

CITY OF WALLIS, TEXAS
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

INTRODUCTORY SECTION

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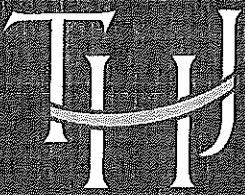
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**CITY OF WALLIS, TEXAS
PRINCIPAL CITY OFFICIALS
AT SEPTEMBER 30, 2020**

Dennis Diggs.....Mayor
Clark Main, Jr. Mayor Pro-Tem
Felix Galvan, Jr. Councilmember
Belinda Halfin Councilmember
James King..... Councilmember
Bernadette Parr Councilmember
Sheila Moseley..... City Secretary

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT – CONTINUED

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Wallis, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, the schedule of pension contributions and related notes, and schedule of changes in total OPEB liability on pages 9-14 and 51-56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Other Supplemental Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Combining Statements, on pages 58 through 61, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are 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 March 14, 2022, on our consideration of the City'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 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 internal control

INDEPENDENT AUDITORS' REPORT – CONTINUED

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

March 14, 2022

**CITY OF WALLIS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)**

As management of the City of Wallis, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's overall assets exceeded its liabilities (or *net position*) by \$5,780,008 at September 30, 2020.
- Overall revenues exceeded expenses (or an increase in net position) by \$241,487 during the fiscal year. Net position of governmental activities decreased by \$40,820 and increased by \$282,307 for the business-type activities.
- The overall assets of the City increased by \$437,359 during the fiscal year. Unrestricted cash decreased by \$186,944; restricted cash decreased by \$18,025; receivables increased by \$189,225 and capital assets increased by \$324,612.
- The overall liabilities of the City increased by \$91,574 during the year. Current and other liabilities increased by \$115,368 while long-term liabilities decreased by \$23,794. No new long-term debt was incurred during the year.
- Excluding grant revenues, overall revenues decreased by \$95,752 from the prior year. Overall expenses increased by \$36,367 from the prior year.
- The City received \$185,344 in operating grants and \$498,643 in capital grants during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements. The *government-wide financial statements*, which begin on page 16 of this report, are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

These statements include three component units: the Wallis Economic Development Corporation, the Wallis Education Facilities Finance Corporation and the Wallis Cultural Education Facilities Finance Corporation. These entities, although legally separate from the City, are included in the financial statements because the City Council has appointment authority over their governing boards.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the fiscal year. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**CITY OF WALLIS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)**

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: *governmental* funds and *proprietary* funds.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

Proprietary Funds are used to report the same functions presented as *business-type* activities in the government-wide financial statements. The City uses a proprietary fund to account for the operations of the water, sewer, and garbage collections systems that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis are to be financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The basic governmental and proprietary fund financial statements can be found on pages 20 - 26 of this report.

Notes to the Financial Statements. The notes, beginning on page 27, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents supplementary information (beginning on page 51). This section provides budgetary comparison schedules for the City's major governmental funds and information regarding the City's progress in funding its obligation to provide pension benefits to its employees.

**CITY OF WALLIS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)**

THE CITY'S NET POSITION

Over time, net position serves as a useful indicator of a government's financial position. At September 30, 2020, the City's assets exceeded its liabilities by \$5,780,008.

The City has a large investment in capital assets (e.g. land, buildings, improvements other than buildings, equipment, and infrastructure) and related debt used to acquire those assets that remain outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Net position invested in capital assets, net of related debt, totaled \$4,766,703 at September 30, 2020.

An additional portion of the City's net position, \$744,489, represents resources that are subject to restrictions as to how they may be used. The remaining balance of \$268,816 is unrestricted in nature.

The City's Net Position

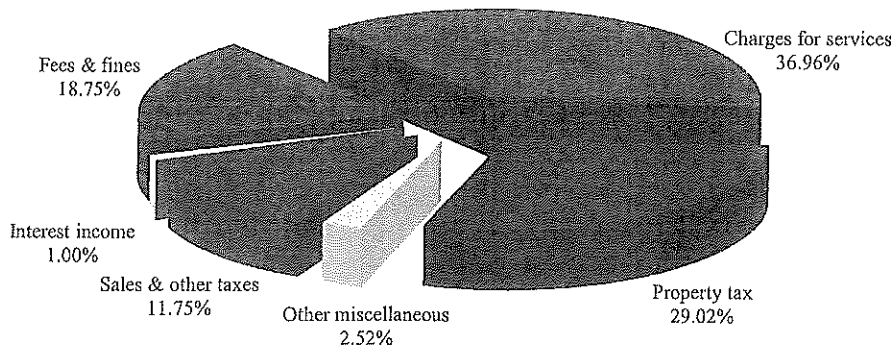
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,225,145	\$ 1,151,061	\$ 239,651	\$ 200,988	\$ 1,464,796	\$ 1,352,049
Capital assets	2,381,089	2,297,212	2,405,666	2,164,931	4,786,755	4,462,143
Total assets	<u>3,606,234</u>	<u>3,448,273</u>	<u>2,645,317</u>	<u>2,365,919</u>	<u>6,251,551</u>	<u>5,814,192</u>
Deferred Outflows of Resources	33,657	75,740	2,160	14,730	35,817	90,470
Current and other liabilities	316,554	195,171	67,649	73,664	384,203	268,835
Long-term liabilities	44,922	60,980	15,657	23,393	60,579	84,373
Total liabilities	<u>361,476</u>	<u>256,151</u>	<u>83,306</u>	<u>97,057</u>	<u>444,782</u>	<u>353,208</u>
Deferred Inflows of Resources	62,233	10,860	345	2,073	62,578	12,933
Net position						
Invested in capital assets, net of related debt	2,371,063	2,236,232	2,395,640	2,141,538	4,766,703	4,377,770
Restricted	729,824	754,063	14,665	18,028	744,489	772,091
Unrestricted	115,295	266,707	153,521	121,953	268,816	388,660
Total net position	<u>\$ 3,216,182</u>	<u>\$ 3,257,002</u>	<u>\$ 2,563,826</u>	<u>\$ 2,281,519</u>	<u>\$ 5,780,008</u>	<u>\$ 5,538,521</u>

**CITY OF WALLIS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)**

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 567,832	\$ 611,922	\$ 567,832	\$ 611,922
Fees and fines	288,044	371,573	-	-	288,044	371,573
Grants and contributions	374,987	211,619	309,000	41,000	683,987	252,619
General revenues:						
Property taxes	445,938	423,905	-	-	445,938	423,905
Sales, franchise and other taxes	180,612	170,161	-	-	180,612	170,161
Interest income	12,712	27,989	2,641	3,376	15,353	31,365
Gain (loss) on sale of assets	-	193	-	-	-	193
Other miscellaneous	38,612	23,146	156	34	38,768	23,180
Total revenues	1,340,905	1,228,586	879,629	656,332	2,220,534	1,884,918
Expenses						
General government	247,290	221,766	-	-	247,290	221,766
Highways and streets	330,736	228,393	-	-	330,736	228,393
Public safety	844,172	881,057	-	-	844,172	881,057
Culture and recreation	41,509	32,686	-	-	41,509	32,686
Water and sewer	-	-	382,681	447,017	382,681	447,017
Sanitation	-	-	130,756	129,691	130,756	129,691
Interest on long-term debt	1,903	2,070	-	-	1,903	2,070
Total expenses	1,465,610	1,365,972	513,437	576,708	1,979,047	1,942,680
Transfers						
In (out)	83,885	14,000	(83,885)	(14,000)	-	-
Total transfers	83,885	14,000	(83,885)	(14,000)	-	-
Increase (decrease) in net position	(40,820)	(123,386)	282,307	65,624	241,487	(57,762)
Net position, beginning of year	3,257,002	3,380,388	2,281,519	2,215,895	5,538,521	5,596,283
Net position, end of year	\$ 3,216,182	\$ 3,257,002	\$ 2,563,826	\$ 2,281,519	\$ 5,780,008	\$ 5,538,521

**Revenue by Major Category (Excluding Grants)
Governmental and Business-type Activities
For the Fiscal Year Ended September 30, 2020**



**CITY OF WALLIS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2020, the City's governmental funds (pages 20 – 23) reported a total fund balance of \$703,886. This fund balance is comprised of \$676,988 that is restricted as to use and is not available for new spending, and \$5,953 representing prepaid expenditures. The remaining balance of \$20,945 is unassigned. During the year, the fund balance in the City's governmental funds decreased by \$311,550 as a result of operations.

General Fund Budget and Park Fund Budget. A comparison of the general fund and the park fund budget and actual results is presented as required supplementary information on pages 51 – 52.

In the general fund, total expenditures exceeded revenues by \$371,397. Expenditures were higher than budgeted amounts (unfavorable) by \$238,333. Expenditures, net of transfers, were higher than budgeted amounts (unfavorable) by \$134,448.

