

CITY OF WILLS POINT, TEXAS

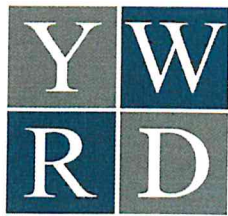
ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2020

CITY OF WILLS POINT, TEXAS
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2020

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YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Glen Wilson, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Brandon Diviney, CPA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Wills Point, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Wills Point, Texas, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Honorable Mayor and City Council
City of Wills Point, Texas
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Wills Point, 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, net pension liability, and OPEB liability information on pages 3-10 and 52-55 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.

YWRD, P.C.

YWRD, P.C.
Certified Public Accountants

Ennis, Texas
September 30, 2021

CITY OF WILLS POINT, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

As management of the City of Wills Point, Texas, 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.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,807,736 (net position). Of this amount, \$751,651 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,126,019.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,353,793. Over 24% of this total amount, \$335,958, is unassigned and available for use within the City's designation and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$335,958 or 11% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis provided here 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. This report also includes other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, municipal court, parks and recreational, and airport. The business-type activities of the City include water and wastewater operations and airport.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government. Complete financial statements for the component unit are available from the City's Administrator upon request.

The government-wide financial statements can be found on pages 11-12 of this report.

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. *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. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City maintains two individual governmental funds. Information is presented separately in the *governmental fund balance sheet* and in the *governmental fund statement of revenues, expenditures and changes in fund balances* for the General fund, which is considered to be a major fund.

The basic governmental fund financial statements can be found on pages 13-15 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses two enterprise funds to account for the activities of the water and wastewater operations and airport.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Wastewater fund since it is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-50 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's General fund budget comparison schedule, and its progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 51-55 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$8,807,736, at the close of the most recent fiscal year.

CITY OF WILLS POINT'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 2,908,457	\$ 2,225,618	\$ 5,685,881	\$ 5,935,511	\$ 8,594,338	\$ 8,161,129
Capital assets	3,062,975	2,597,177	9,096,033	9,079,417	12,159,008	11,676,594
Total assets	5,971,432	4,822,795	14,781,914	15,014,928	20,753,346	19,837,723
Total deferred outflows of resources	114,338	220,142	45,268	93,521	159,606	313,663
Long term liabilities	3,341,432	3,401,904	6,856,994	7,382,885	10,198,426	10,784,789
Other liabilities	1,325,250	1,114,429	428,595	514,141	1,753,845	1,628,570
Total liabilities	4,666,682	4,516,333	7,285,589	7,897,026	11,952,271	12,413,359
Total deferred inflows of resources	109,248	38,681	43,697	17,629	152,945	56,310
Net position (deficit):						
Net investment in capital assets	2,570,017	2,388,696	6,482,076	6,314,316	9,052,093	8,703,012
Restricted	317,011	297,896	190,283	111,541	507,294	409,437
Unrestricted	(1,577,188)	(2,198,669)	825,537	767,937	(751,651)	(1,430,732)
Total net position	\$ 1,309,840	\$ 487,923	\$ 7,497,896	\$ 7,193,794	\$ 8,807,736	\$ 7,681,717

Certain reclassifications have been made to the prior year data to conform with current year presentation.

By far, the largest portion of the City's net position (103%) reflects its investments in capital assets (e.g., land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (5.76%) represents resources that are subject to external restriction on how they may be used. The remaining balance of \$(751,651) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

The City's total net investment in capital assets increased as the additions from capital outlays and work-in-progress exceeded depreciation and retirements.

The City's overall net position increased \$1,126,019 from the prior fiscal year. The reasons for the overall increase are discussed in the following sections for governmental activities and business-type activities.

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2020. Governmental activities increased the City's net assets by \$821,917. Business-type activities increased the City's net position by \$304,102.

CITY OF WILLS POINT'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues						
Charges for services	\$ 156,682	\$ 215,570	\$ 2,744,613	\$ 2,563,370	\$ 2,901,295	\$ 2,778,940
Operating grants and contributions	338,454	135,751	48,185	11,509	386,639	147,260
Capital grants and contributions	-	35,000	61,225	96,962	61,225	131,962
General revenues:						
Property taxes	1,264,332	1,156,255	-	-	1,264,332	1,156,255
Sales taxes	1,085,979	901,160	-	-	1,085,979	901,160
Franchise taxes	164,211	153,338	-	-	164,211	153,338
Hotel occupancy	1,535	773	-	-	1,535	773
Alcoholic beverage taxes	6,821	10,087	-	-	6,821	10,087
Investment earnings	18,224	16,697	25,984	40,864	44,208	57,561
Miscellaneous	37,121	31,491	-	-	37,121	31,491
Total revenues	3,073,359	2,656,122	2,880,007	2,712,705	5,953,366	5,368,827
Expenses:						
General government	520,850	413,403	-	-	520,850	413,403
Public safety	800,585	843,164	-	-	800,585	843,164
Public works	527,395	579,753	-	-	527,395	579,753
Municipal court	108,905	107,799	-	-	108,905	107,799
Parks and recreational	109,218	102,992	-	-	109,218	102,992
Airport	4,760	1,237	-	-	4,760	1,237
Economic development	64,992	55,262	-	-	64,992	55,262
Interest on long-term debt	98,763	96,208	-	-	98,763	96,208
Water and wastewater	-	-	2,451,606	2,534,631	2,451,606	2,534,631
Airport	-	-	140,273	152,398	140,273	152,398
Total expenses	2,235,468	2,199,818	2,591,879	2,687,029	4,827,347	4,886,847
Increase (decrease) in net position before transfers	837,891	456,304	288,128	25,676	1,126,019	481,980
Transfers	(15,974)	(30,343)	15,974	30,343	-	-
Change in net position	821,917	425,961	304,102	56,019	1,126,019	481,980
Net position - beginning, as restated	487,923	61,962	7,193,794	7,137,775	7,681,717	7,199,737
Net position - ending	\$ 1,309,840	\$ 487,923	\$ 7,497,896	\$ 7,193,794	\$ 8,807,736	\$ 7,681,717

Certain reclassifications have been made to the prior year data to conform with current year presentation.

- Charges for services business-type activities increased by \$181,244 (7.07%) during the year. The majority of this increase is due to increase in water and wastewater usage and airport fuel sales during 2020.
- Property tax revenue increased by \$108,077 (9.35%) during the year. The majority of this increase is the increase in property value within the City during 2020.
- General government expenses increased by \$107,447 (25.99%), public safety expenses decreased by \$42,579 (5.05%), and public works expenses decreased by \$52,358 (9.03%).
- Water and wastewater expenses decreased by \$83,025 (3.28%) and airport expenses decreased by \$12,125 (7.96%).

Financial Analysis of Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal 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 discretionary use as it represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,353,793, an increase of \$296,134 in comparison with the prior year. Approximately 25% of this total amount (\$335,958) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, or *assigned* to indicate that it is 1) not in spendable form (\$200,000), 2) restricted for particular purposes (\$117,011) or 3) assigned for particular purposes (\$700,824).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$335,958 while total fund balance reached \$1,137,682. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 11% of total general fund expenditures, while total fund balance represents 38% of that same amount.

The fund balance of the City's general fund increased \$288,383 during the current fiscal year.

Proprietary Funds. The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Wastewater fund at the end of the year amounted to \$781,508. Net position increased in 2020 by \$289,182. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

General Fund Budgetary Highlights

Final budget compared to actual results. General fund actual revenues of \$2,839,845 exceeded budgeted revenues of \$2,784,644 by \$55,201. The most significant differences between estimated revenues and actual revenues were as follows:

- Actual sales tax revenue exceeded budget by \$222,915 (27.02%) due to increase in retail and commercial growth within the City.
- Fines and forfeitures fell short of the budget by \$87,246 (58.16%) due to fewer tickets issued.

Budgeted general fund expenditures of \$2,784,607 exceeded actual expenditures of \$2,644,960 by \$139,647.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020 amounts to \$12,159,008 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. The total increase in capital assets for the current fiscal year was approximately 4.13%.

