

CITY OF WALLIS, TEXAS  
Financial Statements  
with Report of Independent Auditor  
For the Year Ended September 30, 2024

City of Wallis, Texas  
For the Year Ended September 30, 2024

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CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the 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, 2024, 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, 2024, 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.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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 and GAS, 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 5 through 9, 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wallis, Texas' basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2025 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.

*Seidel Schaefer*

Brenham, Texas  
June 17, 2025

## **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, 2024. 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 \$8,669,929 (*net position*). Of this amount, \$135,279 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased by \$708,558.
- The City's governmental funds reported ending fund balances of \$254,382, which was a decrease of \$337,258 from the prior year.
- The City's proprietary fund reported net position of \$3,363,666, which was an increase of \$228,322 from the prior year.

### **USING THIS ANNUAL REPORT**

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

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

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

## **Reporting the City as a Whole**

### *The Statement of Net Position and the Statement of Activities*

Our analysis of the City as a whole begins with the government-wide financial statements. Their primary purpose is to show whether the City is better off as a result of the year's activities. The Statement of Net Position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

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

## **Reporting the City's Most Significant Funds**

### *Fund Financial Statements*

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

- Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's



programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the City's governmental activities increased by \$480,236. Total assets increased by \$1,303,500 primarily due to an increase in grant receivables and capital assets. Total liabilities increased by \$765,619, primarily due to an increase in accounts payable related to grant projects.

Net position of the City's business-type activities increased by \$228,322. Total assets increased by \$538,453 primarily due to an increase in grants receivable and capital assets. Total liabilities increased by \$296,196 primarily due to an increase in accounts payable related to grant projects.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	2024	2023	2024	2023	2024	2023
<b>ASSETS:</b>						
Current and other assets	\$ 1,462,761	\$ 882,620	\$ 696,262	\$ 463,615	\$ 2,159,023	\$ 1,346,235
Capital assets, net	5,068,035	4,344,676	3,154,243	2,848,437	8,222,278	7,193,113
Total assets	6,530,796	5,227,296	3,850,505	3,312,052	10,381,301	8,539,348
Deferred Outflows related to pensions	65,457	112,600	19,750	30,283	85,207	142,883
Deferred Outflows related to OPEB	4,596	5,687	1,387	1,270	5,983	6,957
<b>LIABILITIES:</b>						
Long-term liabilities	132,904	186,821	13,375	12,201	146,279	199,022
Other liabilities	1,143,603	324,067	489,146	194,124	1,632,749	518,191
Total liabilities	1,276,507	510,888	502,521	206,325	1,779,028	717,213
Deferred Inflows related to pensions	12,422	-	3,748	-	16,170	-
Deferred Inflows related to OPEB	5,657	8,668	1,707	1,936	7,364	10,604
<b>NET POSITION:</b>						
Net investment in capital assets	4,883,526	4,103,840	3,138,442	2,824,385	8,021,968	6,928,225
Restricted	512,682	484,592	-	-	512,682	484,592
Unrestricted (deficit)	(89,945)	237,595	225,224	310,959	135,279	548,554
Total net position	\$ 5,306,263	\$ 4,826,027	\$ 3,363,666	\$ 3,135,344	\$ 8,669,929	\$ 7,961,371

Total revenues from governmental activities increased by \$1,065,352 primarily due to an increase in grant revenue. Total expenses from governmental activities increased by \$345,743, primarily due to an increase in personnel and grant administration expenses.

Total revenues from business-type activities increased by \$130,706. The increase in revenue was primarily due to an increase in grant revenue. Total expenses from business-type activities increased by \$138,994. The increase in expense was primarily due to an increase in personnel and grant administration expenses.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	2024	2023	2024	2023	2024	2023
<b>REVENUES:</b>						
Program revenues:						
Charges for service	\$ 7,890	\$ 7,460	\$ 637,504	\$ 618,858	\$ 645,394	\$ 626,318
Fees and fines	345,603	377,711	-	-	345,603	377,711
Grants and contributions	1,198,878	138,457	508,800	395,820	1,707,678	534,277
General revenues:						
Property taxes	592,374	539,441	-	-	592,374	539,441
Sales, franchise and other taxes	232,147	224,382	-	-	232,147	224,382
Interest income	38,743	54,660	2,569	3,489	41,312	58,149
Gain (loss) on sale of assets	-	7,371	-	-	-	7,371
Other revenues	35,217	36,018	-	-	35,217	36,018
Total revenues	2,450,852	1,385,500	1,148,873	1,018,167	3,599,725	2,403,667
<b>EXPENDITURES:</b>						
General government	530,932	452,473	-	-	530,932	452,473
Public safety	968,788	807,026	-	-	968,788	807,026
Highway and streets	411,947	252,940	-	-	411,947	252,940
Culture and recreation	45,584	101,203	-	-	45,584	101,203
Interest and fees	13,365	11,231	-	-	13,365	11,231
Water and sewer	-	-	770,402	648,013	770,402	648,013
Sanitation	-	-	150,149	133,544	150,149	133,544
Total expenditures	1,970,616	1,624,873	920,551	781,557	2,891,167	2,406,430
Change in net position	480,236	(239,373)	228,322	236,610	708,558	(2,763)
BEGINNING NET POSITION	4,826,027	5,065,400	3,135,344	2,898,734	7,961,371	7,964,134
ENDING NET POSITION	\$ 5,306,263	\$ 4,826,027	\$ 3,363,666	\$ 3,135,344	\$ 8,669,929	\$ 7,961,371

## THE CITY'S FUNDS

### General Fund Budgetary Highlights

The City's Council annually adopts an operating budget. Total actual revenues were \$913,707 more than budgeted, primarily due to more grant revenue than expected. Actual expenditures were over budget by \$987,783. Capital outlay was over budget by \$943,032 due to more projects funded by grant revenue ongoing during the year.

In total, the actual net decrease in fund balance was \$365,348 compared to a budgeted decrease of \$290,772 for 2024.

## Capital Assets

As of September 30, 2024, the City had \$8,222,278 invested in capital assets.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 341,030	\$ 341,030	\$ 9,570	\$ 9,570	\$ 350,600	\$ 350,600
Construction in progress	1,190,783	227,900	613,321	185,332	1,804,104	413,232
Buildings and improvements	1,277,669	1,353,429	8,556	1,230	1,286,225	1,354,659
Infrastructure	2,002,316	2,087,801	-	-	2,002,316	2,087,801
Vehicles	38,279	50,776	-	-	38,279	50,776
Furniture and equipment	64,687	85,147	766	1,009	65,453	86,156
Machinery and equipment	-	-	9,073	12,107	9,073	12,107
Water and sewer system	-	-	2,497,741	2,627,543	2,497,741	2,627,543
Lease right-to-use assets	153,271	198,593	15,216	11,646	168,487	210,239
	<u>\$ 5,068,035</u>	<u>\$ 4,344,676</u>	<u>\$ 3,154,243</u>	<u>\$ 2,848,437</u>	<u>\$ 8,222,278</u>	<u>\$ 7,193,113</u>

This year's major additions included:

Mitigation project	\$ 1,060,769
Downtown sidewalk project	298,603

## Debt

At year-end, the City had \$168,268 of outstanding debt. More detailed information about the City's long-term liabilities and short-term debt is presented in the notes to the financial statements.