In the park fund, total expenditures exceeded revenues by \$38,177. Revenues were lower than budgeted amounts (unfavorable) by \$26,817. Expenditures were lower than budgeted amounts (favorable) by \$20,774.

CAPITAL ASSETS

The City's investment in capital assets as of September 30, 2020, totaled \$4,786,755 (net of accumulated depreciation). This investment in capital assets includes land and other capital assets such as buildings, improvements, and equipment.

Capital purchases of \$621,649 were made during the year. Significant additions included:

- Completion of Mercer water lines (grant funded)
- Sixth street bridge repairs
- Began work on drainage improvements (grant funded)

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 341,030	\$ 341,030	\$ 9,570	\$ 9,570	\$ 350,600	\$ 350,600
Construction in progress	189,643	-	-	41,000	189,643	41,000
Buildings	274,723	264,316	2,457	2,866	277,180	267,182
Infrastructure	315,378	311,590	-	-	315,378	311,590
Vehicles	105,006	153,812	2,684	8,093	107,690	161,905
Furniture and equipment	63,531	96,612	1,797	3,923	65,328	100,535
Improvements	1,091,778	1,129,852	-	-	1,091,778	1,129,852
Machinery and equipment	-	-	27,299	38,835	27,299	38,835
Water and sewer system	-	-	2,361,859	2,060,644	2,361,859	2,060,644
Capital assets, net	<u>\$ 2,381,089</u>	<u>\$ 2,297,212</u>	<u>\$ 2,405,666</u>	<u>\$ 2,164,931</u>	<u>\$ 4,786,755</u>	<u>\$ 4,462,143</u>

**CITY OF WALLIS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(UNAUDITED)**

DEBT ADMINISTRATION

During the fiscal year, principal balances totaling \$64,321 were retired. No new debt was incurred during the year. As of September 30, 2020, the City had \$20,052 of outstanding debt.

Debt Outstanding

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Notes payable	\$ 10,026	\$ 60,980	\$ 10,026	\$ 23,393	\$ 20,052	\$ 84,373
Total	<u>\$ 10,026</u>	<u>\$ 60,980</u>	<u>\$ 10,026</u>	<u>\$ 23,393</u>	<u>\$ 20,052</u>	<u>\$ 84,373</u>

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, 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 any questions about this report or need additional information, contact the City Secretary's office at 6810 Guyler, Bldg B, Wallis, Texas 77485.

Basic Financial Statements

Government-wide Financial Statements

CITY OF WALLIS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 198,141	\$ 24,813	\$ 222,954	\$ 206,868
Receivables, net of allowance for uncollectibles	288,352	66,816	355,168	13,131
Prepaid expenses	5,953	1,774	7,727	-
Internal balances	(79,701)	79,701	-	-
Restricted assets				
Cash and cash equivalents	696,092	48,066	744,158	-
Net pension asset	116,308	18,481	134,789	-
Capital assets, net of accumulated depreciation	2,381,089	2,405,666	4,786,755	58,982
TOTAL ASSETS	<u>3,606,234</u>	<u>2,645,317</u>	<u>6,251,551</u>	<u>278,981</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension plan	27,213	1,819	29,032	-
OPEB plan	6,444	341	6,785	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>33,657</u>	<u>2,160</u>	<u>35,817</u>	<u>-</u>
LIABILITIES				
Accounts payable	156,916	14,122	171,038	-
Accrued expenses	22,900	4,280	27,180	-
Due to the state	93,754	-	93,754	-
Due to component unit	13,131	-	13,131	-
Compensated absences	25,887	1,181	27,068	-
Customer deposits payable	-	48,066	48,066	-
Unearned revenue - CARES grant	3,966	-	3,966	-
Noncurrent liabilities				
Total OPEB liability	34,896	5,631	40,527	-
Due within one year	10,026	10,026	20,052	-
Due in more than one year	-	-	-	-
TOTAL LIABILITIES	<u>361,476</u>	<u>83,306</u>	<u>444,782</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Pension plan	62,233	310	62,543	-
OPEB plan	-	35	35	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>62,233</u>	<u>345</u>	<u>62,578</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net of related debt	2,371,063	2,395,640	4,766,703	-
Restricted for:				
Police and courts	30,952	-	30,952	-
Pension and OPEB	52,836	14,665	67,501	-
Park	646,036	-	646,036	-
Unrestricted	115,295	153,521	268,816	278,981
TOTAL NET POSITION	<u>\$ 3,216,182</u>	<u>\$ 2,563,826</u>	<u>\$ 5,780,008</u>	<u>\$ 278,981</u>

See accompanying notes to the financial statements.

**CITY OF WALLIS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Units	
	Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities			Total
					Expenses			
Primary government								
Governmental activities								
General government	\$ 247,290	\$ 10,159	\$ -	\$ (196,019)	\$ -	\$ (196,019)	\$ -	
Highways and streets	330,736	91,769	-	(238,967)	-	(238,967)	-	
Public safety	844,172	83,416	189,643	(324,181)	-	(324,181)	-	
Culture and recreation	41,509	-	-	(41,509)	-	(41,509)	-	
Interest on long-term debt	1,903	-	-	(1,903)	-	(1,903)	-	
Total governmental activities	<u>1,465,610</u>	<u>185,344</u>	<u>189,643</u>	<u>(802,579)</u>	<u>-</u>	<u>(802,579)</u>	<u>-</u>	
Business-type activities								
Water and sewer	382,681	-	309,000	-	327,250	327,250	-	
Sanitation	130,756	-	-	-	36,145	36,145	-	
Interest on long-term debt	-	-	-	-	-	-	-	
Total business-type activities	<u>513,437</u>	<u>-</u>	<u>309,000</u>	<u>-</u>	<u>363,395</u>	<u>363,395</u>	<u>-</u>	
Total primary government	<u>\$ 1,979,047</u>	<u>\$ 185,344</u>	<u>\$ 498,643</u>	<u>(802,579)</u>	<u>363,395</u>	<u>(439,184)</u>	<u>-</u>	
Component units	<u>\$ 45,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(45,714)</u>	<u>-</u>	
General revenues								
Property taxes				445,938		445,938	-	
Sales and other taxes				128,417		128,417	63,114	
Franchise taxes				52,195		52,195	-	
Investment income				12,712	2,641	15,353	1,127	
Gain (loss) on sale of assets				-	-	-	-	
Other income				38,612	156	38,768	-	
Transfers in (out)				83,885	(83,885)	-	-	
Total general revenues and transfers				<u>761,759</u>	<u>(81,088)</u>	<u>680,671</u>	<u>64,241</u>	
Change in net position				(40,820)	282,307	241,487	18,527	
Net position - beginning				3,257,002	2,281,519	5,538,521	260,454	
Net position - ending				<u>\$ 3,216,182</u>	<u>\$ 2,563,826</u>	<u>\$ 5,780,008</u>	<u>\$ 278,981</u>	

See accompanying notes to the financial statements.

Fund Financial Statements

**CITY OF WALLIS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	General Fund	Park Fund	Nonmajor Governmental Funds (Page 58)	Total
ASSETS				
Cash and cash equivalents	\$ 198,141	\$ -	\$ -	\$ 198,141
Receivables, net of allowance				
Property taxes	35,492	-	-	35,492
Sales taxes	32,357	-	-	32,357
Due from other governments	220,503	-	-	220,503
Due from other funds	-	-	-	-
Prepaid expenses	5,953	-	-	5,953
Restricted assets				
Cash and cash equivalents	9,443	661,259	25,390	696,092
TOTAL ASSETS	\$ 501,889	\$ 661,259	\$ 25,390	\$ 1,188,538
LIABILITIES				
Accounts payable	\$ 156,916	\$ -	\$ -	\$ 156,916
Accrued expenses	22,465	435	-	22,900
Due to other funds	64,913	14,788	-	79,701
Due to the state	93,754	-	-	93,754
Due to component unit	13,131	-	-	13,131
Unearned revenue - CARES gran	3,966	-	-	3,966
Total liabilities	355,145	15,223	-	370,368
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants	80,566	-	-	80,566
Unavailable revenue - property taxes	33,718	-	-	33,718
Total deferred inflows of resources	114,284	-	-	114,284
FUND BALANCES				
Non-spendable:				
Prepaid expenses	5,953	-	-	5,953
Restricted for:				
Police and courts	5,562	-	25,390	30,952
Park	-	646,036	-	646,036
Unassigned	20,945	-	-	20,945
Total fund balances	32,460	646,036	25,390	703,886
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 501,889	\$ 661,259	\$ 25,390	\$ 1,188,538

See accompanying notes to the financial statements.