City of Wills Point's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 154,156	\$ 108,221	\$ 200,620	\$ 200,620	\$ 354,776	\$ 308,841
Construction in progress	-	-	436,823	153,884	436,823	153,884
Buildings	923,802	574,551	20,431	22,455	944,233	597,006
Improvements	-	-	8,160,941	8,479,066	8,160,941	8,479,066
Machinery and equipment	140,443	88,033	277,218	223,392	417,661	311,425
Infrastructure	1,844,574	1,826,372	-	-	1,844,574	1,826,372
Total	\$ 3,062,975	\$ 2,597,177	\$ 9,096,033	\$ 9,079,417	\$ 12,159,008	\$ 11,676,594

Major capital asset events during the current fiscal year included the following:

- Construction in progress additions of approximately \$283,000.
- Improvements additions of approximately \$95,000.
- Machinery and equipment purchases of approximately \$229,000.
- Machinery and equipment disposals of approximately \$109,000.

Additional information on the City of Wills Point's capital assets can be found in note 2.E on pages 31-32 of this report.

Long-term debt. At the end of the current fiscal year, the City had a total bonded debt outstanding of \$8,545,000, which is backed by the full faith and credit of the government. The remainder of the City's long-term obligations is comprised of contracts and notes payable.

City of Wills Point's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019	09/30/2020	09/30/2019
General obligation	\$ 2,080,000	\$ 2,232,750	\$ 2,080,000	\$ 2,312,250	\$ 4,160,000	\$ 4,545,000
Certificates of obligation	-	-	4,385,000	4,500,000	4,385,000	4,500,000
Contracts payable	-	25,786	-	61,886	-	87,672
Notes payable	492,958	182,695	48,896	70,320	541,854	253,015
Total	\$ 2,572,958	\$ 2,441,231	\$ 6,513,896	\$ 6,944,456	\$ 9,086,854	\$ 9,385,687

Additional information on the City's long term-debt can be found in note 2.I on pages 34-38 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2020-21 Budget, General Fund revenues are budgeted to decrease by 1.17% from the 2019-20 budget year with general property taxes making up about 41% of general fund budgeted revenues.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Wills Point, Finance Department, P.O. Box 505, Wills Point, Texas 75169.

CITY OF WILLS POINT, TEXAS
STATEMENT OF NET POSITION
September 30, 2020

	Primary Government			Component Unit
	Governmental	Business-type		Wills Point
	Activities	Activities	Total	Economic
				Development
				Corporation
ASSETS				
Cash and cash equivalents	\$ 2,299,454	\$ 1,088,080	\$ 3,387,534	\$ -
Investments	73,436	-	73,436	-
Receivables (net of allowance for uncollectibles)	367,751	371,805	739,556	-
Due from primary government	-	-	-	1,219,395
Due from other governments	167,816	25,431	193,247	-
Inventories	-	5,225	5,225	-
Restricted cash and cash equivalents	-	4,195,340	4,195,340	-
Capital assets:				
Non-depreciable	154,156	637,443	791,599	153,415
Depreciable (net of accumulated depreciation)	2,908,819	8,458,590	11,367,409	2,610
Total Assets	<u>5,971,432</u>	<u>14,781,914</u>	<u>20,753,346</u>	<u>1,375,420</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pension	101,696	40,174	141,870	-
Deferred outflows of resources related to OPEB	12,642	5,094	17,736	-
Total Deferred Outflows of Resources	<u>114,338</u>	<u>45,268</u>	<u>159,606</u>	<u>-</u>
LIABILITIES				
Accounts payable and other current liabilities	73,688	144,484	218,172	678
Accrued payroll payable	22,756	13,236	35,992	-
Accrued interest payable	9,411	9,541	18,952	-
Liabilities payable from restricted assets	-	105,993	105,993	-
Due to component unit	1,219,395	-	1,219,395	-
Customer deposits payable	-	252,216	252,216	-
Noncurrent liabilities:				
Due within one year	692,898	275,347	968,245	-
Due in more than one year	2,648,534	6,484,772	9,133,306	-
Total Liabilities	<u>4,666,682</u>	<u>7,285,589</u>	<u>11,952,271</u>	<u>678</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pension	107,358	42,868	150,226	-
Deferred inflows of resources related to OPEB	1,890	829	2,719	-
Total Deferred Inflows of Resources	<u>109,248</u>	<u>43,697</u>	<u>152,945</u>	<u>-</u>
NET POSITION (DEFICIT)				
Net investment in capital assets	2,570,017	6,482,076	9,052,093	156,025
Restricted for:				
Public safety	71,807	-	71,807	-
Municipal court	29,093	-	29,093	-
Parks and recreational	16,111	-	16,111	-
Debt service	-	190,283	190,283	-
Permanent funds:				
Nonexpendable	200,000	-	200,000	-
Unrestricted	(1,577,188)	825,537	(751,651)	1,218,717
Total Net Position	<u>\$ 1,309,840</u>	<u>\$ 7,497,896</u>	<u>\$ 8,807,736</u>	<u>\$ 1,374,742</u>

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

CITY OF WILLS POINT, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Function/Program Activities	Net (Expense) Revenue and Changes in Net Position						
	Program Revenues			Primary Government			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Wills Point Economic Development Corporation
Primary government:							
Governmental activities:							
General government	\$ 520,850	\$ 71,894	\$ 267,550	\$ -	\$ (181,406)	\$ -	\$ (181,406)
Public safety	800,585	4,473	64,516	-	(731,596)	-	(731,596)
Public works	527,395	-	-	-	(527,395)	-	(527,395)
Municipal court	108,905	80,315	-	-	(28,590)	-	(28,590)
Parks and recreational	109,218	-	6,388	-	(102,830)	-	(102,830)
Airport	4,760	-	-	-	(4,760)	-	(4,760)
Economic development	64,992	-	-	-	(64,992)	-	(64,992)
Interest on long-term debt	98,763	-	-	-	(98,763)	-	(98,763)
Total governmental activities	2,235,468	156,682	338,454	-	(1,740,332)	-	(1,740,332)
Business-type activities:							
Water and wastewater	2,451,606	2,675,158	-	23,725	-	247,277	247,277
Airport	140,273	69,455	48,185	37,500	-	14,867	14,867
Total business-type activities	2,591,879	2,744,613	48,185	61,225	-	262,144	262,144
Total primary government	\$ 4,827,347	\$ 2,901,295	\$ 386,639	\$ 61,225	(1,740,332)	262,144	(1,478,188)
Component Unit							
Wills Point Economic Development Corporation	\$ 343,361	\$ 16,200	\$ -	\$ -			(327,161)
Total component units	\$ 343,361	\$ 16,200	\$ -	\$ -			(327,161)
General revenues:							
Property taxes					1,264,332	-	1,264,332
Sales taxes					1,085,979	-	1,085,979
Franchise taxes					164,211	-	164,211
Hotel occupancy taxes					1,535	-	1,535
Alcoholic beverage taxes					6,821	-	6,821
Investment earnings					18,224	25,984	44,208
Miscellaneous					37,121	-	37,121
Transfers					(15,974)	15,974	-
Total general revenues and transfers					2,562,249	41,958	2,604,207
Change in net position					821,917	304,102	1,126,019
Net position - beginning, as restated					487,923	7,193,794	7,681,717
Net position - ending					\$ 1,309,840	\$ 7,497,896	\$ 8,807,736
							\$ 1,374,742