	Governmental Activities		Total	
	2024	2023	2024	2023
Notes payable	\$ 98,268	\$ 44,148	\$ 98,268	\$ 44,148
Line of credit	70,000	-	70,000	-
Total	<u>\$ 168,268</u>	<u>\$ 44,148</u>	<u>\$ 168,268</u>	<u>\$ 44,148</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, 2024**

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	City of Wallis Development Corporation	Wallis Cultural Education Facilities Financing Corporation	Wallis Education Facilities Financing Corporation
<b>Assets</b>						
Cash and equivalents	\$ 90,526	\$ 73,061	\$ 163,587	\$ -	\$ -	\$ -
Receivables, net of allowance for uncollectibles	85,375	83,163	168,538	-	-	-
Grants receivable	716,435	344,019	1,060,454	-	-	-
Internal balances	(88,576)	88,576	-	-	-	-
Due from primary government	-	-	-	35,111	-	-
Net pension asset	137,891	41,606	179,497	-	-	-
Restricted assets:						
Cash	521,110	65,837	586,947	256,930	-	-
Capital assets:						
Non-depreciable	1,531,813	622,891	2,154,704	67,062	-	-
Depreciable and right-to-use, net	3,536,222	2,531,352	6,067,574	-	-	-
Total assets	6,530,796	3,850,505	10,381,301	359,103	-	-
<b>Deferred Outflows of Resources</b>						
Deferred amounts related to pensions	65,457	19,750	85,207	-	-	-
Deferred amounts related to OPEB	4,596	1,387	5,983	-	-	-
Total deferred outflows of resources	70,053	21,137	91,190	-	-	-
<b>Liabilities</b>						
Accounts payable	797,503	385,349	1,182,852	7,737	-	-
Accrued expenses	111,050	11,478	122,528	-	-	-
Developer contribution liability	16,245	-	16,245	-	-	-
Unearned revenue	156	-	156	-	-	-
Due to component unit	35,111	-	35,111	-	-	-
Customer deposits	-	68,605	68,605	-	-	-
Line of credit	70,000	-	70,000	-	-	-
Noncurrent liabilities, due within one year						
Lease liability, current	56,749	11,629	68,378	-	-	-
Notes payable, current	16,735	-	16,735	6,000	-	-
Noncurrent liabilities, due in more than one year						
Compensated absences, long-term	21,879	9,203	31,082	-	-	-
Total OPEB liability	40,054	12,085	52,139	-	-	-
Lease liability, long-term	99,493	4,172	103,665	-	-	-
Note payable, long-term	11,532	-	11,532	6,000	-	-
Total liabilities	1,276,507	502,521	1,779,028	19,737	-	-
<b>Deferred Inflows of Resources</b>						
Deferred amounts related to pensions	12,422	3,748	16,170	-	-	-
Deferred amounts related to OPEB	5,657	1,707	7,364	-	-	-
	18,079	5,455	23,534	-	-	-
<b>Net Position</b>						
Net investment in capital assets	4,883,526	3,138,442	8,021,968	67,062	-	-
Restricted for:						
Park	409,212	-	409,212	-	-	-
Security and technology	103,470	-	103,470	-	-	-
Economic development	-	-	-	272,304	-	-
Unrestricted (deficit)	(89,945)	225,224	135,279	-	-	-
Total net position	\$ 5,306,263	\$ 3,363,666	\$ 8,669,929	\$ 339,366	\$ -	\$ -

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, 2024**

Program Activities	Net (Expenses) Revenues and Changes in Net Position									
	Primary Government					Component Units				
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	City of Wallis Development Corporation	Wallis Cultural Education Facilities Financing Corporation	Wallis Education Facilities Financing Corporation
<b>Primary government:</b>										
<b>Governmental activities:</b>										
General government	\$ 530,932	\$ 19,144	\$ 81,297	\$ -	\$ (430,491)	\$ -	\$ (430,491)	\$ -	\$ -	\$ -
Public safety	968,788	326,459	179,313	619,566	156,550	-	156,550	-	-	-
Highways and streets	411,947	-	38,922	273,680	(99,345)	-	(99,345)	-	-	-
Culture and recreation	45,584	7,890	6,100	-	(31,594)	-	(31,594)	-	-	-
Interest on long-term debt	13,365	-	-	-	(13,365)	-	(13,365)	-	-	-
Total governmental activities	<u>1,970,616</u>	<u>353,493</u>	<u>305,632</u>	<u>893,246</u>	<u>(418,245)</u>	<u>-</u>	<u>(418,245)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Business-type activities:</b>										
Water and Sewer	770,402	460,925	80,810	427,990	-	199,323	199,323	-	-	-
Sanitation	150,149	176,579	-	-	-	26,430	26,430	-	-	-
Total business-type activities	<u>920,551</u>	<u>637,504</u>	<u>80,810</u>	<u>427,990</u>	<u>-</u>	<u>225,753</u>	<u>225,753</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 2,891,167</u>	<u>\$ 990,997</u>	<u>\$ 386,442</u>	<u>\$ 1,321,236</u>	<u>(418,245)</u>	<u>225,753</u>	<u>(192,492)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Component units:</b>										
City of Wallis Development Corporation	<u>109,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,784)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>109,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,784)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>General revenues:</b>										
<b>Taxes:</b>										
Property taxes					592,374	-	592,374	-	-	-
Sales taxes					175,985	-	175,985	87,993	-	-
Franchise taxes					53,772	-	53,772	-	-	-
Mixed beverage taxes					2,390	-	2,390	-	-	-
Investment earnings					38,743	2,569	41,312	1,198	-	-
Other revenue					35,217	-	35,217	-	-	-
Total general revenues and transfers					<u>898,481</u>	<u>2,569</u>	<u>901,050</u>	<u>89,191</u>	<u>-</u>	<u>-</u>
Change in net position					<u>480,236</u>	<u>228,322</u>	<u>708,558</u>	<u>(20,593)</u>	<u>-</u>	<u>-</u>
Net position, beginning of year					<u>4,826,027</u>	<u>3,135,344</u>	<u>7,961,371</u>	<u>359,959</u>	<u>-</u>	<u>-</u>
Net position at end of year					<u>\$ 5,306,263</u>	<u>\$ 3,363,666</u>	<u>\$ 8,669,929</u>	<u>\$ 339,366</u>	<u>\$ -</u>	<u>\$ -</u>