CITY OF WALLIS, TEXAS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Total fund balances - governmental funds balance sheet	\$	703,886
Amounts reported for governmental activities in the statement of net position are different because:		
Certain deferred revenues are not available to pay current period expenditures and therefore, are deferred in the governmental funds.		114,284
Net pension assets do not represent financial resources and therefore, are not reported in the governmental funds.		116,308
Deferred pension plan and OPEB amounts relate to subsequent pension plan measurement periods and/or do not consume current financial resources and therefore, these amounts are not reported in the governmental funds.		(28,576)
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.		2,381,089
Payables for accrued compensated absences are not due in the current period and therefore, are not reported in the governmental funds.		(25,887)
Total OPEB liabilities are not due in the current period and therefore, are not reported in the governmental funds.		(34,896)
Payables for non-current liabilities, including certificates of obligations and capital leases, are not due in the current period and therefore, are not reported in the governmental funds.		<u>(10,026)</u>
Net position of governmental activities	\$	<u>3,216,182</u>

See accompanying notes to the financial statements.

CITY OF WALLIS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Park Fund	Nonmajor Governmental Funds (Page 59)	Total
REVENUES				
Property taxes, penalty and interest	\$ 444,076	\$ -	\$ -	\$ 444,076
Sales and other taxes	128,417	-	-	128,417
Franchise taxes	52,195	-	-	52,195
Licenses and permits	35,012	-	-	35,012
Fines, net of state share of \$270,083	216,951	-	28,848	245,799
Property rentals	6,100	-	-	6,100
Intergovernmental	294,322	-	-	294,322
Donations	100	-	-	100
Interest income	3,913	8,634	165	12,712
Other revenues	38,612	-	-	38,612
Total revenues	<u>1,219,698</u>	<u>8,634</u>	<u>29,013</u>	<u>1,257,345</u>
EXPENDITURES				
General government	182,412	-	-	182,412
Highways and streets	480,600	-	-	480,600
Public safety	846,144	-	13,914	860,058
Culture and recreation	-	43,991	-	43,991
Capital outlay	29,081	2,820	960	32,861
Debt service				
Principal retired	50,955	-	-	50,955
Interest	1,903	-	-	1,903
Total expenditures	<u>1,591,095</u>	<u>46,811</u>	<u>14,874</u>	<u>1,652,780</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(371,397)</u>	<u>(38,177)</u>	<u>14,139</u>	<u>(395,435)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	-	-
Transfers in	83,885	-	-	83,885
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>83,885</u>	<u>-</u>	<u>-</u>	<u>83,885</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>(287,512)</u>	<u>(38,177)</u>	<u>14,139</u>	<u>(311,550)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>319,972</u>	<u>684,213</u>	<u>11,251</u>	<u>1,015,436</u>
FUND BALANCES - END OF YEAR	<u>\$ 32,460</u>	<u>\$ 646,036</u>	<u>\$ 25,390</u>	<u>\$ 703,886</u>

See accompanying notes to the financial statements.

CITY OF WALLIS, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net change in fund balances - governmental funds	\$ (311,550)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	82,427
This amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.	33,429
This amount represents the change in net pension liabilities and total OPEB liabilities from the beginning of the period to the end of the period.	20,042
Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	83,877
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.	<u>50,955</u>
Change in net position of governmental activities	<u>\$ (40,820)</u>

See accompanying notes to the financial statements.

**CITY OF WALLIS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020**

	Utility Fund	Total
ASSETS		
Current assets		
Cash and cash equivalents	\$ 24,813	\$ 24,813
Receivables, net of allowance for uncollectibles	66,816	66,816
Due from other funds	79,701	79,701
Prepaid expenses	1,774	1,774
Restricted assets		
Cash and cash equivalents	48,066	48,066
Total current assets	221,170	221,170
Noncurrent assets		
Net pension asset	18,481	18,481
Capital assets, net of accumulated depreciation	2,405,666	2,405,666
Total noncurrent assets	2,424,147	2,424,147
TOTAL ASSETS	2,645,317	2,645,317
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	1,819	1,819
OPEB plan	341	341
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,160	2,160
LIABILITIES		
Current liabilities		
Accounts payable	14,122	14,122
Accrued expenses	4,280	4,280
Compensated absences	1,181	1,181
Customer deposits payable	48,066	48,066
Notes payable - current maturities	10,026	10,026
Total current liabilities	77,675	77,675
Noncurrent liabilities		
Total OPEB liability	5,631	5,631
Notes payable	-	-
Total noncurrent liabilities	5,631	5,631
TOTAL LIABILITIES	83,306	83,306
DEFERRED INFLOWS OF RESOURCES		
Pension plan	310	310
OPEB plan	35	35
TOTAL DEFERRED INFLOWS OF RESOURCES	345	345
NET POSITION		
Invested in capital assets, net of related debt	2,395,640	2,395,640
Restricted for pensions and OPEB	14,665	14,665
Unrestricted	153,521	153,521
TOTAL NET POSITION	\$ 2,563,826	\$ 2,563,826

See accompanying notes to the financial statements.

CITY OF WALLIS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Utility Fund	Total
OPERATING REVENUES		
Water sales	\$ 207,186	\$ 207,186
Sewer services	170,687	170,687
Garbage collection fees	166,901	166,901
Tap and reconnect fees	13,806	13,806
Penalties	9,252	9,252
Miscellaneous income	156	156
Total operating revenues	567,988	567,988
OPERATING EXPENSES		
Personnel costs	56,428	56,428
Purchased sanitation services	130,756	130,756
Purchased professional and technical services	5,568	5,568
Maintenance	58,908	58,908
Supplies and fuel	18,589	18,589
Utilities	31,086	31,086
Insurance	3,496	3,496
Water testing	68,040	68,040
Other operating expenses	16,111	16,111
Bad debt expense	(86)	(86)
Depreciation	124,541	124,541
Total operating expenses	513,437	513,437
INCOME (LOSS) FROM OPERATIONS	54,551	54,551
NONOPERATING REVENUES (EXPENSES)		
Grant income	309,000	309,000
Interest income	2,641	2,641
Interest expense	-	-
Total nonoperating revenues (expenses)	311,641	311,641
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	366,192	366,192
Transfers in (out)	(83,885)	(83,885)
CHANGE IN NET POSITION	282,307	282,307
NET POSITION AT BEGINNING OF YEAR	2,281,519	2,281,519
NET POSITION AT END OF YEAR	\$ 2,563,826	\$ 2,563,826

See accompanying notes to the financial statements.

**CITY OF WALLIS, TEXAS
STATEMENT OF CASH FLOWS
UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	\$ 392,534
Cash payments to suppliers	(328,781)
Cash payments to employees	<u>(65,845)</u>
Net cash provided by (used in) operating activities	<u>(2,092)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(56,276)
Principal payments on debt	(13,367)
Interest paid on debt	<u>-</u>
Transfer to other funds	<u>(83,885)</u>
Net cash provided by (used in) capital and related financing activities	<u>(153,528)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in certificates of deposit	-
Interest received	<u>2,641</u>
Net cash provided by (used in) investing activities	<u>2,641</u>
NET INCREASE (DECREASE) IN CASH/CASH EQUIVALENTS	(152,979)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>225,858</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 72,879</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss) before nonoperating revenues	\$ 54,551
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation/amortization	124,541
(Increase) decrease in accounts receivable	33,880
(Increase) decrease in prepaids	(214)
(Increase) decrease in net pension asset/liability	(13,207)
(Increase) decrease in deferred pension amounts	11,245
(Increase) decrease in total OPEB liability	586
(Increase) decrease in deferred OPEB amounts	(403)
Increase (decrease) in accounts payable	(7,011)
Increase (decrease) in other accrued expenses	3,901
Increase (decrease) in due to other funds	(212,101)
Increase (decrease) in compensated absences	(627)
Increase (decrease) in customer deposits payable	<u>2,767</u>
Total adjustments	<u>(56,643)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (2,092)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 24,813
Restricted cash and cash equivalents	<u>48,066</u>
	<u>\$ 72,879</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of the City of Wallis, Texas (the "City") have been prepared in accordance with accounting principles generally accepted in the United States of America ("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 more significant accounting and reporting policies used by the City are discussed below.

Reporting Entity

The City of Wallis, incorporated in 1973, is a political subdivision and a municipal corporation organized and existing under the general laws of the State of Texas. The City is governed by an elected Council comprised of the Mayor and five at-large council members. With few exceptions, all powers of the City are vested in the Council, which enacts local legislation, adopts budgets, determines policies, and appoints the City Attorney and Municipal Court Judge. The City provides the following services as authorized by the statutes of the State of Texas and ordinances passed by the city council: general administrative services; street maintenance; park programs; community development; police and courts; water and sewer utilities; and solid waste collection and disposal.

For financial reporting purposes, based on standards established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, these financial statements should present the City (the primary government) and its component units. Component units generally are legally separate entities for which the primary government is financially accountable or for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

Discretely Presented Component Units. The component units discussed below are included in the City's reporting entity and its financial statements have been included as a discretely presented component units in a column separate from the City's financial information to emphasize that they are legally separate from the City.