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

CITY OF WILLS POINT TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	General	Permanent	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,156,779	\$ 142,675	\$ 2,299,454
Investments	-	73,436	73,436
Receivables (net of allowance for uncollectibles)	367,751	-	367,751
Due from other governments	167,816	-	167,816
Total assets	<u>\$ 2,692,346</u>	<u>\$ 216,111</u>	<u>\$ 2,908,457</u>
LIABILITIES			
Accounts payable	\$ 73,688	\$ -	\$ 73,688
Accrued payroll payable	22,756	-	22,756
Due to component unit	1,219,395	-	1,219,395
Total liabilities	<u>1,315,839</u>	<u>-</u>	<u>1,315,839</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	71,009	-	71,009
Unavailable revenue - grants	167,816	-	167,816
Total deferred inflows of resources	<u>238,825</u>	<u>-</u>	<u>238,825</u>
FUND BALANCES			
Nonspendable:			
Parks and recreational	-	200,000	200,000
Restricted:			
Public safety	71,807	-	71,807
Municipal court	29,093	-	29,093
Parks and recreational	-	16,111	16,111
Assigned:			
Public works	700,824	-	700,824
Unassigned	335,958	-	335,958
Total fund balances	<u>1,137,682</u>	<u>216,111</u>	<u>1,353,793</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,692,346</u>	<u>\$ 216,111</u>	<u>\$ 2,908,457</u>
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			3,062,975
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.			238,825
Deferred outflows of resources are not reported in the governmental funds:			
Deferred outflows of resources related to pension	\$ 101,696		
Deferred outflows of resources related to OPEB	12,642		114,338
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.			(9,411)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Due within one year	(692,898)		
Due in more than one year	(2,648,534)		(3,341,432)
Deferred inflows of resources are not reported in the governmental funds:			
Deferred inflows of resources related to pension	(107,358)		
Deferred inflows of resources related to OPEB	(1,890)		(109,248)
Net position (deficit) of governmental activities			<u>\$ 1,309,840</u>

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

CITY OF WILLS POINT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2020

	<u>General</u>	<u>Permanent</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes:			
Property	\$ 1,260,912	\$ -	\$ 1,260,912
Sales	1,085,979	-	1,085,979
Franchise	164,211	-	164,211
Hotel occupancy	1,535	-	1,535
Alcoholic beverage	6,821	-	6,821
Fines and forfeitures	70,739	-	70,739
Charges for current services	19,961	-	19,961
Revenues from use of money	10,473	7,751	18,224
Rental	52,399	-	52,399
Miscellaneous	37,122	-	37,122
Intergovernmental	153,796	-	153,796
Contributions and donations	26,214	-	26,214
Total revenues	<u>2,890,162</u>	<u>7,751</u>	<u>2,897,913</u>
EXPENDITURES			
Current:			
General government	926,627	-	926,627
Public safety	820,083	-	820,083
Public works	598,363	-	598,363
Municipal court	103,346	-	103,346
Parks and recreational	69,762	-	69,762
Airport	4,760	-	4,760
Economic development	73,612	-	73,612
Debt service:			
Principal retirement	273,273	-	273,273
Interest and fiscal charges	120,979	-	120,979
Total expenditures	<u>2,990,805</u>	<u>-</u>	<u>2,990,805</u>
Excess of revenues over expenditures	<u>(100,643)</u>	<u>7,751</u>	<u>(92,892)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(15,974)	-	(15,974)
Note proceeds	405,000	-	405,000
Total other financing sources (uses)	<u>389,026</u>	<u>-</u>	<u>389,026</u>
Net change in fund balances	288,383	7,751	296,134
Fund balances - beginning	<u>849,299</u>	<u>208,360</u>	<u>1,057,659</u>
Fund balances - ending	<u>\$ 1,137,682</u>	<u>\$ 216,111</u>	<u>\$ 1,353,793</u>

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

CITY OF WILLS POINT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net Change in Fund Balances - total governmental funds (page 14)		\$ 296,134
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current year.		650,900
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(185,102)
The issuance of long-term debt (e.g., notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Note payable issued	\$ (405,000)	
Bond principal retirement	152,750	
Amortization of bond premium	17,567	
Contract payable retirement	25,786	
Note payable retirement	<u>94,737</u>	(114,160)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		171,236
Pension and OPEB contributions are recorded as expenditures in the governmental funds. However, in the statement of activities, these contributions are converted to the full accrual GASB 68 pension amounts.		
Deferred outflows/inflows of resources related to pension	(188,955)	
Deferred outflows/inflows of resources related to OPEB	<u>12,584</u>	(176,371)
Some expenses report in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences	9,829	
Net pension liability	183,309	
OPEB liability	<u>(18,506)</u>	174,632
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest expense is not reported as expenditures in the governmental funds. Change in accrued interest.		<u>4,648</u>
Change in net position of governmental activities (page 12)		<u><u>\$ 821,917</u></u>

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

CITY OF WILLS POINT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2020

	Business-type Activities - Enterprise Funds		
	Water and Wastewater	Airport	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,074,707	\$ 13,373	\$ 1,088,080
Restricted cash and cash equivalents	105,993	-	105,993
Receivables (net of allowance for uncollectibles)	371,805	-	371,805
Due from other governments	-	25,431	25,431
Inventories	-	5,225	5,225
Total current assets	<u>1,552,505</u>	<u>44,029</u>	<u>1,596,534</u>
Noncurrent assets:			
Restricted cash and cash equivalents	4,089,347	-	4,089,347
Capital assets (net, where applicable of accumulated depreciation)	8,415,508	680,525	9,096,033
Total noncurrent assets	<u>12,504,855</u>	<u>680,525</u>	<u>13,185,380</u>
Total assets	<u>14,057,360</u>	<u>724,554</u>	<u>14,781,914</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	40,174	-	40,174
Deferred outflows of resources related to OPEB	5,094	-	5,094
Total deferred outflows of resources	<u>45,268</u>	<u>-</u>	<u>45,268</u>
LIABILITIES			
Current liabilities:			
Accounts payable	144,484	-	144,484
Accrued liabilities	13,236	-	13,236
Accrued interest payable	9,541	-	9,541
Compensated absences	14,500	-	14,500
Customer deposits payable	252,216	-	252,216
Bonds payable	238,125	-	238,125
Notes payable	22,722	-	22,722
Current liabilities payable from restricted assets:			
Bonds payable	96,875	-	96,875
Accrued interest payable	9,118	-	9,118
Total current liabilities	<u>800,817</u>	<u>-</u>	<u>800,817</u>
Noncurrent liabilities:			
Bonds payable	6,226,000	-	6,226,000
Notes payable	26,174	-	26,174
Net pension liability	191,822	-	191,822
OPEB liability	40,776	-	40,776
Total noncurrent liabilities	<u>6,484,772</u>	<u>-</u>	<u>6,484,772</u>
Total liabilities	<u>7,285,589</u>	<u>-</u>	<u>7,285,589</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension	42,868	-	42,868
Deferred inflows of resources related to OPEB	829	-	829
Total deferred inflows of resources	<u>43,697</u>	<u>-</u>	<u>43,697</u>
NET POSITION			
Net investment in capital assets	5,801,551	680,525	6,482,076
Restricted for debt service	190,283	-	190,283
Unrestricted	781,508	44,029	825,537
Total net position	<u>\$ 6,773,342</u>	<u>\$ 724,554</u>	<u>\$ 7,497,896</u>

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

CITY OF WILLS POINT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	Business-type Activities - Enterprise Funds		
	Water and Wastewater	Airport	Total
OPERATING REVENUES			
Charges for services:			
Water sales	\$ 1,394,544	\$ -	\$ 1,394,544
Sanitation fees	434,245	-	434,245
Sewer fees	593,769	-	593,769
Other services	73,833	-	73,833
Ambulance fees	109,453	-	109,453
Miscellaneous	69,314	69,455	138,769
Total operating revenues	<u>2,675,158</u>	<u>69,455</u>	<u>2,744,613</u>
OPERATING EXPENSES			
Salaries and payroll	488,748	-	488,748
Supplies and materials	236,386	62,626	299,012
Maintenance and repairs	403,955	17,313	421,268
Contractual services	571,727	11,307	583,034
Water purchases	91,980	-	91,980
Ambulance service fees	78,140	-	78,140
Depreciation	424,818	49,027	473,845
Total operating expenses	<u>2,295,754</u>	<u>140,273</u>	<u>2,436,027</u>
Operating income (loss)	<u>379,404</u>	<u>(70,818)</u>	<u>308,586</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	-	30,426	30,426
Investment earnings	25,931	53	25,984
Gain (loss) on sale of assets	(5,797)	-	(5,797)
Interest and fiscal charges	(150,055)	-	(150,055)
Contributions	23,725	55,259	78,984
Total nonoperating revenue (expenses)	<u>(106,196)</u>	<u>85,738</u>	<u>(20,458)</u>
Income (loss) before transfers	<u>273,208</u>	<u>14,920</u>	<u>288,128</u>
Transfer in	<u>15,974</u>	<u>-</u>	<u>15,974</u>
Change in net position	<u>289,182</u>	<u>14,920</u>	<u>304,102</u>
Net position - beginning, as restated	<u>6,484,160</u>	<u>709,634</u>	<u>7,193,794</u>
Net position - ending	<u>\$ 6,773,342</u>	<u>\$ 724,554</u>	<u>\$ 7,497,896</u>