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

**City of Wallis, Texas  
Balance Sheet  
Governmental Funds  
September 30, 2024**

	General	Special Revenue City Park Fund	Non- Major- Security & Technology	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 90,526	\$ -	\$ -	\$ 90,526
Receivables, net of allowance for uncollectibles	85,375	-	-	85,375
Grant receivables	716,435	-	-	716,435
Due from other funds	15,598	-	7,254	22,852
Restricted assets:				
Restricted cash	-	424,894	96,216	521,110
<b>Total assets</b>	<b>\$ 907,934</b>	<b>\$ 424,894</b>	<b>\$ 103,470</b>	<b>\$ 1,436,298</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>				
Liabilities:				
Accounts payable	\$ 797,419	\$ 84	\$ -	\$ 797,503
Accrued expenses	111,050	-	-	111,050
Developer contribution liability	16,245	-	-	16,245
Line of credit	70,000	-	-	70,000
Due to other funds	95,830	15,598	-	111,428
Due to component units	35,111	-	-	35,111
<b>Total liabilities</b>	<b>1,125,655</b>	<b>15,682</b>	<b>-</b>	<b>1,141,337</b>
Deferred Inflows of Resources				
Unavailable revenue - taxes	40,579	-	-	40,579
Fund Balances				
Restricted:				
Restricted for city park	-	409,212	-	409,212
Restricted for security and technology	-	-	103,470	103,470
Unassigned (deficit)	(258,300)	-	-	(258,300)
<b>Total fund balances</b>	<b>(258,300)</b>	<b>409,212</b>	<b>103,470</b>	<b>254,382</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 907,934</b>	<b>\$ 424,894</b>	<b>\$ 103,470</b>	<b>\$ 1,436,298</b>

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, 2024**

Fund balances - total governmental funds	\$ 254,382
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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	\$ 7,021,820	
Less accumulated depreciation	<u>(1,953,785)</u>	5,068,035

Deferred tax revenues reported in the governmental funds are recognized as revenues for the governmental activities.	40,423
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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	\$ (28,267)	
Lease liability	(156,242)	
Compensated absences	<u>(21,879)</u>	(206,388)

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.	149,811
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Net position of governmental activities	<u><u>\$ 5,306,263</u></u>
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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, 2024**

	General	Special Revenue City Park Fund	Non- Major- Security & Technology	Total Governmental Funds
<b>Revenues:</b>				
<b>Taxes:</b>				
Property	\$ 579,981	\$ -	\$ -	\$ 579,981
Sales	175,985	-	-	175,985
Franchise	53,772	-	-	53,772
Mixed beverage	2,390	-	-	2,390
Licenses and permits	19,144	-	-	19,144
Grant revenue	1,149,781	-	-	1,149,781
Fines	291,684	-	34,775	326,459
Property rentals	7,890	-	-	7,890
Investment income	11,901	22,090	4,752	38,743
Payment from component unit	49,097	-	-	49,097
Other revenues	16,523	18,692	-	35,215
<b>Total revenues</b>	<b>2,358,148</b>	<b>40,782</b>	<b>39,527</b>	<b>2,438,457</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	480,402	-	19,132	499,534
Public safety	868,306	-	-	868,306
Highways and streets	327,428	-	-	327,428
Culture and recreation	-	33,087	-	33,087
Capital outlay	977,920	-	-	977,920
<b>Debt service:</b>				
Principal	71,113	-	-	71,113
Interest and fiscal charges	13,365	-	-	13,365
<b>Total expenditures</b>	<b>2,738,534</b>	<b>33,087</b>	<b>19,132</b>	<b>2,790,753</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(380,386)</b>	<b>7,695</b>	<b>20,395</b>	<b>(352,296)</b>
<b>Other financing sources (uses):</b>				
Proceeds from leases	15,038	-	-	15,038
<b>Total other financing sources (uses)</b>	<b>15,038</b>	<b>-</b>	<b>-</b>	<b>15,038</b>
<b>Net change in fund balances</b>	<b>(365,348)</b>	<b>7,695</b>	<b>20,395</b>	<b>(337,258)</b>
<b>Fund balances, beginning</b>	<b>107,048</b>	<b>401,517</b>	<b>83,075</b>	<b>591,640</b>
<b>Fund balances at end of year</b>	<b>\$ (258,300)</b>	<b>\$ 409,212</b>	<b>\$ 103,470</b>	<b>\$ 254,382</b>

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, 2024**

Net changes in fund balances - total governmental funds \$ (337,258)

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	\$	977,920	
Loss on remeasurement of leases		(369)	
Depreciation and amortization expense		(253,942)	723,609

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.

56,075

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

Compensated absences	\$	(4,523)	
Pension expense		33,790	
OPEB expense		(3,852)	25,415

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

12,395

Change in net position of governmental activities	\$	480,236
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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, 2024**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance with
	Original	Final	GAAP	to Budget	Budget	Final Budget
			Basis	Basis	Basis	Over (Under)
<b>Revenues:</b>						
<b>Taxes:</b>						
Property	\$ 586,914	\$ 586,914	\$ 579,981	\$ -	\$ 579,981	\$ (6,933)
Sales	177,000	177,000	175,985	-	175,985	(1,015)
Franchise	52,000	52,000	53,772	-	53,772	1,772
Mixed beverage	1,740	1,740	2,390	-	2,390	650
Licenses and permits	30,000	30,000	19,144	-	19,144	(10,856)
Grant revenue	256,447	256,447	1,149,781	-	1,149,781	893,334
Fines	306,000	306,000	291,684	-	291,684	(14,316)
Property rentals	7,450	7,450	7,890	-	7,890	440
Investment income	7,500	7,500	11,901	-	11,901	4,401
Payment from component unit	6,100	6,100	49,097	-	49,097	42,997
Other revenues	13,290	13,290	16,523	-	16,523	3,233
<b>Total revenues</b>	<b>1,444,441</b>	<b>1,444,441</b>	<b>2,358,148</b>	<b>-</b>	<b>2,358,148</b>	<b>913,707</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	489,642	503,142	480,402	-	480,402	(22,740)
Public safety	991,276	1,002,426	868,306	-	868,306	(134,120)
Highways and streets	234,945	210,295	327,428	-	327,428	117,133
Capital outlay	19,850	19,850	977,920	(15,038)	962,882	943,032
<b>Debt service:</b>						
Principal	-	-	71,113	-	71,113	71,113
Interest	-	-	13,365	-	13,365	13,365
<b>Total debt service</b>	<b>-</b>	<b>-</b>	<b>84,478</b>	<b>-</b>	<b>84,478</b>	<b>84,478</b>
<b>Total expenditures</b>	<b>1,735,713</b>	<b>1,735,713</b>	<b>2,738,534</b>	<b>(15,038)</b>	<b>2,723,496</b>	<b>987,783</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(291,272)</b>	<b>(291,272)</b>	<b>(380,386)</b>	<b>15,038</b>	<b>(365,348)</b>	<b>(74,076)</b>
<b>Other financing sources (uses):</b>						
Proceeds from sale of capital assets	30,500	30,500	-	-	-	(30,500)
Proceeds from lease	-	-	15,038	(15,038)	-	-
Transfers out	(30,000)	(30,000)	-	-	-	30,000
<b>Total other financing sources (uses)</b>	<b>500</b>	<b>500</b>	<b>15,038</b>	<b>(15,038)</b>	<b>-</b>	<b>(500)</b>
<b>Net change in fund balances</b>	<b>(290,772)</b>	<b>(290,772)</b>	<b>(365,348)</b>	<b>-</b>	<b>(365,348)</b>	<b>(74,576)</b>
<b>Fund balance, beginning</b>	<b>107,048</b>	<b>107,048</b>	<b>107,048</b>	<b>-</b>	<b>107,048</b>	<b>-</b>
<b>Fund balance, ending</b>	<b>\$ (183,724)</b>	<b>\$ (183,724)</b>	<b>\$ (258,300)</b>	<b>\$ -</b>	<b>\$ (258,300)</b>	<b>\$ (74,576)</b>