City of Wallis Development Corporation ("WDC"). The City of Wallis Development Corporation was formed in March, 2000 by the City Council of Wallis, Texas ("City"). The WDC is a Type-B nonprofit, nonstock government corporation formed under the Development Corporation Act of 1979 with the stated purpose of promoting, assisting, and enhancing economic development within the City and its extraterritorial jurisdiction. The WDC does so primarily with funds provided by a one-half of one percent sales tax imposed within the City, which was approved by voters of the City. Assistance to qualifying enterprises may be in the form of grants and/or loans. The governing body of the WDC, which consists of seven individuals, is appointed by the City Council.

Wallis Education Facilities Finance Corporation ("WEFFC"). The Wallis Education Facilities Finance Corporation was formed in 1999 by the City Council of Wallis. The WEFFC is a nonprofit, nonstock government corporation formed under the Cultural Education Facilities Finance Corporation Act of 1985 ("Act") with the stated purpose of acquiring, constructing, providing, improving, financing, and refinancing cultural facilities to accomplish the public purposes stated in the Act. The WEFFC does so primarily by issuing bonds for private schools and other not-for-profit entities. The governing body of the WEFFC, which consists of three individuals, is appointed by the City Council.

Wallis Cultural Education Facilities Finance Corporation ("WCEFFC"). The Wallis Cultural Education Facilities Finance Corporation was formed in September, 2006 by the City Council of Wallis. The

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

WCEFFC is a nonprofit, nonstock government corporation formed under the Cultural Education Facilities Finance Corporation Act of 1985 (“Act”) with the stated purpose of acquiring, constructing, providing, improving, financing, and refinancing cultural facilities to accomplish the public purposes stated in the Act. The WCEFFC does so primarily by issuing bonds for private schools and other not-for-profit entities. The governing body of the WCEFFC, which consists of three individuals, is appointed by the City Council.

The members of the Boards of the WDC, WEFFC, and WCEFFC and the City Council are not substantially the same, nor do the entities provide services to the City. For these reasons, the EDCs’ basic financial statements have been included in the City’s financial statements as discretely presented component units.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on all of the activities of the City as a whole. *Governmental activities*, which normally are supported by taxes, grants, and other intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue sources not properly included with program revenues are reported as *general revenues*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and major individual proprietary funds are reported in separate columns in the fund financial statements.

New Accounting Pronouncements

Effective date postponed by one year due to COVID-19 pandemic in accordance with GASB No. 95 (original effective dates listed):

GASB Statement No. 84, *Fiduciary Activities* (“GASB 84”), improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The effects of implementing GASB 84 on the City’s financial disclosures have not been evaluated by management.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (“GASB 89”), is intended to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The effects of implementing GASB 89 on the City’s financial disclosures have not been evaluated by management.

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* (“GASB 90”), is intended to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The effects of implementing GASB 90 on the City’s financial disclosures have not been evaluated by management.

GASB Statement No. 91, *Conduit Debt Obligations* (“GASB 91”), is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in certain practices. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2020. The effects of implementing GASB 91 on the City’s financial disclosures have not been evaluated by management.

GASB Statement No. 92, *Omnibus 2020* (“GASB 92”), is intended to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2020. The effects of implementing GASB 92 on the City’s financial disclosures have not been evaluated by management.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* (“GASB 93”), is primarily intended to address the accounting and financial reporting implications resulting from the replacement of an interbank offered rate. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2020. The effects of implementing GASB 93 on the City’s financial disclosures have not been evaluated by management.

Effective date postponed by 18 months due to COVID-19 pandemic in accordance with GASB No. 95 (original effective date listed):

GASB Statement No. 87, *Leases* (“GASB 87”), is intended to increase the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The effects of implementing GASB 87 on the City’s financial disclosures have not been evaluated by management.

GASB Statement No. 94, *Public-Private and Public -Public Partnerships and Availability Payment Arrangements* (“GASB 94”), is intended to enhance comparability in accounting and financial reporting and to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2022. The effects of implementing GASB 94 on the City’s financial disclosures have not been evaluated by management.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (“GASB 96”), is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2022. The effects of implementing GASB 96 on the City’s financial disclosures have not been evaluated by management.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (“GASB 97”), is intended to increase consistency and comparability related to the reporting of fiduciary component units, mitigate costs associated

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

with the reporting of certain pension plans, and enhance the relevance, consistency, and comparability of the accounting and financial reporting of Section 457 plans. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2021. The effects of implementing GASB 97 on the City's financial disclosures have not been evaluated by management.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and donations are recognized as revenue in the fiscal year in which grantor eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. Debt service expenditures, both principal and interest, are recorded only when payment is due.

Major governmental fund revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, and investment income. In general, all other revenue items are considered to be measurable and available only when cash is received. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expense and depreciation of capital assets. Revenues and expenses not meeting this definition are classified as non-operating in the financial statements.

The City's funds are classified as either governmental or proprietary and are described below.

Governmental Funds. Governmental funds are used to account for all or most of a government's general activity.

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The principal sources of revenue include local property taxes, fines, fees, licenses and permits, intergovernmental revenue and grants. Expenditures include: general government; highways and streets; public safety; and culture and recreation.

The *city park fund* is used to account for the resources from a trust gift of approximately 50 acres of real property and improvements and approximately \$900,000 in cash transferred to the City in February 2016.

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Proprietary Funds. Proprietary funds are used to account for the City's business-type activities.

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

The *utility fund* is used to account for operations of the water, sewer, and sanitation systems that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The general fund, park fund, and the utility fund are reported as major funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the City's policy to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

All expenses incurred by the City are properly segregated and accounted for in the fund to which the expenses apply. Certain general and administrative expenses are allocated to the proprietary fund and to the governmental fund based on the level of services rendered through each fund as estimated by management.

Assets, Liabilities, and Net Position or Fund Balance

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts, and certificates of deposit and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include investments with original maturities of three months or less and are stated at fair value. Certificates of deposit consist of deposits with original maturities greater than three months.

The City is required by the Public Funds Collateral Act (Government Code, chapter 2257) to maintain security for all deposits of funds that exceed coverage provided by the Federal Deposit Insurance Corporation ("FDIC"). As of the balance sheet date, the City's cash deposits were fully collateralized by securities pledged by the depository banks. Based on audit procedures conducted in conjunction with the audit of the basic financial statements, the City complied with the requirements of the Public Funds Collateral Act.

The City is required by the Public Funds Investment Act (Government Code, chapter 2256) (the "Act") to adopt, implement, and publicize a written investment policy which primarily emphasizes safety of principal and liquidity, and addresses investment diversification, yield, and maturity. Additionally, the policy must address the quality and capability of investment management and include the types of investments in which the entity may invest its funds, as well as the maximum allowable stated maturity of any individual investment, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio of pooled fund groups, and bid requirements for certificates of deposit.

The City is authorized to invest in financial instruments, as authorized by the Act, including:

- U.S. Treasury securities which have a liquid market; direct obligations of the State of Texas, and other obligations that are guaranteed by the State of Texas or United States of America;
- obligations of states, agencies, counties, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

- fully insured or collateralized certificates of deposit at commercial banks;
- repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities in accordance with a master repurchase agreement;
- joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law (the pool must be continuously rated no lower than “AAA” or “AAA-m” by at least one nationally recognized rating service).

Fair Value of Financial Instruments

The City evaluates the fair value of its non-investment financial instruments based on the current interest rate environment and current pricing of debt instruments with comparable terms. The carrying value of all non-investment financial instruments, including debt, is considered to approximate fair value.

Receivables

All customer and property tax receivables are shown net of an allowance for uncollectibles. The receivable allowances are calculated based on historical collection rates and management’s evaluation of past due amounts at year end.

Restricted Assets

Certain assets are classified as restricted because they are maintained in separate accounts and their use is limited by applicable bond covenants, grant agreements, laws or regulations, and/or other contractual agreements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

Capital assets, which include land, buildings and improvements, furniture and equipment, vehicles, and utility system are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received.

Costs incurred for normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed.

Infrastructure assets are a subset of capital assets and primarily consist of roads and bridges. GASB No. 34 encourages but does not require Phase 3 governments (cities with revenues of less than \$10 million) to retroactively report major general infrastructure assets. New roads and bridges acquired after October 1, 2003 are required to be reported. No capital expenditures for roads or bridges were made during the year.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

The estimated useful lives of capital assets are as follows:

Buildings and improvements	40 years
Vehicles	3 to 7 years
Machinery and equipment	3 to 15 years
Furniture and office equipment	3 to 7 years
Improvements other than buildings	20 years
Infrastructure	20 - 40 years
Water and sewer system	10 to 40 years

Deferred Inflows/Outflows of Resources

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has two types of items, which arise only under a full accrual basis of accounting, that qualify for reporting in this category: pension/OPEB plan amounts, which are described more fully later in these notes. These items are reported on the proprietary fund balance sheet and the government-wide statement of net position.