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

CITY OF WILLS POINT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	Business-type Activities - Enterprise Funds		
	Water and Wastewater	Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 2,621,777	\$ 70,909	\$ 2,692,686
Payments to suppliers	(1,502,320)	(86,265)	(1,588,585)
Payments to employees	(498,091)	-	(498,091)
Net cash provided by (used for) operating activities	621,366	(15,356)	606,010
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advances from other funds	-	(267)	(267)
Intergovernmental revenue	-	4,995	4,995
Contributions	23,725	55,259	78,984
Transfers from other funds	15,974	-	15,974
Net cash provided by (used for) noncapital financing activities	39,699	59,987	99,686
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(428,497)	(45,392)	(473,889)
Proceeds from sale of capital assets	10,757	-	10,757
Principal paid on bond maturities	(347,250)	-	(347,250)
Interest and fiscal charges paid on bonds	(165,561)	-	(165,561)
Principal paid on contracts payable	(61,886)	-	(61,886)
Interest paid on contracts payable	(1,464)	-	(1,464)
Principal paid on notes payable	(21,424)	-	(21,424)
Interest paid on notes payable	(3,576)	-	(3,576)
Net cash provided by (used for) capital and related financing activities	(1,018,901)	(45,392)	(1,064,293)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	25,931	53	25,984
Net cash provided by investing activities	25,931	53	25,984
Net increase (decrease) in cash and cash equivalents	(331,905)	(708)	(332,613)
Cash and cash equivalents October 1 (including \$4,423,137 reported in restricted accounts)	5,601,952	14,081	5,616,033
Cash and cash equivalents September 30 (including \$4,195,340 reported in restricted accounts)	<u>\$ 5,270,047</u>	<u>\$ 13,373</u>	<u>\$ 5,283,420</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ 379,404	\$ (70,818)	\$ 308,586
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	424,818	49,027	473,845
(Increase) decrease in accounts receivable	(63,720)	-	(63,720)
(Increase) decrease in inventories	-	4,981	4,981
(Increase) decrease in due from other governments	-	1,454	1,454
(Increase) decrease in pension related deferred outflows	52,852	-	52,852
(Increase) decrease in OPEB related deferred outflows	(4,599)	-	(4,599)
Increase (decrease) in accounts payable	(127,075)	-	(127,075)
Increase (decrease) in accrued liabilities	6,943	-	6,943
Increase (decrease) in compensated absences	9,657	-	9,657
Net increase in customer deposits	10,339	-	10,339
Increase (decrease) in OPEB liability	7,344	-	7,344
Increase (decrease) in net pension liability	(100,665)	-	(100,665)
Increase (decrease) in pension related deferred inflows	26,388	-	26,388
Increase (decrease) in OPEB related deferred inflows	(320)	-	(320)
Total adjustments	241,962	55,462	297,424
Net cash provided by (used for) operating activities	<u>\$ 621,366</u>	<u>\$ (15,356)</u>	<u>\$ 606,010</u>
Schedule of non-cash transactions:			
Capital assets purchased on account	<u>\$ 33,126</u>	<u>\$ -</u>	<u>\$ 33,126</u>

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

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

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

B. Reporting entity

The City of Wills Point, Texas (the "City") is a general law type A municipality and was incorporated 1885. The City provides the following services: general government, public safety, public works, municipal court, parks and recreation, airport, and water and wastewater. The accompanying financial statements present the City and its component unit, an entity for which the government is considered financially accountable. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

Discretely presented component unit. The Corporation described below is included in the City's reporting entity because the City appoints the governing body and the Corporation is fiscally dependent on the City. The Corporation is reported as a discretely presented component unit since the governing body is not substantively the same as the governing body of the City, and it provides services to the citizens of Wills Point and the surrounding area as opposed to only the primary government. To emphasize that it is legally separate from the City, it is reported in a separate column in the financial statements.

The *Wills Point Economic Development Corporation* (the "Corporation") is responsible for collecting and disbursing the one-fourth percent sales tax to be used for economic development within the City. The members of the Corporation's board are appointed by the City. The City can impose its will on the Corporation by significantly influencing the program, projects, activities, or level of service performed by the Corporation. The Corporation is presented as a governmental fund type and has a September 30 year-end.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Reporting entity (continued)

Complete financial statements for the Corporation may be obtained by contacting the Wills Point Economic Development Corporation at P.O. Box 217, Wills Point, Texas 75169.

C. Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has a discretely presented component unit. The Wills Point Economic Development Corporation is considered to be a major component unit and is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation - fund financial statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The *general fund* is the City'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 City reports the following permanent fund:

The *permanent fund* accounts for the activity involved with a restricted donation made by a third party. The fund accounts for interest income from the restricted principal as well as transfers of the spendable portion into another fund.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of presentation - fund financial statements (continued)

The City reports the following major proprietary funds:

The *water and wastewater fund* accounts for the activities of the City's water distribution, wastewater collection system, sanitation and contracted ambulance services.

The *airport fund* accounts for the activities of the City's airport.

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

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

E. Measurement focus and basis of accounting

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

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

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Measurement focus and basis of accounting (continued)

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

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

For purposes of the statement of cash flows the City's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less from the date of acquisition.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

2. Investments

Investments for the City are reported at fair value which is based on quoted market prices. Acceptable investments under the City's investment policy shall be limited to the following instruments and as further described by the Public Funds Investment Act: (1) obligations of the United States Government, its agencies and instrumentalities, not to exceed two years to stated maturity, excluding mortgage-backed securities, (2) Fully insured or collateralized certificates of deposit from any bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed one year to stated maturity, to include certificates of deposit purchased through the CDARS program with a Texas bank, (3) repurchase agreements as defined by the Act, not to exceed 180 days to stated maturity, provided an executed Master Repurchase Agreement is on file with the City and the counterparty bank or primary dealer as defined by the Federal Reserve, flex repurchase agreements used specifically for capital projects may extend beyond two years but only to match the expenditure plan of the projects, (4) AAA-rated, no-load, SEC registered money market funds, and (5) AAA-rated, constant dollar Texas Local Government Investment Pools as defined by the Public Funds Investment Act.

3. Receivables and Allowances for Doubtful Accounts

All trade and property tax receivables are shown net of an allowance for uncollectibles. All trade accounts receivables sixty days or more past due comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is the lesser of 0.2 percent of the tax levy for each fiscal year or the outstanding property taxes for each fiscal year at year end.

4. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of fuel supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

5. Restricted assets

Certain resources of the City's enterprise fund are classified as restricted assets on the statement of net position because their use is limited by applicable debt covenants. The "certificate of obligation escrow fund" account is used to report those proceeds of certificates of obligation issuances that are to be held in escrow and disbursed for project costs. The "interest and sinking account" account is used to segregate resources accumulated for debt service payments.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

6. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year.