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, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Over (Under)
Revenues:				
Investment income	\$ 10,000	\$ 10,000	\$ 22,090	\$ 12,090
Other revenues	13,000	13,000	18,692	5,692
Total revenues	<u>23,000</u>	<u>23,000</u>	<u>40,782</u>	<u>17,782</u>
Expenditures:				
Current:				
Culture and recreation	42,271	42,271	33,087	(9,184)
Capital outlay	40,400	40,400	-	(40,400)
Total expenditures	<u>82,671</u>	<u>82,671</u>	<u>33,087</u>	<u>(49,584)</u>
Excess (deficiency) of revenues over (under) expenditures	(59,671)	(59,671)	7,695	67,366
Fund balance, beginning	401,517	401,517	401,517	-
Fund balance, ending	<u>\$ 341,846</u>	<u>\$ 341,846</u>	<u>\$ 409,212</u>	<u>\$ 67,366</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, 2024**

	Enterprise Fund
<b>Assets</b>	
Current assets:	
Cash and equivalents	\$ 73,061
Accounts receivable, net of allowance for uncollectibles	83,163
Grants receivable	344,019
Due from other funds	88,576
Restricted cash and cash equivalents	65,837
Total current assets	<u>654,656</u>
Non-Current assets:	
Net pension asset	41,606
Capital assets:	
Land	9,570
Buildings and other improvements	1,491,828
Distribution and collection systems	4,117,234
Equipment	291,355
Right- to-use leased asset	52,794
Construction in progress	613,321
	<u>6,576,102</u>
Less: accumulated depreciation and amortization	<u>(3,421,859)</u>
Capital assets, net of accumulated depreciation and amortization	<u>3,154,243</u>
Total non-current assets	<u>3,195,849</u>
Total assets	<u>\$ 3,850,505</u>
<b>Deferred outflows of resources</b>	
Deferred outflows related to pensions	19,750
Deferred outflows related to OPEB	1,387
Total deferred outflows of resources	<u>21,137</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	385,349
Accrued expenses	11,478
Customer deposits payable	68,605
Lease liability, current	11,629
Total current liabilities	<u>477,061</u>
Long-term liabilities:	
Lease liability, long-term	4,172
Liability for compensated absences	9,203
Total OPEB liability	12,085
Total long-term liabilities	<u>25,460</u>
Total liabilities	<u>502,521</u>
<b>Deferred inflows of resources</b>	
Deferred inflows related to pensions	3,748
Deferred inflows related to OPEB	1,707
	<u>5,455</u>
<b>Net Position</b>	
Net investment in capital assets	3,138,442
Unrestricted	225,224
Total net position	<u>\$ 3,363,666</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, 2024**

	Enterprise Fund
Operating revenues:	
Charges for sales and services:	
Water sales	\$ 245,128
Sewer services	191,326
Garbage collection fees	176,579
Tap and reconnect fees	10,650
Penalties	13,821
Total operating revenues	<u>637,504</u>
Operating expenses:	
Personnel costs	294,673
Purchased sanitation services	150,149
Purchased professional and technical services	110,009
Maintenance	116,377
Supplies and fuel	29,049
Utilities	47,197
Other operating expenses	7,169
Depreciation and amortization	165,189
Total operating expenses	<u>919,812</u>
Operating income (loss)	<u>(282,308)</u>
Nonoperating revenues (expenses):	
Grant proceeds	508,800
Interest income	2,569
Interest expense	(739)
Total nonoperating revenues (expense)	<u>510,630</u>
Change in net position	228,322
Net position, beginning of year	<u>3,135,344</u>
Net position, end of the year	<u><u>\$ 3,363,666</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, 2024**

	Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 642,554
Cash payments to suppliers for goods and services	(506,960)
Cash payments to employees for services	(302,360)
Net cash provided by (used in) operating activities	<u>(166,766)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(110,881)
Grant proceeds	235,936
Repayment of leases	(13,473)
Net cash provided by (used in) capital and related financing activities	<u>111,582</u>
Cash flows from investing activities:	
Interest on cash and investments	<u>2,569</u>
Net increase (decrease) in cash and equivalents	(52,615)
Cash and equivalents, beginning of year	<u>191,513</u>
Cash and equivalents, end of year	<u><u>\$ 138,898</u></u>
Reconciliation of cash and equivalents:	
Unrestricted cash and equivalents	\$ 73,061
Restricted cash and investments	65,837
Total cash and equivalents	<u><u>\$ 138,898</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, 2024**

	Enterprise Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	\$ (282,308)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation and amortization	165,189
Loss on remeasurement of leases	413
Increase (decrease) in cash resulting from changes in assets and liabilities:	
Accounts receivable	(2,256)
Due from other funds	19,486
Deferred outflows related to pensions	10,533
Deferred outflows related to OPEB	(117)
Net pension asset	(29,628)
Accounts payable	(66,909)
Accrued liabilities	3,579
Customer deposits	7,306
Net OPEB liability	4,427
Deferred inflows related to pensions	3,748
Deferred inflows related to OPEB	(229)
Net cash provided by (used in) operating activities	<u>\$ (166,766)</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, 2024**

**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.

**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



**City of Wallis, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2024**

the governmental and business-type activities, has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

*Fund financial statements*

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

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

The funds of the financial reporting entity are described below:

**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.

**City of Wallis, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2024**

*Other Governmental Funds*

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

**Proprietary Funds**

*Enterprise Fund*

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

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

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

*Measurement Focus*

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

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

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

**City of Wallis, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2024**

exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

#### **D. Budgets**

Annual appropriated budgets are adopted for the general fund, 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.

**City of Wallis, Texas**  
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**F. Short-term Interfund Receivables/Payables**

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

**G. Restricted Assets**

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

**H. Capital Assets**

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

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

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

**I. Compensated Absences**

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

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

**J. Long-term Obligations**

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

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. Line of Credit**

The City maintains a line of credit agreement with a financial institution to meet short-term cash flow needs. The line of credit is considered a current obligation of the City and is presented as a current liability in the fund-level financial statements of the governmental funds. Proceeds from the line of credit are used to finance operating expenditures on an interim basis and are repaid from available resources.

The outstanding balance as of year-end is recorded as a liability in the General Fund and interest incurred is recognized as an expenditure in the period in which it is incurred.

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**L. Fund Equity**

*Government-wide statements*

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

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

*Fund statements*

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

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

*Classification of fund balances*

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

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

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

**City of Wallis, Texas**  
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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.