Deferred Inflows of Resources. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category: Unavailable revenue – property taxes and unavailable revenue - grants are reported only on the governmental funds balance sheet and are deferred and recognized as inflows in the period that the amounts become available. The City has two types of items, which arise only under a full accrual basis of accounting, that qualify for reporting in this category: pension/OPEB plan amounts, which are described more fully later in these notes. These items are reported on the proprietary fund balance sheet and the government-wide statement of net position.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation. 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 (such as comp time and holiday time). 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 (such as sick time).

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.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method.

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Bonds payable are reported net of the applicable bond premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the year incurred.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability/net pension asset, 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.

Net Position and Fund Balances

In the government-wide financial statements, the difference between the City's total assets and total liabilities represents net position. Net position is displayed in three components – invested in capital assets, net of related debt; restricted; and unrestricted. At September 30, 2020, restricted net position represents monies that are legally restricted for payment of police and/or court-related expenses, pensions, and park costs. Unrestricted net position represents the net assets available for future operations.

In the governmental fund financial statements, fund balances are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form (such as inventories and prepaid amounts) or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes due to constraints imposed on resources either (a) externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Council – the government's highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all other spendable amounts.

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Process

In July of each year, all departments of the City are asked to prepare estimates and request appropriations for the new fiscal year. This information is gathered by the Finance Director so that an initial budget draft may be prepared. The Mayor/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 Mayor/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 approves a tax levy. The City publishes notice of the public hearing in the official newspaper not more than 30 days and not less than 10 days before the hearing. Once the hearing is concluded and before adopting the proposed budget, the Council may make any changes it considers warranted by law or in the best interest of the taxpayers. The annual operating budget is then adopted through passage of an annual budget ordinance. Upon approval by the Council, the annual budget document becomes a matter of public record which is available for use and inspection by all interested persons and organizations.

Budgeted expenditures for the current year, as adopted in the original budget, may be amended to take into account special authorizations of the City Council during the year. All appropriations lapse at the end of each fiscal year. The City amended its budget during the year, with the budget amendments being approved by acts of the City Council.

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

Expenditures in Excess of Appropriations – General Fund. Expenditures exceeded appropriations at the legal level of budgetary control by \$23,591 for general government, \$258,817 for grants, \$18,081 for capital outlay, and \$39,130 for debt service.

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CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

DETAILED NOTES ON ALL FUNDS

ASSETS

Deposits and Investments

Custodial Credit Risk—Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned.

Primary Government. As of September 30, 2020, the City's deposits with depository banks totaled \$1,005,068. All deposits were fully collateralized by securities pledged by the depository banks with a total value of \$2,605,628, in addition to FDIC coverage.

Component Units. At September 30, 2020, WDC's deposits with depository banks totaled \$202,198, all of which was fully insured by FDIC coverage.

Restricted Assets

At September 30, 2020, restrictions on cash and cash equivalents were as follows:

Primary Government

<u>Cash and Cash Equivalents</u>	<u>Governmental</u>	<u>Business-type</u>
Restricted for:		
Police forfeitures/LEOSE	\$ 5,591	\$ -
Building security and technology	25,390	-
City park	661,259	-
Grants	3,852	-
Utility deposits	-	48,066
Totals	<u>\$ 696,092</u>	<u>\$ 48,066</u>

Receivables

Receivable and Uncollectible Accounts. The City's receivables at year end, including the related allowances for uncollectible accounts, are as follows:

Primary Government

	<u>Governmental</u>		<u>Business-type</u>		<u>Net Totals</u>
	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Gross Receivable</u>	<u>Allowance</u>	
Property taxes	\$ 44,365	\$ (8,873)	\$ -	\$ -	\$ 35,492
Sales taxes	32,357	-	-	-	32,357
Customer accounts	-	-	73,411	(6,595)	66,816
Grant receivable	<u>220,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,503</u>
Totals	<u>\$ 297,225</u>	<u>\$ (8,873)</u>	<u>\$ 73,411</u>	<u>\$ (6,595)</u>	<u>\$ 355,168</u>

Property Taxes. Property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property taxes are considered available when paid.

**CITY OF WALLIS, TEXAS
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The City has entered into an agreement with the Austin County Appraisal District for the billing and collection of property taxes. The tax rate to finance general government services was allocated in total to maintenance and operation. The adopted rate was 0.6800 per \$100 dollars of assessed valuation for the 2019 tax year.

Component Units - WDC

Sales Tax Receipts. The City receives its local sales taxes as distributed by the State of Texas. As noted previously, the City collects an additional ½ cent sales tax for the WDC. Since the City acts as a conduit for these funds in that the sales tax funds are passed through the City's accounts and are paid to the WDC, sales tax receipts are reported at the net amount in the City's financial statements. A schedule of total sales tax revenue and receivables by allocation for the year ended September 30, 2020 is as follows:

	City's Portion	WDC Portion	Total
Sales taxes receivable	\$ 21,571	\$ 10,786	\$ 32,357
Sales tax revenues	\$ 126,227	\$ 63,114	\$ 189,341

Capital Assets

A summary of changes in capital assets for the year ended September 30, 2020, is as follows:

Primary Government

Governmental activities

	Balance 09/30/2019	Additions	Disposals	Balance 09/30/2020
Capital assets, not being depreciated				
Land	\$ 341,030	\$ -	\$ -	\$ 341,030
Construction in progress	-	189,643	-	189,643
Total not being depreciated	341,030	189,643	-	530,673
Capital assets, being depreciated				
Buildings	402,763	24,120	-	426,883
Infrastructure	526,140	23,730	-	549,870
Vehicles	347,619	-	-	347,619
Furniture and equipment	337,036	7,295	-	344,331
Improvements	1,301,878	11,585	-	1,313,463
Total being depreciated	2,850,371	66,730	-	2,982,166
Less accumulated depreciation:				
Buildings	(138,447)	(13,713)	-	(152,160)
Infrastructure	(214,550)	(19,942)	-	(234,492)
Vehicles	(193,807)	(48,806)	-	(242,613)
Furniture and equipment	(240,424)	(40,376)	-	(280,800)
Improvements	(172,026)	(49,659)	-	(221,685)
Total accumulated depreciation	(959,254)	(172,496)	-	(1,131,750)
Total being depreciated, net	1,956,182	(105,766)	-	1,850,416
Total capital assets, net	\$ 2,297,212	\$ 83,877	\$ -	\$ 2,381,089
				Less associated debt (10,026)
				Invested in capital assets, net of related debt \$ 2,371,063

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation expense was charged to the following governmental functions/programs:

General government	\$	73,057
Highways and streets		35,818
Public safety		57,256
Culture and recreation		<u>6,365</u>
Total		<u>\$ 172,496</u>

Business-type activities

	Balance 09/30/2019	Additions	Disposals	Balance 09/30/2020
Capital assets, not being depreciated				
Land	\$ 9,570	\$ -	\$ -	\$ 9,570
Construction in progress	<u>41,000</u>	<u>365,276</u>	<u>(406,276)</u>	<u>-</u>
Total not being depreciated	<u>50,570</u>	<u>365,276</u>	<u>(406,276)</u>	<u>9,570</u>
Capital assets, being depreciated				
Buildings	11,973	-	-	11,973
Furniture and equipment	25,434	-	-	25,434
Machinery and equipment	215,117	-	-	215,117
Vehicles	73,877	-	-	73,877
Water and sewer system	<u>4,539,449</u>	<u>406,276</u>	<u>-</u>	<u>4,945,725</u>
Total being depreciated	<u>4,865,850</u>	<u>406,276</u>	<u>-</u>	<u>5,272,126</u>
Less accumulated depreciation:				
Buildings	(9,107)	(409)	-	(9,516)
Furniture and equipment	(21,511)	(2,126)	-	(23,637)
Machinery and equipment	(176,282)	(11,536)	-	(187,818)
Vehicles	(65,784)	(5,409)	-	(71,193)
Water and sewer system	<u>(2,478,805)</u>	<u>(105,061)</u>	<u>-</u>	<u>(2,583,866)</u>
Total accumulated depreciation	<u>(2,751,489)</u>	<u>(124,541)</u>	<u>-</u>	<u>(2,876,030)</u>
Total being depreciated, net	<u>2,114,361</u>	<u>281,735</u>	<u>-</u>	<u>2,396,096</u>
Total capital assets, net	<u>\$ 2,164,931</u>	<u>\$ 647,011</u>	<u>\$ (406,276)</u>	<u>\$ 2,405,666</u>
				<u>(10,026)</u>
				<u>\$ 2,395,640</u>

Depreciation expense of \$124,541 was charged to the proprietary fund.