As the City constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	5-40
Improvements	7-40
Machinery and equipment	3-15
Infrastructure	15-45

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents 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 then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources related to changes in actuarial assumptions of the City's defined benefit pension plan and OPEB plan, (2) a deferred outflow of resources for contributions made to the City's defined benefit pension plan and OPEB plan between the measurement date of the net pension liabilities from that plan and the end of the City's fiscal year, and (3) a deferred outflow of resources related to the difference between expected and actual experience data used by the actuary of the City's defined benefit pension plan and OPEB plan. Deferred outflows of resources for changes in actuarial assumptions is attributed to pension expense over a total of 2.56 years and attributed to OPEB expense over a total of 4.78 years. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. Deferred outflows of resources related to the difference between expected and actual experience data used by the actuary is attributed to pension expense over a total of 2.56 years and attributed to OPEB expense over a total of 4.78 years, including the current year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

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, *deferred inflows of resources*, 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. Deferred inflows of resources are reported in the City's various statements of net position for the difference between expected and actual experience data used by the actuary of the City's defined benefit pension plan and OPEB plan and for the differences between the projected and actual investment earnings. A deferred inflow of resources related to the difference between expected and actual experience data used by the actuary is attributed to pension expense over a total of 1.94 years and attributed to OPEB expense over a total of 4.12 years, including the current year. Deferred inflows of resources for the changes in actuarial assumptions are attributed to OPEB expense over a total of 4.12 years, including the current year. Deferred inflows of resources for the differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The City will not recognize the related revenues until they are available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenue from property taxes and grants is reported in the governmental funds balance sheet.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the 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 effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

9. Net position flow assumption

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets —This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position —This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position —This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

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

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

10. Fund balance flow assumption

The governmental fund financial statement present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance—amounts that are not in spendable form (such as a charitable trust) are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

Assigned fund balance—amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

Unassigned fund balance—amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

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

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equivalent to no less than three months of operating expenditures. The City is currently not in compliance with this policy.

11. Charitable trust fund

Under terms of the charitable trust, and consistent with State statutes, the City is authorized on a total-return policy, to spend the net appreciation for the benefit of City parks.

G. Revenues and expenditures/expenses

1. Program revenues

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

2. Property taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st on the assessed value listed as of the prior January 1st for all real and personal property. Appraised values are established by the Van Zandt County Appraisal District as market value and assessed at 100% of appraised value. The Van Zandt County Tax Assessor/Collector bills and collects the City's property taxes, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

3. Compensated absences

The City's policy permits employees to accumulate earned but unused vacation pay benefits. The liability for such unused vacation is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Unused vacation shall be taken during the year following its accumulation.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Revenues and expenditures/expenses (continued)

4. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater fund are charges to customers for sales and services. Operating expenses for the water and wastewater fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

5. Pensions and Other Post Employment Benefits (OPEB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Positions of the Texas Municipal Retirement System (TMRS), and additions to/deductions from TMRS Fiduciary Net Positions 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.

GASB 75 requires recognition of the Total OPEB Liability (TOL), deferred (inflows)/outflows of resources, and total OPEB expense on the face of the employer's financial statements. The TOL is calculated by the System's actuary in accordance with the provisions of GASB 75. The OPEB expense and deferred (inflows)/outflows of resources related to OPEB, which are required to be reported by an employer, primarily result from changes in the components of the TOL. Most changes in the TOL will be included in OPEB expense in the period of the change. For example, changes in the TOL resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in OPEB expense immediately. Changes in the TOL that have not been included in OPEB expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to OPEB.

6. Self-Insurance

The City is self-insured for medical and prescription drug claims. It is the City's policy to provide in each fiscal year amounts sufficient for self-insurance program expenses and reserves associated with claims, that are determined based on loss experience. The amount recorded as liability for known claims and for incurred but not reported claims (IBNRs), if any, is based on the recommendations of a third party claims administrator.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash deposits with financial institutions

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 to it. State statutes require that all deposits in financial institutions be fully insured or collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year end, the City's bank balance was \$3,482,977, of which \$500,000 was covered by federal depository insurance. Of the remaining uninsured balance of \$2,982,977, \$2,655,000 was covered by collateral pledged in the City's name by the safekeeping departments of the pledging bank's agent. The City had an uninsured, uncollateralized balance at one financial institution of \$327,977.

B. Investments

As of September 30, 2020, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Government and agency bonds	<u>\$ 73,436</u>

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than six months.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of credit risk. The City's investment policy contains no limitations on the amount that can be invested in any one issuer.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general and water and wastewater funds in the aggregate, including the applicable allowances for uncollectible accounts:

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

C. Receivables (continued)

Receivables:	General	Water and Wastewater	Total
Taxes	\$ 399,545	\$ -	\$ 399,545
Accounts	-	374,791	374,791
Gross receivables	399,545	374,791	774,336
Less: allowance for uncollectibles	(31,794)	(2,986)	(34,780)
Net receivables	<u>\$ 367,751</u>	<u>\$ 371,805</u>	<u>\$ 739,556</u>

D. Restricted assets

The balances of the restricted asset accounts in the proprietary fund are as follows:

Bond interest and sinking fund	\$ 199,401
Certificate of obligation escrow fund	3,995,939
	<u>\$ 4,195,340</u>

E. Capital assets

Capital asset activity for the year ended September 30, 2020, was as follows:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 108,221	\$ 45,935	\$ -	\$ 154,156
Total capital assets not being depreciated	<u>108,221</u>	<u>45,935</u>	<u>-</u>	<u>154,156</u>
Capital assets being depreciated:				
Buildings	1,213,080	394,262	-	1,607,342
Machinery and equipment	446,787	99,304	(44,974)	501,117
Infrastructure	3,103,771	111,399	-	3,215,170
Totals capital assets being depreciated	<u>4,763,638</u>	<u>604,965</u>	<u>(44,974)</u>	<u>5,323,629</u>
Less accumulated depreciation for:				
Buildings	(638,529)	(45,011)	-	(683,540)
Machinery and equipment	(358,754)	(46,894)	44,974	(360,674)
Infrastructure	(1,277,399)	(93,197)	-	(1,370,596)
Total accumulated depreciation	<u>(2,274,682)</u>	<u>(185,102)</u>	<u>44,974</u>	<u>(2,414,810)</u>
Total capital assets, being depreciated, net	<u>2,488,956</u>	<u>419,863</u>	<u>-</u>	<u>2,908,819</u>
Governmental activities capital assets, net	<u>\$ 2,597,177</u>	<u>\$ 465,798</u>	<u>\$ -</u>	<u>\$ 3,062,975</u>

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

E. Capital assets (continued)

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:

General government	\$ 39,186
Public safety	30,881
Public works	64,906
Municipal court	1,873
Parks and recreational	48,256
Total depreciation expense - governmental activities	<u>\$ 185,102</u>

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 200,620	\$ -	\$ -	\$ 200,620
Construction in progress	153,884	282,939	-	436,823
Total capital assets not being depreciated	354,504	282,939	-	637,443
Capital assets being depreciated:				
Buildings	58,167	-	-	58,167
Improvements	16,839,211	94,617	-	16,933,828
Machinery and equipment	550,379	129,459	(64,223)	615,615
Total capital assets being depreciated	17,447,757	224,076	(64,223)	17,607,610
Less accumulated depreciation for:				
Buildings	(35,712)	(2,024)	-	(37,736)
Improvements	(8,360,145)	(412,742)	-	(8,772,887)
Machinery and equipment	(326,987)	(59,079)	47,669	(338,397)
Total accumulated depreciation	(8,722,844)	(473,845)	47,669	(9,149,020)
Total capital assets being depreciated, net	8,724,913	(249,769)	(16,554)	8,458,590
Business-type capital assets, net	<u>\$ 9,079,417</u>	<u>\$ 33,170</u>	<u>\$ (16,554)</u>	<u>\$ 9,096,033</u>

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

Business-type activities:

Water and wastewater	\$ 424,818
Airport	49,027
Total depreciation expense - business-type activities	<u>\$ 473,845</u>

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

F. Construction commitments

The City has active construction projects as of September 30, 2020. The construction consists of a sewer improvement project, a water improvement project and an airport improvement project. At year end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Commitment</u>	
	<u>Spent-to-date</u>	<u>Remaining</u>
Improvements	<u>\$ 436,824</u>	<u>\$ 278,638</u>

The improvements projects are commitments of the City's water and wastewater and airport funds. The projects are being funded by utility revenues, bond proceeds and intergovernmental revenues.