**M. Interfund Transfers**

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

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

**N. 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.

**City of Wallis, Texas**  
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**O. 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.

**P. 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.

**Q. Subscription-Based Information Technology Arrangements**

Right-to-use subscription assets and subscription liabilities are recognized upon commencement of the subscription term. The incremental borrowing rate is used in determining the present value of subscription payments unless an implicit rate is provided in the subscription term. Amortization of the subscription asset is recognized as an outflow of resources over the subscription term.

**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



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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 \$117,133 for highways and streets, \$943,032 for capital outlay, and \$84,478 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 City's bank balances, \$250,000 was covered by FDIC insurance at one institution and \$577,103 was collateralized with securities held by the pledging financial institution's trust department or agent in the government's name. However, the City's Development Corporation's deposits exceeded FDIC insurance by approximately \$7,000 as of September 30, 2024.

**Note 4. Restricted Assets**

At September 30, 2024, restrictions on cash and investments were as follows:

	Governmental Funds	Proprietary Funds	City of Wallis Development Corporation
Cash and Investments			
Restricted for:			
City park	\$ 424,894	\$ -	\$ -
Building security and technology	96,216	-	-
Economic development	-	-	256,930
Utility deposits	-	65,837	-
	<u>\$ 521,110</u>	<u>\$ 65,837</u>	<u>\$ 256,930</u>

**City of Wallis, Texas**  
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**Note 5. Receivables**

Receivables at September 30, 2024, consist of the following:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Receivables:		
Taxes:		
Property	\$ 45,771	\$ -
Sales	45,177	-
Accounts	3,581	95,351
Less:		
Allowance for uncollectibles	<u>(9,154)</u>	<u>(12,188)</u>
Net total receivables	<u>\$ 85,375</u>	<u>\$ 83,163</u>

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

**Note 6. Capital Assets**

Capital asset activity during the year ended September 30, 2024, was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 341,030	\$ -	\$ -	\$ 341,030
Construction in Progress	227,900	962,883	-	1,190,783
Total capital assets not being depreciated	<u>568,930</u>	<u>962,883</u>	<u>-</u>	<u>1,531,813</u>
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	422,750	-	-	422,750
Total at historical cost	<u>5,205,682</u>	<u>-</u>	<u>-</u>	<u>5,205,682</u>
Less: accumulated depreciation for:				
Buildings and improvements	596,193	75,760	-	671,953
Infrastructure	404,611	85,485	-	490,096
Vehicles	290,122	12,497	-	302,619
Furniture and Equipment	337,603	20,460	-	358,063
Total accumulated depreciation	<u>1,628,529</u>	<u>194,202</u>	<u>-</u>	<u>1,822,731</u>
Total capital assets being depreciated, net	<u>3,577,153</u>	<u>(194,202)</u>	<u>-</u>	<u>3,382,951</u>
Lease right-to-use assets				
Vehicles	270,471	13,854	-	284,325
Total lease right-to-use assets	<u>270,471</u>	<u>13,854</u>	<u>-</u>	<u>284,325</u>
Less accumulated amortization for:				
Vehicles	71,878	59,738	562	131,054
Total accumulated amortization	<u>71,878</u>	<u>59,738</u>	<u>562</u>	<u>131,054</u>
Lease right-to-use assets, net	<u>198,593</u>	<u>(45,884)</u>	<u>(562)</u>	<u>153,271</u>
Governmental activities capital assets, net	<u>\$ 4,344,676</u>	<u>\$ 722,797</u>	<u>\$ 562</u>	<u>\$ 5,068,035</u>

**City of Wallis, Texas**  
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	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<b><u>Business-type activities</u></b>				
Capital assets not being depreciated				
Land	\$ 9,570	\$ -	\$ -	\$ 9,570
Construction in progress	185,332	427,989	-	613,321
Total capital assets not being depreciated	194,902	427,989	-	622,891
Capital assets being depreciated				
Buildings and improvements	11,973	7,800	5,469	14,304
Furniture and Equipment	27,130	-	-	27,130
Machinery and equipment	218,015	-	-	218,015
Vehicles	42,177	-	-	42,177
Water and Sewer System	5,579,680	19,110	-	5,598,790
Total at historical cost	5,878,975	26,910	5,469	5,900,416
Less: accumulated depreciation for:				
Buildings and improvements	10,743	474	5,469	5,748
Furniture and Equipment	26,121	243	-	26,364
Machinery and equipment	205,908	3,034	-	208,942
Vehicles	42,177	-	-	42,177
Water and Sewer System	2,952,137	148,912	-	3,101,049
Total accumulated depreciation	3,237,086	152,663	5,469	3,384,280
Total capital assets being depreciated, net	2,641,889	(125,753)	-	2,516,136
Lease right-to-use assets				
Vehicles	37,323	15,471	-	52,794
Total lease right-to-use assets	37,323	15,471	-	52,794
Less accumulated amortization for:				
Vehicles	25,677	12,526	625	37,578
Total accumulated amortization	25,677	12,526	625	37,578
Lease right-to-use assets, net	11,646	2,945	(625)	15,216
Business-type activities capital assets, net	\$ 2,848,437	\$ 305,181	\$ (625)	\$ 3,154,243

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
<b><u>City of Wallis Development Corporation</u></b>				
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	\$ 34,734
Streets	85,486
Public Safety	61,485
Culture and recreation	12,497
Business-type	152,663
	<u>\$ 346,865</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, 2024 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.	\$ 8,816
Note payable to bank, due in monthly installments of \$759, maturing January 2027, 7.5% interest rate, secured by equipment.	19,451
	<u>\$ 28,267</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, 2024 were as follows:

Year ending September 30	Governmental Activities		Component Units	
	Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2025	\$ 16,735	\$ 1,349	\$ 6,000	\$ 480
2026	8,534	578	6,000	240
2027	2,998	48	-	-
	<u>\$ 28,267</u>	<u>\$ 1,975</u>	<u>\$ 12,000</u>	<u>\$ 720</u>

During the year ended September 30, 2024, the following changes occurred in other long-term liabilities:

	Balance 9/30/23	Additions	Reductions	Balance 9/30/24	Due Within One Year
<b>Governmental activities</b>					
Long-term debt					
Notes payable	\$ 44,148	\$ -	\$ (15,881)	\$ 28,267	\$ 16,735
	<u>\$ 44,148</u>	<u>\$ -</u>	<u>\$ (15,881)</u>	<u>\$ 28,267</u>	<u>\$ 16,735</u>
Other long-term liabilities					
Compensated absences	\$ 17,356	\$ 4,523	\$ -	\$ 21,879	\$ -
	<u>\$ 17,356</u>	<u>\$ 4,523</u>	<u>\$ -</u>	<u>\$ 21,879</u>	<u>\$ -</u>
<b>Total governmental</b>	<u>\$ 61,504</u>	<u>\$ 4,523</u>	<u>\$ (15,881)</u>	<u>\$ 50,146</u>	<u>\$ 16,735</u>
<b>Business type activities</b>					
Other long-term liabilities					
Compensated absences	\$ 9,203	\$ -	\$ -	\$ 9,203	\$ -
	<u>\$ 9,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,203</u>	<u>\$ -</u>
<b>Total business-type</b>	<u>\$ 9,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,203</u>	<u>\$ -</u>
<b>Component units</b>					
Long-term debt					
Notes payable	\$ 18,000	\$ -	\$ (6,000)	\$ 12,000	\$ 6,000
	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ (6,000)</u>	<u>\$ 12,000</u>	<u>\$ 6,000</u>
<b>Total component units</b>	<u>\$ 18,000</u>	<u>\$ -</u>	<u>\$ (6,000)</u>	<u>\$ 12,000</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. Short-Term Debt**

The City maintains a revolving line of credit agreement with a financial institution to assist with short-term cash flow needs. The line of credit provides for maximum borrowings of up to \$250,000, with an interest rate of 8.50% per annum on outstanding balances. As of September 30, 2024, the City had an outstanding balance of \$70,000 on the line of credit.