Component Units – WDC

	Balance 09/30/2019	Additions	Disposals	Balance 09/30/2020
Capital assets, not being depreciated				
Land and building, held as investment	<u>\$ 58,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,982</u>

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

LIABILITIES

Interfund Transactions

Internal Balances. Interfund receivable and payable balances are the result of cash needed by the utility fund until the fund is able to generate sufficient revenues to cover expenditures. At September 30, 2020, these internal balances consisted of the following:

	<u>Receivable</u>	<u>Payable</u>	<u>Net Totals</u>
<i>Governmental activities</i>			
General fund	\$ -	\$ (64,913)	\$ (64,913)
Park fund	-	(14,788)	(1,332)
Total, governmental activities	<u>\$ -</u>	<u>\$ (79,701)</u>	<u>\$ (79,701)</u>
<i>Business-type activities</i>			
Utility Fund	<u>\$ 79,701</u>	<u>\$ -</u>	<u>\$ 79,701</u>

Interfund Transfers. During the year, interfund transfers resulted from reallocations of revenue and consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Totals</u>
<i>Governmental activities</i>			
General fund	<u>\$ 83,885</u>	<u>\$ -</u>	<u>\$ 83,885</u>
<i>Business-type activities</i>			
Utility Fund	<u>\$ -</u>	<u>\$ (83,885)</u>	<u>\$ (83,885)</u>

Long-term Liabilities

Long-term liability activity for the year ended September 30, 2020 was as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>09/30/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>09/30/2020</u>	<u>One Year</u>
<i>Governmental activities</i>					
Notes payable	\$ 60,980	\$ -	\$ (50,954)	\$ 10,026	\$ 10,026
Compensated absences	59,316	-	(33,429)	25,887	-
Total OPEB liability	<u>24,710</u>	<u>10,186</u>	<u>-</u>	<u>34,896</u>	<u>-</u>
Totals	<u>\$ 145,006</u>	<u>\$ 10,186</u>	<u>\$ (84,383)</u>	<u>\$ 70,809</u>	<u>\$ 10,026</u>
<i>Business-type activities</i>					
Note payable	\$ 23,393	\$ -	\$ (13,367)	\$ 10,026	\$ 10,026
Compensated absences	1,808	-	(627)	1,181	-
Total OPEB liability	<u>5,045</u>	<u>586</u>	<u>-</u>	<u>5,631</u>	<u>-</u>
Totals	<u>\$ 30,246</u>	<u>\$ 586</u>	<u>\$ (13,994)</u>	<u>\$ 16,838</u>	<u>\$ 10,026</u>
Total long-term liabilities	<u>\$ 175,252</u>	<u>\$ 10,772</u>	<u>\$ (98,377)</u>	<u>\$ 87,647</u>	<u>\$ 20,052</u>

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

The annual debt service requirements to maturity for all long-term debt (notes payable) are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 10,026	\$ -	\$ 10,026	\$ -
Total	<u>\$ 10,026</u>	<u>\$ -</u>	<u>\$ 10,026</u>	<u>\$ -</u>

Notes payable at September 30, 2020, are comprised of the following:

Note payable to CNH Industrial Capital (Direct Borrowing). In July, 2018, the City entered into a zero-interest installment agreement in the amount of \$80,204 for the purpose of purchasing a backhoe. The note is payable in 36 monthly installments of \$2,228 and is secured by the equipment that it serves to finance. The note and underlying asset is evenly split between governmental and business-type activities and matures in 2021.

Defined Benefit Pension Plan

Plan Description. The City of Wallis participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (“TMRS”). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the “TMRS Act”) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (“CAFR”) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS.

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 contributions, 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 payments 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.

	<u>Plan Year</u> <u>2019</u>
Employee deposit rate	6%
Matching ratio (City to employee)	1 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/10, Any/20
Updated Service Credit	100%
Annuity Increase (to retirees)	0% of CPI-U

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

Employees Covered by Benefit Terms. At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	20
Active employees	12
	38

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

Employees for the City of Wallis were required to contribute 6.0% of their annual gross earnings during the fiscal year. The required contribution rates for the City of Wallis were 2.64% and 2.40% in calendar years 2019 and 2020, respectively. The City’s actual contribution rates were 5.74% for 2019 and 5.79% for 2020. The City’s contributions to TMRS for the year ended September 30, 2020 were \$38,563, and exceeded the required contributions by \$22,146.

The City’s Net Pension Liability/Asset (“NPL”) was measured as of December 31, 2019, and the Total Pension Liability (“TPL”) used to calculate the Net Pension Liability/Asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return (net of pension plan investment expense, including inflation)	6.75%

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

<u>Asset Class:</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
Total	100.0%	

Discount Rate. The discount rate used to measure the Total Pension Liability 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 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.

Changes in the Net Pension Liability/Asset. Changes in the net pension liability/asset are as follows:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) - (b)</u>
Balance at 12/31/2018	\$ 1,157,888	\$ 1,155,785	\$ 2,103
Changes for the year:			
Service cost	62,221	-	62,221
Interest	78,053	-	78,053
Difference between expected and actual experience	(4,921)	-	(4,921)
Changes of assumptions	(12,111)	-	(12,111)
Contributions - employer	-	39,420	(39,420)
Contributions - employee	-	41,206	(41,206)
Net investment income	-	180,548	180,548
Benefit payments, incl. employee contrib. refunds	(65,307)	(65,307)	-
Administrative expense	-	(1,010)	1,010
Other charges	-	(30)	30
Net changes	57,935	194,827	(136,892)
Balance at 12/31/2019	\$ 1,215,823	\$ 1,350,612	\$ (134,789)

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

The City has allocated the current year activity, except for contributions, on a pro-rata basis between governmental and business-type activities based on current year contributions by activity.

A summary of changes in net pension liability/asset by activity follows.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Beginning balance, 12/31/2018			
Governmental activities	\$ 910,499	\$ 903,122	\$ 7,377
Business-type activities	<u>247,389</u>	<u>252,663</u>	<u>(5,274)</u>
Total balance at 12/31/2018	<u>1,157,888</u>	<u>1,155,785</u>	<u>2,103</u>
Changes for the year, net			
Governmental activities	54,707	178,392	(123,685)
Business-type activities	<u>3,228</u>	<u>16,435</u>	<u>(13,207)</u>
Total changes for the year, net	<u>57,935</u>	<u>194,827</u>	<u>(136,892)</u>
Ending balance, 12/31/2019			
Governmental activities	965,206	1,081,514	(116,308)
Business-type activities	<u>250,617</u>	<u>269,098</u>	<u>(18,481)</u>
Total balance at 12/31/2019	<u>\$ 1,215,823</u>	<u>\$ 1,350,612</u>	<u>\$ (134,789)</u>

Sensitivity of the Net Pension 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)	<u>\$ 9,407</u>	<u>\$ (134,789)</u>	<u>\$ (254,616)</u>

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.tmr.com.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended September 30, 2020, the City recognized net pension (benefit) expense of \$13,282. Net pension (benefit) expense was charged to functions/programs as follows:

Function/program	Governmental Activities	Business-type Activities	Total
General government	\$ 1,208	\$ -	\$ 1,208
Highways and streets	1,832	-	1,832
Public safety	9,999	-	9,999
Culture and recreation	56	-	56
Water and sewer	<u>-</u>	<u>187</u>	<u>187</u>
Total	<u>\$ 13,095</u>	<u>\$ 187</u>	<u>\$ 13,282</u>

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

At September 30, 2020, the City reported deferred amounts related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Governmental activities		
Differences between expected and actual economic experience	\$ -	\$ (9,584)
Difference between projected and actual investment earnings	-	(44,115)
Changes in actuarial assumptions	-	(8,534)
Contributions subsequent to the measurement date	<u>27,213</u>	<u>-</u>
Totals, governmental activities	<u>27,213</u>	<u>(62,233)</u>
Business-type activities		
Differences between expected and actual economic experience	\$ -	\$ (1,441)
Difference between projected and actual investment earnings	-	1,634
Changes in actuarial assumptions	-	(503)
Contributions subsequent to the measurement date	<u>1,819</u>	<u>-</u>
Totals, business-type activities	<u>1,819</u>	<u>(310)</u>
Totals, all activities	<u>\$ 29,032</u>	<u>\$ (62,543)</u>

<u>Plan Year ended December 31,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2020	\$ 29,032	\$ (23,162)
2021	-	(17,293)
2022	-	(1,580)
2023	<u>-</u>	<u>(20,508)</u>
Total	<u>\$ 29,032</u>	<u>\$ (62,543)</u>

Supplemental Death Benefits Fund

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.

Benefit Terms. 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

Employees Covered by Benefit Terms. At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	4
Active employees	12
	20

Contributions and Actuarial Information. The city contributes to the SDBF at 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 not 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 0.260% and 0.210% in calendar years 2019 and 2020, respectively. The retiree portion of the SDB contribution rates were 0.03% and 0.02% in calendar years 2019 and 2020, respectively. The City's contributions for the year ended September 30, 2020 were \$1,335, and were equal to the required contributions.