G. 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 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The City self-insured for medical and prescription drug claims. Stop-loss insurance is purchased for claims in excess of \$20,000.

The estimated insurance claims payable of \$48,144 at September 30, 2020, is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, as amended by GASB Statement No. 30, Risk Financing Omnibus, which requires that claims liabilities be based upon the estimated ultimate costs of settling the claims. The liability also includes incurred but not reported claims (IBNR) developed by the third party claims administrator. Changes in the balance of estimated insurance claims payable for the year ended September 30, 2020 are:

Claims liability at beginning of year	\$ 54,976
Current year claims and estimate changes	141,617
Claims payments	<u>(148,449)</u>
Claims liability at end of year	<u>\$ 48,144</u>

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Operating lease (as lessor)

The City entered into a lease agreement with Christus EMS (formerly known as Champion EMS)(the "Company") for the purpose of operating an ambulance station solely for emergency medical services support. The term of the lease is for five years with two renewal periods of five years each. The lease agreement provides for a minimum guaranteed annual rental of \$24,000. Rental revenue report under the lease agreement for the year end September 30, 2020 totaled \$24,000.

The asset leased under the agreement is as follows:

<u>Asset</u>	Governmental Activities
Building	\$ 504,008
Less: accumulated depreciation	(57,751)
Total	<u>\$ 446,257</u>

I. Long-term liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the refunding of prior bond issues. General obligation bonds have been issued for governmental activities and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2020 are as follows:

Governmental Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2015 Refunding	\$ 2,824,250	8/15/2030	2.00-3.75%	\$ 2,080,000
Total				<u>\$ 2,080,000</u>

Business-Type Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2015 Refunding	2,480,750	8/15/2030	2.00-3.75%	\$ 2,080,000
Total				<u>\$ 2,080,000</u>

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Long-term liabilities (continued)

The debt service requirements for the City's general obligation refunding bonds are as follows:

Year Ending September 30	General Obligation Refunding Bonds			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 180,000	\$ 71,775	\$ 180,000	\$ 71,775
2022	185,000	66,375	185,000	66,375
2023	190,000	60,825	190,000	60,825
2024	197,500	55,125	197,500	55,125
2025	202,500	48,213	202,500	48,213
2026-2030	1,125,000	128,144	1,125,000	128,144
	<u>\$ 2,080,000</u>	<u>\$ 430,457</u>	<u>\$ 2,080,000</u>	<u>\$ 430,457</u>

Certificates of Obligation

The City issues certificates of obligation to provide funds for the acquisition and construction of major capital improvements. Certificates of obligation have been issued for business-type activities. Certificates of obligation are direct obligations and pledge the full faith and credit of the government and are further secured by and payable from a pledge of the surplus net revenues derived from the operation of the City's water and wastewater system. Certificates of obligation outstanding at September 30, 2020 are as follows:

Business-Type Activities:

<u>Series</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
2019	\$ 4,500,000	2/15/2044	0.68%-2.14%	<u>\$ 4,385,000</u>

The debt service requirements for the City's certificates of obligation are as follows:

Year Ending September 30	Certificates of Obligation	
	Business-type Activities	
	Principal	Interest
2021	\$ 155,000	\$ 72,352
2022	155,000	71,088
2023	155,000	69,662
2024	160,000	68,062
2025	160,000	66,295
2026-2030	835,000	299,242
2031-2035	905,000	230,930
2036-2040	990,000	143,154
2041-2044	870,000	37,609
	<u>\$ 4,385,000</u>	<u>\$ 1,058,394</u>

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Long-term liabilities (continued)

Notes Payable

Notes payable currently outstanding and reported as a liability of the City's governmental activities and business-type activities are:

Governmental Activities:

<u>Description</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
TCFP	\$ 35,000	9/1/2022	2.500%	\$ 4,280
Limited Tax Note, Series 2014	300,000	9/15/2021	3.660%	62,000
EMS Facility	54,329	10/1/2020	4.250%	30,001
City Hall	405,000	1/16/2021	4.650%	396,677
				<u>\$ 492,958</u>

Business-Type Activities:

<u>Description</u>	<u>Issue Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Year-end Balances</u>
Community Resource Group	\$ 188,500	10/21/2022	5.900%	<u>\$ 48,896</u>

The debt service requirements for the City's notes payable are as follows:

<u>Year Ending September 30</u>	<u>Notes Payable</u>			
	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 490,816	\$ 2,484	\$ 22,722	\$ 2,277
2022	2,142	54	24,100	899
2023	-	-	2,074	10
	<u>\$ 492,958</u>	<u>\$ 2,538</u>	<u>\$ 48,896</u>	<u>\$ 3,186</u>

Compensated Absences

Compensated absences represent the estimated liability for employees' paid time off benefits for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund and Water and Wastewater Fund based on the assignment of an employee at termination.

Net Pension Liability

The net pension liability represents the liability for employees' for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service less the amount of the pension plan's fiduciary net position.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Long-term liabilities (continued)

Other Post-Employment Benefit Liability (OPEB)

The total OPEB liability represents the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 75.

Changes in long-term liabilities –

Changes in the City's long-term liabilities for the year ended September 30, 2020 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,232,750	\$ -	\$ (152,750)	\$ 2,080,000	\$ 180,000
Less deferred amounts:					
For issuance premium	193,231	-	(17,567)	175,664	-
Total bonds payable	2,425,981	-	(170,317)	2,255,664	180,000
Contracts payable	25,786	-	(25,786)	-	-
Notes payable	182,695	405,000	(94,737)	492,958	490,816
Compensated absences	31,911	7,267	(17,096)	22,082	22,082
Net pension liability	666,677	-	(183,309)	483,368	-
OPEB liability	68,854	18,506	-	87,360	-
Governmental activity					
Long-term liabilities	<u>\$ 3,401,904</u>	<u>\$ 430,773</u>	<u>\$ (491,245)</u>	<u>\$ 3,341,432</u>	<u>\$ 692,898</u>

General obligation bonds, notes payable, compensated absences, net pension liability and OPEB liability issued from governmental activities will be liquidated by the general fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
General obligation bonds	\$ 2,312,250	\$ -	\$ (232,250)	\$ 2,080,000	\$ 180,000
Certificates of obligation	4,500,000	-	(115,000)	4,385,000	155,000
Less deferred amounts:					
For issuance premium	107,667	-	(11,667)	96,000	-
Total bonds payable	6,919,917	-	(358,917)	6,561,000	335,000
Contracts payable	61,886	-	(61,886)	-	-
Notes payable	70,320	-	(21,424)	48,896	22,722
Compensated absences	4,843	18,307	(8,650)	14,500	14,500
Net pension liability	292,487	-	(100,665)	191,822	-
OPEB liability	33,432	7,344	-	40,776	-
Business-type activity					
Long-term liabilities	<u>\$ 7,382,885</u>	<u>\$ 25,651</u>	<u>\$ (551,542)</u>	<u>\$ 6,856,994</u>	<u>\$ 372,222</u>

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Long-term liabilities (continued)

Certificates of obligations, general obligation bonds, notes payable, compensated absences, net pension liability and OPEB liability issued for business-type activities are repaid from the water and wastewater fund.

Among other provisions, the ordinances authorizing issuance of the City's certificates of obligation required the following:

1. Interest and Sinking Fund

This section requires monthly transfers from the operating fund to the interest and sinking in the amount equal to 1/6 of next maturing interest plus 1/12 of next maturing principal for debt service payments for the Certificates of Obligation, Series 2019.