**City of Wallis, Texas**  
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**Note 10. Interfund Receivables and Payables**

Interfund receivables and payables, all considered short-term, at September 30, 2024, were as follows:

Name of Fund	Due from other funds	Due to other funds
Governmental:		
General	\$ 15,598	\$ 95,830
Non-Major Governmental	7,254	15,598
Business-Type:		
Enterprise Fund	88,576	-
	<u>\$ 111,428</u>	<u>\$ 111,428</u>

**Note 11. 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 June 30, 2029. The City paid \$150,149 to this company during the year ended September 30, 2024.

The City has entered into various professional and construction contracts related to its grant projects totaling \$5,828,441. As of September 30, 2024, the City has spent \$2,104,308.

**Note 12. Pension Plans**

**A. Plan Description**

The City participates as one of 934 plans in the defined benefit cash-balance 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 issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://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	
	2022	2023
Employee Deposit Rate	6%	6%
Matching Ratio (City to Employee)	1 to 1	1 to 1
A member is vested after	10 years	5 years
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20	60/5, 0/20
Updated Service Credit	100% repeating, transfers	100% repeating
Annuity Increase (to retirees)	0% of CPI repeating	0% of CPI repeating

*Employees covered by benefit terms.*

At the December 31, 2023 evaluation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	18
Active employees	16
	43

**C. Contributions**

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

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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 2.13% and 2.38% in calendar years 2023 and 2024, respectively. The city's contributions to TMRS for the year ended September 30, 2024, were \$56,765.

**D. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.60% to 11.85% including inflation
Investment rate of return	6.75%

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 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 the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 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.

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



**City of Wallis, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2024**

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 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	6.70%
Core Fixed Income	6.0%	4.70%
Non-Core Fixed Income	20.0%	8.00%
Real Return	12.0%	8.00%
Real Estate	12.0%	7.60%
Absolute Return	5.0%	6.40%
Private Equity	10.0%	11.60%
Total	<u>100.0%</u>	

*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.

**City of Wallis, Texas**  
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<b>Changes in the Net Pension Liability/(Asset)</b>	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2022	\$ 1,482,332	\$ 1,538,846	\$ (56,514)
Changes for the year:			
Service Cost	83,254	-	83,254
Interest	100,384	-	100,384
Change of benefit terms	-	-	-
Difference between expected and actual experience	(11,442)	-	(11,442)
Changes of assumptions	(11,581)	-	(11,581)
Contributions - employer	-	50,933	(50,933)
Contributions - employee	-	54,474	(54,474)
Net investment income	-	179,333	(179,333)
Benefit payments, including refunds of employee contributions	(73,564)	(73,564)	-
Administrative expense	-	(1,133)	1,133
Other charges	-	(8)	8
Net changes	87,051	210,034	(122,984)
<b>Balance at 12/31/2023</b>	<b>\$ 1,569,383</b>	<b>\$ 1,748,880</b>	<b>\$ (179,497)</b>

*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)	\$ 3,699	\$ (179,497)	\$ (332,166)

*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](http://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, 2024, the City recognized pension expense of \$44,343.

**City of Wallis, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2024**

At September 30, 2024, 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	\$ 4,473	\$ 8,036
Changes of assumptions	-	8,134
Net differences between projected and actual earnings	39,054	-
Contributions subsequent to the measurement date	41,680	-
Total	<u>\$ 85,207</u>	<u>\$ 16,170</u>

An amount of \$41,680 reported as deferred inflows 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2024	\$ 7,033
2025	6,696
2026	28,717
2027	(15,089)
Total	<u>\$ 27,357</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".

**City of Wallis, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2024**

*Employees covered by benefit terms.*

At October 1, 2023, 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 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 0.39% and 0.65% for calendar years 2023 and 2024, respectively. The City's contributions for the year ended September 30, 2024 were \$3,946 and were equal to the required contributions.

**D. Total OPEB Liability**

The City's total OPEB liability of \$52,139 was measured as of December 31, 2023, and was determined by an actuarial valuation as of December 31, 2023.

**Actuarial Assumptions**

The total OPEB in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions as of the December 31, 2023 measurement date:

Inflation	2.50% per year
Salary Increases	3.60% to 11.85% including inflation
Discount Rate	3.77%

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.

**City of Wallis, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2024**

Actuarial assumptions used in the December 31, 2023 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2019 through December 31, 2022. 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.

*Changes in the Total OPEB Liability*

	Total OPEB Liability
Balance at 12/31/2022	\$ 41,940
Changes for the year:	
Service Cost	8,080
Interest	1,840
Change of benefit terms	-
Difference between expected and actual experience	(1,470)
Changes of assumptions	2,838
Benefit payments, including refunds of employee contributions	(1,089)
Net changes	10,199
Balance at 12/31/2023	\$ 52,139

*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 3.77%, 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 2.77% or 1 percentage point higher 4.77% than the current rate.

	1% Decrease in Discount Rate 2.77%	Discount Rate 3.77%	1% Increase in Discount Rate 4.77%
City's total OPEB liability	\$ 61,511	\$ 52,139	\$ 44,703

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

For the year ended September 30, 2024, the City recognized OPEB expense of \$11,879. At September 30, 2024, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

**City of Wallis, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2024**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,085	\$ -
Changes in actuarial assumptions	-	7,364
Contributions subsequent to the measurement date	2,898	-
Total	<u>\$ 5,983</u>	<u>\$ 7,364</u>

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:	
2024	\$ 199
2025	(425)
2026	(2,026)
2027	(1,699)
2028	(328)
Total	<u>\$ (4,279)</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 2028.

**City of Wallis, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2024**

The future principal and interest payments as of September 30, 2024 were as follows:

Governmental Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2025	\$ 56,749	\$ 8,233	\$ 64,982
2026	46,761	5,061	51,822
2027	42,031	2,383	44,414
2028	10,701	233	10,934
	<u>\$ 156,242</u>	<u>\$ 15,910</u>	<u>\$ 172,152</u>

  

Business-Type Activities			
Fiscal Year	Principal Payments	Interest Payments	Total Payments
2025	\$ 11,629	\$ 324	\$ 11,953
2026	4,172	37	4,209
	<u>\$ 15,801</u>	<u>\$ 361</u>	<u>\$ 16,162</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.