The City's Total OPEB Liability ("TOL") was measured as of December 31, 2019, and calculated based on an actuarial valuation as of that date.

Actuarial Assumptions. The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5 %
Salary Increases	3.50% to 11.5% including inflation
Discount Rate	2.75%

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

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

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CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

Changes in the Total OPEB Liability. The City has allocated the current year activity, except for contributions, on a pro-rata basis between governmental and business-type activities based on current year contributions by activity. A summary of changes in total OPEB liability by activity follows:

	Total OPEB Liability		
	Governmental Activities	Business-type Activities	Total
Balance at 12/31/2018	\$ 24,710	\$ 5,045	\$ 29,755
Changes for the year:			
Service cost	1,232	73	1,305
Interest on total OPEB liability	1,061	63	1,124
Changes in benefit terms	-	-	-
Difference between expected and actual experience	696	41	737
Changes in assumptions or other inputs	7,377	435	7,812
Benefit payments	(180)	(26)	(206)
Net changes	<u>10,186</u>	<u>586</u>	<u>10,772</u>
Balance at 12/31/2019	<u>\$ 34,896</u>	<u>\$ 5,631</u>	<u>\$ 40,527</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's total OPEB liability	<u>\$ 49,769</u>	<u>\$ 40,527</u>	<u>\$ 33,504</u>

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2020, the City recognized net OPEB expense of \$3,660. Net OPEB expense was charged to functions/programs as follows:

Function/program	Governmental Activities	Business-type Activities	Total
General government	\$ 319	\$ -	\$ 319
Highways and streets	484	-	484
Public safety	2,644	-	2,644
Culture and recreation	15	-	15
Water and sewer	-	198	198
Total	<u>\$ 3,462</u>	<u>\$ 198</u>	<u>\$ 3,660</u>

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CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

At September 30, 2020, the City reported deferred amounts related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental activities		
Differences between expected and actual experience	\$ 248	\$ -
Changes in assumptions and other inputs	6,102	-
Contributions subsequent to the measurement date	94	-
Totals, governmental activities	6,444	-
Business-type activities		
Differences between expected and actual experience	\$ -	\$ (35)
Changes in actuarial assumptions and other inputs	335	-
Contributions subsequent to the measurement date	6	-
Totals, business-type activities	341	(35)
Totals, all activities	\$ 6,785	\$ (35)

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Plan Year ended December 31,</u>		
2020	\$ 1,341	\$ (10)
2021	1,241	(10)
2022	1,241	(10)
2023	1,005	(10)
2024	1,086	1
Thereafter	871	4
Total	\$ 6,785	\$ (35)

COMMITMENTS

Solid Waste Contract. In January, 2018, the City entered into a contract with a company to collect commercial and residential garbage within the city. The initial contract term expires on January 17, 2021. During the year, the City paid \$130,756 under solid waste contracts.

OTHER INFORMATION

Contingencies and Uncertainties

Grants. Amounts received or receivable from grant 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 that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

COVID-19. As a result of the COVID-19 pandemic, economic uncertainties have arisen which are reasonably possible to negatively impact certain estimates and assumptions used in preparing the City's financial

CITY OF WALLIS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

statements. Specific financial impacts are not readily determinable as of the issuance date of the financial statements. Accordingly, the financial statements do not include any adjustments relative to this uncertainty.

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 provides insurance coverage for each of those risks of loss by participation in the Texas Municipal League Intergovernmental Risk Pool. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed this coverage during the current year.

Conduit Debt – WCEFFC and WEFFC

Wallis Cultural Education Facilities Finance Corporation and Wallis Education Facilities Finance Corporation 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 issuances which are considered to be special and limited obligations payable solely from the revenues of the borrowers.

The following conduit debt has been issued:

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

Subsequent Events

Management has evaluated subsequent events through March 14, 2022, the date when the financial statements were available to be issued.

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

**Required Supplementary Information
(unaudited)**

CITY OF WALLIS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Appropriated Budget	Actual Amounts	Variances Favorable (Unfavorable)
REVENUES				
Property taxes, penalty and interest	\$ 450,893	\$ 450,893	\$ 444,076	\$ (6,817)
Sales and other taxes	122,240	122,240	128,417	(6,177)
Franchise taxes	51,000	51,000	52,195	(1,195)
Licenses and permits	16,105	16,105	35,012	(18,907)
Fines, net of state share of \$270,083	338,000	338,000	216,951	121,049
Property rentals	7,250	7,250	6,100	1,150
Intergovernmental	155,602	155,602	294,322	(138,720)
Donations	5,000	5,000	100	4,900
Interest income	6,100	6,100	3,913	2,187
Other revenues	20,100	20,100	38,612	18,512
Total revenues	<u>1,172,290</u>	<u>1,172,290</u>	<u>1,219,698</u>	<u>47,408</u>
EXPENDITURES				
General government	158,821	158,821	182,412	(23,591)
Highways and streets	219,420	219,420	194,425	24,995
Public safety				
Police	682,520	682,520	661,389	21,131
Animal control	1,500	1,500	472	1,028
Municipal court	175,097	175,097	171,274	3,823
Fire	5,750	5,750	2,849	2,901
Culture and recreation	-	-	-	-
Grants	37,518	37,518	296,335	(258,817)
Capital outlay	11,000	11,000	29,081	(18,081)
Debt service				
Principal retired	-	-	50,955	(50,955)
Interest	13,728	13,728	1,903	11,825
Total expenditures	<u>1,305,354</u>	<u>1,305,354</u>	<u>1,591,095</u>	<u>(285,741)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>(133,064)</u>	<u>(133,064)</u>	<u>(371,397)</u>	<u>(238,333)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	83,885	83,885
Transfers out	(20,000)	(20,000)	-	20,000
Net other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>83,885</u>	<u>103,885</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES				
	(153,064)	(153,064)	(287,512)	(134,448)
FUND BALANCE - BEGINNING OF YEAR				
	<u>319,972</u>	<u>319,972</u>	<u>319,972</u>	<u>-</u>
FUND BALANCE - END OF YEAR				
	<u>\$ 166,908</u>	<u>\$ 166,908</u>	<u>\$ 32,460</u>	<u>\$ (134,448)</u>

See Independent Auditors' Report.

CITY OF WALLIS, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARK FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017
(CONTINUED)

	Original Budget	Final Appropriated Budget	Actual Amounts	Variances Favorable (Unfavorable)
REVENUES				
Property rentals	\$ 500	\$ 600	\$ -	\$ (600)
Donations	2,000	4,150	-	(4,150)
Interest income	14,000	30,701	8,634	(22,067)
Total revenues	<u>16,500</u>	<u>35,451</u>	<u>8,634</u>	<u>(26,817)</u>
EXPENDITURES				
General government	-	-	-	-
Highways and streets	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	39,151	59,887	43,991	15,896
Capital outlay	7,000	7,698	2,820	4,878
Total expenditures	<u>46,151</u>	<u>67,585</u>	<u>46,811</u>	<u>20,774</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(29,651)</u>	<u>(32,134)</u>	<u>(38,177)</u>	<u>(6,043)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	-	-
Net other financing sources (uses)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	<u>(29,651)</u>	<u>(32,134)</u>	<u>(38,177)</u>	<u>(6,043)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>684,213</u>	<u>684,213</u>	<u>684,213</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 654,562</u>	<u>\$ 652,079</u>	<u>\$ 646,036</u>	<u>\$ (6,043)</u>

See Independent Auditors' Report.