Reserve requirements for interest and sinking accounts in connection with the Certificates of Obligation, Series 2019 are as follows:

	Required at 9/30/2020	Actual at 9/30/2020	Excess or (Deficiency)
Interest and sinking	\$ 105,993	\$ 199,401	\$ 93,408
	<u>\$ 105,993</u>	<u>\$ 199,401</u>	<u>\$ 93,408</u>

J. Interfund transfers

The composition of interfund transfers as of September 30, 2020 is as follows:

	Transfer In:	
<u>Transfer Out:</u>	Water and Wastewater	Total
General	<u>\$ 15,974</u>	<u>\$ 15,974</u>

Transfers are primarily used to move funds from the General Fund to the Water and Wastewater Fund for payroll related and operating activities.

K. Related party transactions

The significant transactions between the City and the Corporation during the year ended September 30, 2020 consisted of reimbursements to the City for administrative services of \$53,684, airport expenditures of \$54,595, and infrastructure improvements of \$23,725.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

L. Discretely presented component unit

1. Wills Point Economic Development Corporation

Capital Assets

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated:				
Land	\$ 162,830	\$ -	\$ (9,415)	\$ 153,415
Total capital assets not being depreciated	162,830	-	(9,415)	153,415
Capital assets being depreciated:				
Buildings and improvements	259,465	-	(259,465)	-
Machinery and equipment	40,249	-	-	40,249
Total capital assets being depreciated	299,714	-	(259,465)	40,249
Less accumulated depreciation for:				
Buildings and improvements	(73,514)	(4,325)	77,839	-
Machinery and equipment	(36,949)	(690)	-	(37,639)
Total accumulated depreciation	(110,463)	(5,015)	77,839	(37,639)
Total capital assets being depreciated, net	189,251	(5,015)	(181,626)	2,610
Governmental activities capital assets, net	\$ 352,081	\$ (5,015)	\$ (191,041)	\$ 156,025

Development Agreements

In April 2017, the Corporation entered into a development agreement with Brazos Trailer Manufacturing, LLC ("the Company"). Under the agreement, the Corporation agrees to reimburse the Company an amount not to exceed \$30,000 for certain authorized expenditures if the Company complies with the stipulations defined in the agreement. Actual payments made by the Corporation under this agreement totaled \$28,000 as of September 30, 2020.

Subsequent events

Subsequent to year end, the Corporation approved the following items:

- Conveyance of 15 acres to a local business at no cost.
- \$30,000 in incentive payments to be issued to a local business.
- Sale of 5 acres for approximately \$74,000.
- Purchase of 40.28 acres to expand the business park for approximately \$649,000.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

M. Contingencies

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

N. Additional water and sewer information

The following information is included at the request of the Texas Water Development Board for the year under audit.

Water Accountability Report:

Gallons Pumped	231,954,000
Gallons Billed	149,492,200

O. Subsequent events

Subsequent to year end, the City approved the following:

- Purchased a public safety equipment for approximately \$112,000.
- Repairs to Water and Wastewater fund improvements for approximately \$49,500.

P. Prior period adjustment

Corrections have been made to the business-type activities and water and wastewater fund beginning net position in the government-wide financial statements and fund financial statements due to errors in recording financial transactions in the prior period, resulting in an overstatement of liabilities and an understatement of net position. The changes to the beginning net position as of October 1, 2019 are summarized as follows:

	Government-wide Financial Statements	Fund Financial Statements
	Business-type Activities	Water and Wastewater
As previously reported, October 1, 2019	\$ 7,141,514	\$ 6,431,880
Overstatement of accrued interest payable	52,280	52,280
Restated, October 1, 2019	\$ 7,193,794	\$ 6,484,160
Effect of restatement on operations for the year ending September 30, 2019:	\$ 52,280	\$ 52,280

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 3 – DEFINED BENEFIT PENSION PLANS

A. Plan description

The City of Wills Point, Texas 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 that can be obtained at www.tmr.com.

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

B. Benefits provided

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

At retirement, the benefit is calculated as if the sum of the employee's 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.

	Plan Provisions
Employee deposit rate	5%
Municipal current matching ratio	2 - 1
Updated service credits:	
Rate (%)	100 T
Year effective	2009R
Increase benefits to retirees:	
Rate (%) ⁽¹⁾	70
Year effective	2009R
Vesting	10 yrs
Service retirement eligibilities	10 yrs/age 60, 25 yrs/any age
Supplemental death benefits:	
Employees	Yes
Retirees	Yes
Statutory maximum (%)	REMOVED

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

B. Benefits provided (continued)

⁽¹⁾ For years prior to 1982, the rate is the actual percentage in annuities. For 1982 and later, the rate is the percentage of the change in the CPI-U since retirement date, granted to each annuitant as an increase of the original annuity.

T — Includes Transfer Credits.

R — Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.

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	23
Inactive employees entitled to but not yet receiving benefits	48
Active employees	34
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C. Contributions

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

Employees for the City of Wills Point, Texas were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Wills Point, Texas were 12.01% and 12.40% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$152,759, and were equal to the required contributions.

D. Net pension liability

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

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

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	3.50% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

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, the actuary 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:

Asset Class	Target Allocation	Long-Term Expected
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%	

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.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

D. Net pension liability (continued)

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	\$4,733,199	\$3,774,035	\$ 959,164
Changes for the year:			
Service cost	134,243	-	134,243
Interest	316,208	-	316,208
Difference between expected and actual experience	48,264	-	48,264
Changes of assumptions	2,020	-	2,020
Contributions - employer	-	147,441	(147,441)
Contributions - employee	-	59,452	(59,452)
Net investment income	-	581,212	(581,212)
Benefit payments, including refunds of employee contributions	(231,518)	(231,518)	-
Administrative expense	-	(3,297)	3,297
Other changes	-	(99)	99
Net Changes	\$ 269,217	\$ 553,191	\$ (283,974)
Balance at 12/31/2019	\$5,002,416	\$4,327,226	\$ 675,190

Sensitivity of the net pension liability to changes in the discount rate -

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability 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:

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 1,367,736	\$ 675,190	\$ 108,817

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.

Payables to the Pension Plan - Legally required contributions outstanding at the end of the year totaled \$15,315.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 3 – DEFINED BENEFIT PENSION PLANS (continued)

E. Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2020, the City recognized pension expense of \$136,982.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources			
	Governmental Activities		Business-Type Activities
Differences between expected and actual economic experience	\$ 21,187	\$	8,224
Changes in actuarial assumptions	881		350
Contributions subsequent to the measurement date	79,628		31,600
Total	<u>\$ 101,696</u>	<u>\$</u>	<u>40,174</u>

Deferred Inflows of Resources			
	Governmental Activities		Business-Type Activities
Differences between expected and actual economic experience	\$ 14,071	\$	6,158
Difference between projected and actual investment earnings	93,287		36,710
Total	<u>\$ 107,358</u>	<u>\$</u>	<u>42,868</u>

\$111,228 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31

2020	\$ (38,545)
2021	(26,925)
2022	11,178
2023	(65,292)
Total	<u>\$ (119,584)</u>

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

A. Plan description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.com.

B. Benefits provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500.

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.

C. 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	20
Inactive employees entitled to but not yet receiving benefits	4
Active employees	34
	<hr/>
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CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

D. Total OPEB liability

The City's total OPEB liability of \$128,136 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation
Discount rate*	2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

D. Total OPEB liability (continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2018	\$ 102,286
Changes for the year:	
Service cost	2,140
Interest	3,815
Difference between expected and actual experience	1,247
Changes in assumptions or other inputs	19,718
Benefit payments**	(1,070)
Net Changes	\$ 25,850
Balance at 12/31/2019	\$ 128,136

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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

The following presents the total OPEB liability of the City, 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 (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Total OPEB liability	\$ 153,902	\$ 128,136	\$ 108,191

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS (continued)

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$10,929. At September 30, 2020, the City reported deferred outflows and inflows of resources and related to OPEB from the following sources:

	Governmental Activities	Business-Type Activities
	Deferred Outflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 706	\$ 280
Changes of assumptions	10,544	4,261
City contributions subsequent to the measurement date	1,392	553
Total	<u>\$ 12,642</u>	<u>\$ 5,094</u>

	Governmental Activities	Business-Type Activities
	Deferred Inflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,890	\$ 829
Total	<u>\$ 1,890</u>	<u>\$ 829</u>

\$1,945 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Year Ended December 31
2020	\$ 3,785
2020	3,785
2021	2,349
2022	3,153
Total	<u>\$ 13,072</u>

F. Payable to the OPEB Plan

At September 30, 2020, the City reported a payable of \$268 for the outstanding amount of contributions to the Plan required for the year ended September 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

MAJOR GOVERNMENTAL FUNDS

These supplementary schedules are included to supplement the basic financial statements as required by the Governmental Accounting Standards Board.