**City of Wallis, Texas**  
**Notes to Basic Financial Statements**  
**September 30, 2024**

The following conduit debt has been issued:

<u>Date of Issuance</u>	<u>Issuer</u>	<u>Issued on Behalf of</u>	<u>Amount of Original Issue</u>
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 of such claims and lawsuits will not have a material adverse effect on the financial statements of the City.

**Note 17. Subsequent Events**

In February 2025, the Council approved the purchase of a tractor in the amount of \$84,298.



## 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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>										
Service Cost	\$ 83,254	\$ 66,933	\$ 64,073	\$ 63,233	\$ 62,221	\$ 56,480	\$ 54,606	\$ 45,091	\$ 32,339	\$ 22,419
Interest (on the Total Pension Liability)	100,384	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	(11,442)	10,251	6,171	29,973	(4,921)	(4,061)	(21,706)	16,626	510	(2,789)
Change of assumptions	(11,581)	-			(12,111)				25,206	
Benefit payments, including refunds of employee contributions	(73,564)	(67,108)	(81,707)	(88,478)	(65,307)	(56,167)	(42,043)	(42,043)	(47,149)	(52,491)
<b>Net Change in Total Pension Liability</b>	<b>87,051</b>	<b>104,818</b>	<b>75,807</b>	<b>85,884</b>	<b>57,935</b>	<b>65,714</b>	<b>60,640</b>	<b>83,499</b>	<b>71,467</b>	<b>25,389</b>
<b>Total Pension Liability - Beginning</b>	<b>1,482,332</b>	<b>1,377,514</b>	<b>1,301,707</b>	<b>1,215,823</b>	<b>1,157,888</b>	<b>1,088,174</b>	<b>1,027,534</b>	<b>944,035</b>	<b>872,568</b>	<b>847,179</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 1,569,383</b>	<b>\$ 1,482,332</b>	<b>\$ 1,377,514</b>	<b>\$ 1,301,707</b>	<b>\$ 1,215,823</b>	<b>\$ 1,157,888</b>	<b>\$ 1,088,174</b>	<b>\$ 1,027,534</b>	<b>\$ 944,035</b>	<b>\$ 872,568</b>
<b>Plan Fiduciary Net Position</b>										
Contributions - Employer	\$ 50,933	\$ 42,184	\$ 41,276	\$ 41,307	\$ 39,420	\$ 35,477	\$ 34,689	\$ 28,725	\$ 21,659	\$ 19,501
Contributions - Employee	54,474	43,795	42,858	42,677	41,206	36,956	35,885	29,697	22,406	19,452
Net Investment Income	179,333	(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	(73,564)	(67,108)	(81,707)	(88,478)	(65,307)	(56,167)	(42,043)	(42,043)	(47,149)	(52,491)
Administrative expense	(1,133)	(1,036)	(874)	(663)	(1,010)	(681)	(723)	(708)	(836)	(534)
Other	(8)	1,237	6	(26)	(30)	(36)	(37)	(38)	(41)	(44)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>210,034</b>	<b>(101,577)</b>	<b>191,883</b>	<b>97,926</b>	<b>194,827</b>	<b>(20,036)</b>	<b>168,827</b>	<b>79,230</b>	<b>(2,588)</b>	<b>36,986</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>1,538,846</b>	<b>1,640,423</b>	<b>1,448,540</b>	<b>1,350,614</b>	<b>1,155,787</b>	<b>1,175,821</b>	<b>1,004,994</b>	<b>927,764</b>	<b>930,352</b>	<b>893,366</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 1,748,880</b>	<b>\$ 1,538,846</b>	<b>\$ 1,640,423</b>	<b>\$ 1,448,540</b>	<b>\$ 1,350,614</b>	<b>\$ 1,155,787</b>	<b>\$ 1,175,821</b>	<b>\$ 1,006,994</b>	<b>\$ 927,764</b>	<b>\$ 930,352</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ (179,497)</b>	<b>\$ (56,514)</b>	<b>\$ (262,909)</b>	<b>\$ (146,833)</b>	<b>\$ (134,791)</b>	<b>\$ 2,103</b>	<b>\$ (87,647)</b>	<b>\$ 20,540</b>	<b>\$ 16,271</b>	<b>\$ (57,784)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>111.44%</b>	<b>103.81%</b>	<b>119.09%</b>	<b>111.28%</b>	<b>111.09%</b>	<b>99.82%</b>	<b>108.05%</b>	<b>98.00%</b>	<b>98.28%</b>	<b>106.62%</b>
<b>Covered Employee Payroll</b>	<b>\$ 907,895</b>	<b>\$ 729,912</b>	<b>\$ 714,307</b>	<b>\$ 711,280</b>	<b>\$ 686,764</b>	<b>\$ 615,926</b>	<b>\$ 598,089</b>	<b>\$ 494,959</b>	<b>\$ 373,427</b>	<b>\$ 324,199</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>-19.77%</b>	<b>-7.74%</b>	<b>-36.81%</b>	<b>-20.64%</b>	<b>-19.63%</b>	<b>0.34%</b>	<b>-14.65%</b>	<b>4.15%</b>	<b>4.36%</b>	<b>-17.82%</b>

**Notes to Schedule:**  
GASB 68 requires 10 fiscal years of data to be provided in this schedule.

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 23,410	\$ 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	55,859	41,434	40,510	42,868	38,563	39,068	34,518	34,178	27,972	21,227
Contribution deficiency (excess)	(32,449)	(22,849)	(24,196)	(26,061)	(22,146)	(20,539)	(16,853)	(18,303)	(16,145)	(8,942)
Covered employee payroll	\$ 1,011,852	\$ 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	5.52%	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	2.50%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis with scale MP-2021 (with immediate convergence).  Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis with the most recent Scale MP-2021 (with immediate convergence).

**Other Information:**

Notes

There were no benefit changes during the year.

**City of Wallis, Texas**

**Required Supplementary Information**

**Schedule of Changes in Total OPEB Liability and Related Ratios**  
Last 10 years (will ultimately be displayed)  
(unaudited)

	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>							
Service Cost	\$ 8,080	\$ 2,482	\$ 3,286	\$ 1,565	\$ 1,305	\$ 1,478	\$ 1,256
Interest (on total OPEB liability)	1,840	960	1,025	1,134	1,124	1,026	990
Difference between expected and actual experience	(1,470)	8,843	(3,897)	63	737	(602)	-
Change of assumptions	2,838	(20,975)	1,565	6,802	7,812	(2,351)	2,649
Benefit payments	(1,089)	(584)	(714)	(142)	(206)	(123)	(239)
<b>Net Change in Total OPEB Liability</b>	<b>10,199</b>	<b>(9,274)</b>	<b>1,265</b>	<b>9,422</b>	<b>10,772</b>	<b>(572)</b>	<b>4,656</b>
<b>Total OPEB Liability - Beginning</b>	<b>41,940</b>	<b>51,214</b>	<b>49,949</b>	<b>40,527</b>	<b>29,755</b>	<b>30,327</b>	<b>25,671</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 52,139</b>	<b>\$ 41,940</b>	<b>\$ 51,214</b>	<b>\$ 49,949</b>	<b>\$ 40,527</b>	<b>\$ 29,755</b>	<b>\$ 30,327</b>
<b>Related Ratios</b>							
Covered Employee Payroll	\$ 907,895	\$ 729,912	\$ 714,307	\$ 711,280	\$ 686,764	\$ 615,926	\$ 598,089
Total OPEB Liability as a Percentage of Covered Employee Payroll	5.74%	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%  
3.60% to 11.85% including inflation

3.77%

Discount Rate

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.

