended September 30, 2023.

In December 2021, the City entered into a contract with a Company for engineering services for a General Land Office grant project totaling \$633,736. As of September 30, 2022, the City had spent \$380,232.

During the year ended September 30, 2021, results of an audit of the City's municipal court fees conducted by the State of Texas revealed previously unremitted fees due to the state in the amount of \$24,716 for periods prior to 2020. In January 2022, the City agreed to, and the State accepted, a plan to repay the delinquent fees. The plan requires 13 quarterly payments of \$1,925 beginning in February 2022. The outstanding liability has been recorded in the general fund as of September 30, 2023.

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.tmrs.com.

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

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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.

Plan provisions for the City were as follows:

	Plan Year	
	2021	2022
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, 2022 evaluation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>16</u>
	42

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.

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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 2.33% and 2.13% in calendar years 2022 and 2023, respectively. The city's contributions to TMRS for the year ended September 30, 2023, were \$41,434, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75 % per year
Investment rate of return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries 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 are used with a 4- year set-forward for males and a 3- year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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
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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 real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Real Return	12.0%	7.22%
Real Estate	12.0%	6.85%
Absolute Return	5.0%	5.35%
Private Equity	10.0%	10.00%
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.

	Increase (Decrease)		
Changes in the Net Pension Liability/(Asset)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at 12/31/2021	\$ 1,377,514	\$ 1,640,423	\$ (262,909)
Changes for the year:			
Service Cost	66,933	-	66,933
Interest	93,088	-	93,088
Change of benefit terms	1,654	-	1,654
Difference between expected and actual experience	10,251	-	10,251
Contributions - employer	-	42,184	(42,184)
Contributions - employee	-	43,795	(43,795)
Net investment income	-	(120,649)	120,649
Benefit payments, including refunds of employee contributions	(67,108)	(67,108)	-
Administrative expense	-	(1,036)	1,036
Other charges	-	1,237	(1,237)
Net changes	104,818	(101,577)	206,395
Balance at 12/31/2022	\$ 1,482,332	\$ 1,538,846	\$ (56,514)

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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)	\$ 124,390	\$ (56,514)	\$ (207,046)

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, 2023, the City recognized pension expense of \$45,654.

At September 30, 2023, 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	\$ 9,498	\$ -
Difference between projected and actual investment earnings	104,291	-
Contributions subsequent to the measurement date	29,094	-
Total	<u>\$ 142,883</u>	<u>\$ -</u>

An amount of \$29,094 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Year ended December 31:	
2023	\$ 9,894
2024	28,979
2025	28,642
2026	46,274
Total	<u>\$ 113,789</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, 2022, 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	4
Active employees	<u>16</u>
	25

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

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assets are accumulated in a trust as defined by paragraph 4 of GASB Statement No. 75.

The total supplemental death benefit ("SDB") contribution rates were 0.22% and 0.39% for calendar years 2022 and 2023, respectively. The City's contributions for the year ended September 30, 2023 were \$2,361 and were equal to the required contributions.

D. Total OPEB Liability

The City's total OPEB liability of \$41,940 was measured as of December 31, 2022, and was determined by an actuarial valuation as of December 31, 2022.

Actuarial Assumptions

The total OPEB in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions as of the December 31, 2022 measurement date:

Inflation	2.5% per year
Salary Increases	3.5% to 11.5% including inflation
Discount Rate	4.05%

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, 2022 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, 2023

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2021	\$ 51,214
Changes for the year:	
Service Cost	2,482
Interest	960
Change of benefit terms	-
Difference between expected and actual experience	8,843
Changes of assumptions	(20,975)
Benefit payments, including refunds of employee contributions	(584)
Net changes	(9,274)
Balance at 12/31/2022	\$ 41,940

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 4.05%, 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 3.05% or 1 percentage point higher 5.05% than the current rate.

	1% Decrease in Discount Rate 3.05%	Discount Rate 4.05%	1% Increase in Discount Rate 5.05%
City's total OPEB liability	\$ 50,056	\$ 41,940	\$ 35,636

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$7,120. At September 30, 2023, 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	\$ 5,066	\$ -
Changes in actuarial assumptions	-	10,604
Contributions subsequent to the measurement date	1,891	-
Total	\$ 6,957	\$ 10,604

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2023

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

Year ended December 31:	
2023	\$ (133)
2024	(43)
2025	(667)
2026	(2,268)
2027	(1,941)
Thereafter	(486)
Total	<u>\$ (5,538)</u>

Note 14. Leases

The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide funds financial statements. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term and (3) lease payments.

The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a re-measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Leased assets are reported on the government-wide Statement of Net Position and lease liabilities are reported as current and long-term liabilities on the Statement of Net Position.

During the current fiscal year, the City entered into multiple lease agreements as lessee for the acquisition of vehicles. The lease terms vary through dates ending in 2027.

The future principal and interest payments as of September 30, 2023 were as follows:

Fiscal Year	Governmental Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 51,915	\$ 10,544	\$ 62,459
2025	49,019	7,914	56,933
2026	43,024	4,990	48,014
2027	42,031	2,383	44,414
2028	10,701	233	10,934
	<u>\$ 196,690</u>	<u>\$ 26,064</u>	<u>\$ 222,754</u>

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2023

Fiscal Year	Business-Type Activities		
	Principal Payments	Interest Payments	Total Payments
2024	\$ 9,028	\$ 221	\$ 9,249
2025	2,998	36	3,034
	<u>\$ 12,026</u>	<u>\$ 257</u>	<u>\$ 12,283</u>

Note 15. 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 16. 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.