CITY OF WILLS POINT, TEXAS
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended September 30, 2020

	Original and Final Budgeted Amounts	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget
REVENUES					
Taxes:					
Property	\$1,286,883	\$1,260,912	\$ (12,374)	\$1,248,538	\$ (38,345)
Sales	825,000	1,085,979	(38,064)	1,047,915	222,915
Franchise	150,000	164,211	-	164,211	14,211
Hotel occupancy	20,000	1,535	20	1,555	(18,445)
Alcoholic beverage	15,000	6,821	1,242	8,063	(6,937)
Fines and forfeitures	150,000	70,739	(7,985)	62,754	(87,246)
Charges for current services	16,450	19,961	-	19,961	3,511
Revenues from use of money	6,500	10,473	-	10,473	3,973
Rental	56,400	52,399	-	52,399	(4,001)
Other	51,415	37,122	10,301	47,423	(3,992)
Intergovernmental	175,796	153,796	(3,457)	150,339	(25,457)
Contributions and donations	31,200	26,214	-	26,214	(4,986)
Total revenues	<u>2,784,644</u>	<u>2,890,162</u>	<u>(50,317)</u>	<u>2,839,845</u>	<u>55,201</u>
EXPENDITURES					
Current:					
General government	499,360	926,627	(392,371)	534,256	34,896
Public safety:					
Police department	887,465	810,094	18,135	828,229	(59,236)
Fire department	7,700	5,937	-	5,937	(1,763)
Emergency medical services	7,500	4,052	-	4,052	(3,448)
Public works	704,930	598,363	22,449	620,812	(84,118)
Municipal court	110,241	103,346	4,949	108,295	(1,946)
Parks and recreational:					
Community room	10,000	4,684	-	4,684	(5,316)
Parks	66,580	65,078	83	65,161	(1,419)
Airport	1,700	4,760	-	4,760	3,060
Economic development	121,651	73,612	910	74,522	(47,129)
Debt service:					
Principal and interest charges	367,480	394,252	-	394,252	26,772
Total expenditures	<u>2,784,607</u>	<u>2,990,805</u>	<u>(345,845)</u>	<u>2,644,960</u>	<u>(139,647)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>37</u>	<u>(100,643)</u>	<u>295,528</u>	<u>194,885</u>	<u>194,848</u>
OTHER FINANCING SOURCES (USES)					
Transfers out	-	(15,974)	-	(15,974)	(15,974)
Note proceeds	-	405,000	(405,000)	-	-
Total other financing sources and uses	<u>-</u>	<u>389,026</u>	<u>(405,000)</u>	<u>(15,974)</u>	<u>(15,974)</u>
Net change in fund balance	<u>\$ 37</u>	<u>\$ 288,383</u>	<u>\$ (109,472)</u>	<u>\$ 178,911</u>	<u>\$ 178,874</u>

NOTES TO BUDGETARY INFORMATION

1. Budgetary basis of accounting

An annual budget for the general fund is adopted on the budgetary basis of accounting. Appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

CITY OF WILLS POINT, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	2014	2015	2016	2017	2018	2019
Total pension liability						
Service Cost	\$ 115,590	\$ 115,667	\$ 120,616	\$ 121,598	\$ 124,259	\$ 134,243
Interest (on the Total Pension Liability)	266,686	276,149	282,754	295,558	306,699	316,208
Difference between expected and actual experience	(12,041)	51,048	21,113	(33,165)	(63,274)	48,264
Changes of assumptions	-	46,036	-	-	-	2,020
Benefit payments, including refunds of employee contributions	(237,454)	(232,719)	(262,113)	(208,463)	(232,076)	(231,518)
Net Change in Total Pension Liability	132,781	256,181	162,370	175,528	135,608	269,217
Total Pension Liability - Beginning	3,870,731	4,003,512	4,259,693	4,422,063	4,597,591	4,733,199
Total Pension Liability - Ending (a)	\$4,003,512	\$4,259,693	\$4,422,063	\$4,597,591	\$4,733,199	\$5,002,416
Plan Fiduciary Net Position						
Contributions - Employer	\$ 127,620	\$ 116,895	\$ 116,278	\$ 130,163	\$ 143,015	\$ 147,441
Contributions - Employee	52,521	52,481	53,323	52,869	55,177	59,452
Net Investment Income	187,561	5,026	225,944	480,112	(117,248)	581,212
Benefit payments, including refunds of employee contributions	(237,454)	(232,719)	(262,113)	(208,463)	(232,076)	(231,518)
Administrative Expense	(1,958)	(3,061)	(2,553)	(2,496)	(2,274)	(3,297)
Other	(161)	(151)	(138)	(127)	(119)	(99)
Net Change in Plan Fiduciary Net Position	128,129	(61,529)	130,741	452,058	(153,525)	553,191
Plan Fiduciary Net Position - Beginning	3,278,161	3,406,290	3,344,761	3,475,502	3,927,560	3,774,035
Plan Fiduciary Net Position - Ending (b)	\$3,406,290	\$3,344,761	\$3,475,502	\$3,927,560	\$3,774,035	\$4,327,226
Net Pension Liability - Ending (a) - (b)	\$ 597,222	\$ 914,932	\$ 946,561	\$ 670,031	\$ 959,164	\$ 675,190
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.08%	78.52%	78.59%	85.43%	79.74%	86.50%
Covered Employee Payroll	1,050,413	1,049,612	1,066,453	1,057,374	1,103,543	1,189,040
Net Pension Liability as a Percentage of Covered Employee Payroll	56.86%	87.17%	88.76%	63.37%	86.92%	56.78%

Notes to Schedule:
N/A

CITY OF WILLS POINT, TEXAS
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 119,941	\$ 111,141	\$ 125,101	\$ 140,962	\$ 144,641	\$ 152,759
Contributions in relation to the actuarially determined contribution	119,941	111,141	125,101	140,962	144,641	152,759
Contribution deficiency (excess)	-	-	-	-	-	-
Covered employee payroll	1,051,202	1,013,021	1,048,948	1,102,611	1,152,963	1,261,059
Contributions as a percentage of covered employee payroll	11.41%	10.97%	11.93%	12.78%	12.55%	12.11%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal
Amortization Method Level Percentage of Payroll, Closed
Remaining Amortization Period 26 years
Asset Valuation Method 10 Year smoothed market; 12% soft corridor
Inflation 2.50%
Salary Increases 3.50% to 11.50% including inflation
Investment Rate of Return 6.75%
Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF WILLS POINT, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Calendar Years (will ultimately be displayed)

	2017	2018	2019
Total OPEB liability			
Service Cost	\$ 1,798	\$ 2,097	\$ 2,140
Interest (on the Total Pension Liability)	3,650	3,625	3,815
Difference between expected and actual experience	-	(4,461)	1,247
Changes of assumptions and other inputs	8,338	(6,958)	19,718
Benefit payments	(952)	(993)	(1,070)
Net Change in Total OPEB Liability	12,834	(6,690)	25,850
Total OPEB Liability - Beginning	96,142	108,976	102,286
Total OPEB Liability - Ending	<u>\$ 108,976</u>	<u>\$ 102,286</u>	<u>\$ 128,136</u>
 Covered Payroll	 1,057,374	 1,103,543	 1,189,040
 Total OPEB Liability as a Percentage of Covered Payroll	 10.31%	 9.27%	 10.78%

Notes to Schedule:

Note 1 - No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Note 2 - The actuarial assumptions and other inputs used to calculate the total OPEB liability are described in note 4.D to the financial statements.

Note 3 - Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.