Mortality Rates- Service Retirees

2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

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 3.0% 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 the most recent Scale MP-2021 (with immediate convergence) 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.

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.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 17, 2025.

**Report on Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We considered the deficiencies described in the accompanying schedule of findings and questioned costs as 2024-001 and 2024-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2024-003 to be a significant deficiency.

### **Report on Compliance and Other Matters**

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

### **City of Wallis, Texas' Response to Findings**

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

### **Purpose of this Report**

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

Brenham, Texas  
June 17, 2025





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

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

**Report on Compliance for Each Major Program**

*Opinion on Each Major Federal Program*

We have audited the City of Wallis, Texas' compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Wallis, Texas' major federal programs for the year ended September 30, 2024. The City of Wallis, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Wallis, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

*Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Wallis, Texas and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Wallis, Texas' compliance with the compliance requirements referred to above.

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Wallis, Texas' federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Wallis, Texas' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Wallis, Texas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Wallis, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Wallis, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Wallis, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### *Report on Internal Control over Compliance*

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might



be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs- major federal award programs audit as 2024-004 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

*Seidel Schuster*

Brenham, Texas  
June 17, 2025

CITY OF WALLIS, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2024

SUMMARY OF AUDIT RESULTS

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

FINDINGS - FINANCIAL STATEMENT AUDIT

2024-001 Segregation of duties - Municipal court

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

Cause: A small office environment with few staff members limits the City's ability to segregate duties related to municipal court activities.

Effect: Inadequate segregation of duties limits the City's ability to timely identify municipal court reporting discrepancies and misappropriation of assets. To mitigate risk related to limited segregation of duties, the City has established controls, including having an individual other than the Municipal Court clerk posts deposits of fine and fee receipts to the general ledger, having all adjustments made by the Municipal Court clerk approved by the Municipal Court judge, and having the City Secretary reconcile monthly court activity to deposits with the general ledger each month.

Recommendation: We recommend that the offsetting controls be continued.

Response: The City will practice the offsetting controls.

#### 2024-002 Segregation of duties - utilities

Condition and Criteria: The Utilities clerk processes billings, collects payments, posts adjustments, and prepares the bank deposit. Billings and adjustments are entered into the general ledger by the Finance clerk based on utility data system billing reports. The Finance clerk posts the deposit, reconciles the bank statement, and reviews reports of monthly adjustments and write-offs. For a portion of the year, the Utilities clerk's duties were performed by the Finance clerk due to a vacancy.

Cause: A small office environment with few staff members limits the City's ability to segregate duties related to utilities.

Effect: Inadequate segregation of duties limits the City's ability to timely identify discrepancies and misappropriation of assets.

Recommendation: We recommend that the offsetting controls be continued.

Response: The City will practice the offsetting controls.

#### 2024-003 Segregation of duties - general ledger

Condition and Criteria: The Finance clerk records all accounting transactions in the general ledger and makes general ledger adjustments. The Finance clerk is responsible for depositing receipts other than utility and municipal court payments and processes disbursements and payroll. Bank accounts are also reconciled by the Finance clerk.

Cause: A small office environment with few staff members limits the City's ability to segregate duties related to significant assets.

Effect: Inadequate segregation of duties limits the City's ability to timely identify discrepancies and misappropriation of assets. As offsetting controls, dual signatures are required on all check disbursements, the bank statements are opened by an independent person, and bank reconciliations are reviewed by the mayor.

**Recommendation:** We recommend that all journal entries be reviewed by someone other than the preparer, bank statements and reconciliations be initialed and dated by the independent reviewer, and that remaining offsetting controls be continued.

**Response:** The City will continue to practice the offsetting controls and will implement the additional review controls.

## FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

### **Material Weakness**

#### **2024-004      Federal Award Policies and Procedures**

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

**Cause:** The City was unaware of a requirement to have written policies and procedures with respect to federal awards.

**Effect:** The requirements of Subparts D-Post Federal Award Requirements and E-Cost Principles may not be followed.

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

**Response:** The City was informed of this finding in December 2023. The City will establish and adopt written policies for federal awards.

CITY OF WALLIS, TEXAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED SEPTEMBER 30, 2024

US DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT ALN 14.228

FINDING 2022-005: Federal Award Policies and Procedures

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

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

*Response:* The City was informed of this finding in December 2023. The City will establish and adopt written policies for federal awards.

**CITY OF WALLIS, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT NUMBER	PROGRAM AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 09/30/23	FEDERAL FUNDS RECEIVED	FY 24 FEDERAL EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 09/30/24
<b>Federal</b>							
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
<b>Texas Department of Agriculture</b>							
Texas Community Development Block Grant- Mitigation Funding	14.228	22-085-054-D311	\$ 5,748,125	\$ 4,733	\$ (342,925)	\$ 1,240,527	\$ 902,335
Texas Community Development Block Grant Program-Downtown Revitalization Program - 2021	14.228	CDM21-0196	297,500	15,250	(199,233)	269,605	85,622
Texas Community Development Block Grant- Development of a comprehensive plan	14.228	CPC21-0544	38,789	-	(38,789)	38,789	-
Texas Community Development Block Grant- Water well rehabilitation	14.228	CDV21-0120	315,000	-	(24,250)	49,000	24,750
Texas Community Development Block Grant- Harvey	14.228	20-065-035-C115	427,602	-	-	-	-
			<u>\$ 6,827,016</u>	<u>\$ 19,983</u>	<u>\$ (605,197)</u>	<u>\$ 1,597,921</u>	<u>\$ 1,012,707</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>							
Victims of Crime Advocate	16.575	3341107	62,865	-	\$ (57,626)	62,865	5,239
			<u>\$ 62,865</u>	<u>\$ -</u>	<u>\$ (57,626)</u>	<u>\$ 62,865</u>	<u>\$ 5,239</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>							
<b>Texas Division of Emergency Management</b>							
Disaster State Administrative Plan	97.036	DR-4798-TX	\$ 42,508	\$ -	\$ -	\$ 42,508	\$ 42,508
			<u>\$ 42,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,508</u>	<u>\$ 42,508</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 6,932,389</u>	<u>\$ 19,983</u>	<u>\$ (662,823)</u>	<u>\$ 1,703,294</u>	<u>\$ 1,060,454</u>

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

**Note 1: Basis of Presentation**

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

**Note 2: Indirect Cost Rate**

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