CITY OF WALLIS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS - LAST TEN YEARS *
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Plan year ending December 31,					
	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY						
Service cost	\$ 62,221	\$ 56,480	\$ 54,606	\$ 45,091	\$ 32,339	\$ 22,419
Interest (on the total pension liability)	78,053	73,462	69,783	63,825	60,561	58,250
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(4,921)	(4,061)	(21,706)	16,626	510	(2,789)
Change of assumptions	(12,111)	-	-	-	25,206	-
Benefit payments, including employee contribution refunds	(65,307)	(56,167)	(42,043)	(42,043)	(47,149)	(52,491)
NET CHANGE IN TOTAL PENSION LIABILITY	57,935	69,714	60,640	83,499	71,467	25,389
TOTAL PENSION LIABILITY - BEGINNING	1,157,888	1,088,174	1,027,534	944,035	872,568	847,179
TOTAL PENSION LIABILITY - ENDING	(a) \$ 1,215,823	\$ 1,157,888	\$ 1,088,174	\$ 1,027,534	\$ 944,035	\$ 872,568
PLAN FIDUCIARY NET POSITION						
Contributions - employer	\$ 39,420	\$ 35,477	\$ 34,689	\$ 28,725	\$ 21,659	\$ 19,501
Contributions - employee	41,206	36,956	35,885	29,697	22,406	19,452
Net investment income	180,548	(35,585)	141,056	63,597	1,373	51,102
Benefit payments, including employee contribution refunds	(65,307)	(56,167)	(42,043)	(42,043)	(47,149)	(52,491)
Administrative expense	(1,010)	(681)	(723)	(708)	(836)	(534)
Other	(30)	(36)	(37)	(38)	(41)	(44)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	194,827	(20,036)	168,827	79,230	(2,588)	36,986
PLAN FIDUCIARY NET POSITION - BEGINNING	1,155,785	1,175,821	1,006,994	927,764	930,352	893,366
PLAN FIDUCIARY NET POSITION - ENDING	(b) \$ 1,350,612	\$ 1,155,785	\$ 1,175,821	\$ 1,006,994	\$ 927,764	\$ 930,352
NET PENSION LIABILITY (ASSET) - ENDING	(a - b) \$ (134,789)	\$ 2,103	\$ (87,647)	\$ 20,540	\$ 16,271	\$ (57,784)
RELATED RATIOS						
Plan Fiduciary Net Position as a percentage of Total Pension Liability	111.09%	99.82%	108.05%	98.00%	98.28%	106.62%
Covered Employee Payroll	\$ 686,764	\$ 615,926	\$ 598,089	\$ 494,959	\$ 373,427	\$ 324,199
Net Pension Liability (Asset) as a percentage of Covered Employee Payroll	-19.63%	0.34%	-14.65%	4.15%	4.36%	-17.82%

* - GASB 68 requires ten years of data to be presented. Data for only six years is available.

CITY OF WALLIS, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS *
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiscal year ending September 30,					
	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 16,417	\$ 18,528	\$ 17,665	\$ 15,875	\$ 11,827	\$ 12,285
Contributions in relation to the actuarially determined contribution	<u>38,563</u>	<u>39,068</u>	<u>34,518</u>	<u>34,178</u>	<u>27,972</u>	<u>21,227</u>
Contribution deficiency (excess)	<u>(22,146)</u>	<u>(20,540)</u>	<u>(16,853)</u>	<u>(18,303)</u>	<u>(16,145)</u>	<u>(8,942)</u>
 Covered Employee Payroll	 \$ 667,467	 \$ 680,069	 \$ 598,288	 \$ 588,146	 \$ 481,599	 \$ 365,974
 Contributions as a percentage of Covered Employee Payroll	 5.78%	 5.74%	 5.77%	 5.81%	 5.81%	 5.80%

* - GASB 68 requires ten years of data to be presented. Data for only six years is available.

See Independent Auditors' Report and Notes to the Schedule of Pension Contributions.

CITY OF WALLIS, TEXAS
NOTES TO THE SCHEDULE OF PENSION CONTRIBUTIONS
SEPTEMBER 30, 2020

Valuation Date 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

<i>Actuarial Cost Method</i>	Entry Age Normal
<i>Amortization Method</i>	Level Percentage of Payroll, Closed
<i>Remaining Amortization Period</i>	N/A
<i>Asset Valuation Method</i>	10 year smoothed market; 15% soft corridor
<i>Inflation</i>	2.50%
<i>Salary Increases</i>	3.50% to 11.5% including inflation
<i>Investment Rate of Return</i>	6.75%
<i>Retirement Age</i>	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
<i>Mortality</i>	<p>Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.</p> <p>Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.</p>

Other Information

<i>Notes</i>	There were no benefit changes during the year.
<i>Presentation of Schedule</i>	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.

CITY OF WALLIS, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - LAST TEN YEARS *
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Plan Year ending December 31,		
	2019	2018	2017
TOTAL OPEB LIABILITY			
Service cost	\$ 1,305	\$ 1,478	\$ 1,256
Interest on Total OPEB Liability	1,124	1,026	990
Changes of benefit terms	-	-	-
Difference between expected and actual experience	737	(602)	-
Changes in assumptions or other inputs	7,812	(2,351)	2,649
Benefit payments	(206)	(123)	(239)
NET CHANGE IN TOTAL OPEB LIABILITY	10,772	(572)	4,656
TOTAL OPEB LIABILITY - BEGINNING	29,755	30,327	25,671
TOTAL OPEB LIABILITY - ENDING	\$ 40,527	\$ 29,755	\$ 30,327
 RELATED RATIOS			
Covered Employee Payroll	\$ 686,764	\$ 615,926	\$ 598,089
Total OPEB Liability as a percentage of Covered Employee Payroll	5.90%	4.83%	5.07%

NOTES TO THE SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

Assumptions Used to Determine Contribution Rates

Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate	2.75%
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 305% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

Other Information

Notes	No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.
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.

* - GASB 75 requires ten years of data to be presented. Data for only three years is available.

See Independent Auditors' Report.

Combining Statements

CITY OF WALLIS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2020

	<u>Security & Technology</u>	<u>Total</u>
ASSETS		
Restricted assets		
Cash and cash equivalents	\$ 25,390	\$ 25,390
TOTAL ASSETS	<u>\$ 25,390</u>	<u>\$ 25,390</u>
LIABILITIES		
Accounts payable	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
FUND BALANCE		
Restricted for:		
Police and courts	25,390	25,390
Unassigned	<u>-</u>	<u>-</u>
Total fund balances	<u>25,390</u>	<u>25,390</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 25,390</u>	<u>\$ 25,390</u>

See Independent Auditors' Report.

CITY OF WALLIS, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Security & Technology</u>	<u>Total</u>
REVENUES		
Fines, net of state share	\$ 28,848	\$ 28,848
Interest income	<u>165</u>	<u>165</u>
Total revenues	<u>29,013</u>	<u>29,013</u>
 EXPENDITURES		
Public safety	13,914	13,914
Capital outlay	<u>960</u>	<u>960</u>
Total expenditures	<u>14,874</u>	<u>14,874</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>14,139</u>	<u>14,139</u>
 OTHER FINANCING SOURCES (USES)		
Transfers in	<u>-</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	14,139	14,139
FUND BALANCES - BEGINNING OF YEAR	<u>11,251</u>	<u>11,251</u>
FUND BALANCES - END OF YEAR	<u>\$ 25,390</u>	<u>\$ 25,390</u>

See Independent Auditors' Report.

CITY OF WALLIS, TEXAS
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 SEPTEMBER 30, 2020

	City of Wallis Development Corporation	Wallis Cultural Education Facilities Financing Corporation	Wallis Education Facilities Financing Corporation	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 206,868	\$ -	\$ -	\$ 206,868
Sales tax receivable	13,131	-	-	13,131
Prepaid expenses	-	-	-	-
Total current assets	<u>219,999</u>	<u>-</u>	<u>-</u>	<u>219,999</u>
Noncurrent assets				
Capital assets				
Nondepreciable	58,982	-	-	58,982
Total noncurrent assets	<u>58,982</u>	<u>-</u>	<u>-</u>	<u>58,982</u>
TOTAL ASSETS	<u>278,981</u>	<u>-</u>	<u>-</u>	<u>278,981</u>
LIABILITIES				
Current liabilities				
Accounts payable	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION				
Unrestricted	<u>278,981</u>	<u>-</u>	<u>-</u>	<u>278,981</u>
TOTAL NET POSITION	<u>\$ 278,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,981</u>

See Independent Auditors' Report.

**CITY OF WALLIS, TEXAS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Wallis				
					City of Wallis Development Corporation	Cultural Education Facilities Financing Corporation	Wallis Education Facilities Financing Corporation	Total	
City of Wallis Economic Development Corporation									
General supporting expenses									
Professional fees	\$ 24,780	\$ -	\$ -	\$ -	\$ (24,780)	\$ -	\$ -	\$ -	\$ (24,780)
Advertising	615	-	-	-	(615)	-	-	-	(615)
Miscellaneous administrative expenses	12,319	-	-	-	(12,319)	-	-	-	(12,319)
Economic and development grants	8,000	-	-	-	(8,000)	-	-	-	(8,000)
Total City of Wallis Economic Development Corporation	45,714	-	-	-	(45,714)	-	-	-	(45,714)
Wallis Cultural Education Facilities Financing Corporation	-	-	-	-	-	-	-	-	-
Wallis Education Facilities Financing Corporation	-	-	-	-	-	-	-	-	-
Total	\$ 45,714	\$ -	\$ -	\$ -	\$ (45,714)	\$ -	\$ -	\$ -	\$ (45,714)
General revenues									
Sales taxes					63,114	-	-	-	63,114
Investment income					1,127	-	-	-	1,127
Other income					-	-	-	-	-
Total general revenues					64,241	-	-	-	64,241
Change in net position					18,527	-	-	-	18,527
Net position - beginning					260,454	-	-	-	260,454
Net position - ending					\$ 278,981	\$ -	\$ -	\$ -	\$ 278,981

See Independent Auditors' Report.