The City is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution

City of Wallis, Texas
Notes to Basic Financial Statements
September 30, 2023

of such claims and lawsuits will not have a material adverse effect on the financial statements of the City.

Note 17. Subsequent Events

In April 2024, the City awarded a bid for the Downtown Revitalization Program grant in the amount of \$350,000.

In June 2024, the City awarded a contract for water well improvements for the Community Development Block Grant in the amount of \$350,000.

In June 2024, the City awarded a contract for Sanitary Sewer Improvements for the Harvey Mitigation grant in the amount of \$2,490,648.

In June 2024, the City awarded a contract for the Drainage improvements for the Harvey Mitigation grant in the amount of \$3,257,477.

In August 2024, the City approved a line of credit with its depository for an amount up to \$250,000.

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)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service Cost	\$ 66,933	\$ 64,073	\$ 63,233	\$ 62,221	\$ 56,480	\$ 54,606	\$ 45,091	\$ 32,339	\$ 22,419
Interest (on the Total Pension Liability)	93,088	87,270	81,216	78,053	73,462	69,783	63,825	60,561	58,250
Changes of benefit terms	1,654	-	-	-	-	-	-	-	-
Difference between expected and actual experience	10,251	6,171	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	(67,108)	(81,707)	(88,478)	(65,307)	(56,167)	(42,043)	(42,043)	(47,149)	(52,491)
Net Change in Total Pension Liability	104,818	75,807	85,884	57,935	69,714	60,640	83,499	71,467	25,389
Total Pension Liability - Beginning	1,377,514	1,301,707	1,215,823	1,157,888	1,088,174	1,027,534	944,035	872,568	847,179
Total Pension Liability - Ending (a)	<u>\$ 1,482,332</u>	<u>\$ 1,377,514</u>	<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	\$ 42,184	\$ 41,276	\$ 41,307	\$ 39,420	\$ 35,477	\$ 34,689	\$ 28,725	\$ 21,659	\$ 19,501
Contributions - Employee	43,795	42,858	42,677	41,206	36,956	35,885	29,697	22,406	19,452
Net Investment Income	(120,649)	190,324	103,109	180,548	(35,585)	141,056	63,597	1,373	51,102
Benefit payments, including refunds of employee contributions	(67,108)	(81,707)	(88,478)	(65,307)	(56,167)	(42,043)	(42,043)	(47,149)	(52,491)
Administrative expense	(1,036)	(874)	(663)	(1,010)	(681)	(723)	(708)	(836)	(534)
Other	1,237	6	(26)	(30)	(36)	(37)	(38)	(41)	(44)
Net Change in Plan Fiduciary Net Position	(101,577)	191,883	97,926	194,827	(20,036)	168,827	79,230	(2,588)	36,986
Plan Fiduciary Net Position - Beginning	1,640,423	1,448,540	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>\$ 1,538,846</u>	<u>\$ 1,640,423</u>	<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)	\$ (56,514)	\$ (262,909)	\$ (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	103.81%	119.09%	111.28%	111.09%	99.82%	108.05%	98.00%	98.28%	106.62%
Covered Employee Payroll	\$ 729,912	\$ 714,307	\$ 711,280	\$ 686,764	\$ 615,926	\$ 598,089	\$ 494,959	\$ 373,427	\$ 324,199
Net Pension Liability as a Percentage of Covered Employee Payroll	-7.74%	-36.81%	-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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 18,585	\$ 16,314	\$ 16,807	\$ 16,417	\$ 18,529	\$ 17,665	\$ 15,875	\$ 11,827	\$ 12,285
Contributions in relation to the actuarially determined contributions	41,434	40,510	42,868	38,563	39,068	34,518	34,178	27,972	21,227
Contribution deficiency (excess)	(22,849)	(24,196)	(26,061)	(22,146)	(20,539)	(16,853)	(18,303)	(16,145)	(8,942)
Covered employee payroll	\$ 852,506	\$ 700,169	\$ 740,418	\$ 667,467	\$ 680,069	\$ 598,288	\$ 588,146	\$ 481,599	\$ 365,974
Contributions as a percentage of covered employee payroll	4.86%	5.79%	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 Adopted 5 year vesting.

City of Wallis, Texas
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Last 10 years (will ultimately be displayed)

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service Cost	\$ 2,482	\$ 3,286	\$ 1,565	\$ 1,305	\$ 1,478	\$ 1,256
Interest (on total OPEB liability)	960	1,025	1,134	1,124	1,026	990
Difference between expected and actual experience	8,843	(3,897)	63	737	(602)	-
Change of assumptions	(20,975)	1,565	6,802	7,812	(2,351)	2,649
Benefit payments	(584)	(714)	(142)	(206)	(123)	(239)
Net Change in Total OPEB Liability	(9,274)	1,265	9,422	10,772	(572)	4,656
Total OPEB Liability - Beginning	51,214	49,949	40,527	29,755	30,327	25,671
Total OPEB Liability - Ending	\$ 41,940	\$ 51,214	\$ 49,949	\$ 40,527	\$ 29,755	\$ 30,327
Related Ratios						
Covered Employee Payroll	\$ 729,912	\$ 714,307	\$ 711,280	\$ 686,764	\$ 615,926	\$ 598,089
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.75%	7.17%	7.02%	5.90%	4.83%	5.07%

Notes to the Schedule of Changes in OPEB Liability

Assumptions Used to Determine Contribution Rates

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate	4.05%
Mortality Rates- Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other information

Notes	No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
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Presentation of Schedule	In accordance with GASB standards, the City has elected to present data calculated at the actuarial valuation/measurement date, which occurs during each fiscal year on December 31.
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