

CITY OF WILLS POINT, TEXAS

ANNUAL FINANCIAL REPORT AND
INDEPENDENT AUDITOR'S REPORT

For the year ended
September 30, 2021

CITY OF WILLS POINT, TEXAS

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INDEPENDENT AUDITOR'S REPORT

To the City Council of
City of Wills Point, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of Wills Point, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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.

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, and each major fund of City of Wills Point, Texas, as of September 30, 2021, and the respective changes in financial position 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 (pages 3-8), Budgetary Comparison Information (pages 37-39), Schedule of Changes in Net Pension Liability and Related Ratios (TMRS) and the Schedule of Contributions (TMRS) (pages 40 and 41) 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.

Fullerton & Associates, PLLC

Fullerton & Associates, PLLC
Abilene, Texas

July 12, 2022

CITY OF WILLS POINT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021

As management of City of Wills Point, we offer readers of City of Wills Point, Texas' financial statements this narrative overview and analysis of the financial activities of City of Wills Point, Texas for the fiscal year ended September 30, 2021.

Financial Highlights

Government-Wide Financial Statements

- The City's total combined net position was \$11,979,036 at September 30, 2021 and \$8,807,736 at September 30, 2020.
- During the year, the City's expenses were \$2,703,445 less than the \$6,652,300 generated in taxes and other revenues for governmental and business type activities before transfers between funds.
- The total cost of the City's programs in the governmental and business type activities was \$3,948,855.

Overview of the Financial Statements

This annual report consists of three parts-management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as water and sewer.

Government-Wide Financial Statements

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

The *statement of activities* presents information showing how the government'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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements reflect functions of City of Wills Point that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of City of Wills Point include general government, public safety, and public works. The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. City of Wills Point, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of City of Wills Point 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 on governmental funds is narrower than that of the government-wide financial statements,

CITY OF WILLS POINT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

City of Wills Point maintains one General fund and several non-major governmental funds called special revenue funds, only one of which (Construction) remains active after the year ended September 30, 2021. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund and the special revenue funds. The governmental fund financial statements can be found on pages 11 through 14 of this report.

Proprietary funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise fund, the Water & Sewer and the Airport funds, are the same as the business-type activities reported in the government-wide financial statements, but it provides more detail and additional information, such as cash flows, for the proprietary fund. The proprietary fund statements can be found on pages 15 through 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to 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 18 through 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of City of Wills Point, assets exceeded liabilities by at the end of 2021.

The City's total governmental revenues were \$3,920,778. A significant portion, \$2,986,792, or 76.18% of the City's revenues come from property and other types of taxes.

As of September 30, 2021, \$3,856,820 or 32.20% of City of Wills Point's net position reflects its investment in capital assets. City of Wills Point uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

CITY OF WILLS POINT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021

City of Wills Point's Net Position

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Assets				
Current assets	\$ 3,942,975	\$ 2,908,457	\$ 5,757,080	\$ 5,685,881
Noncurrent assets	3,169,664	3,062,975	8,904,193	9,096,033
Total assets	7,112,639	5,971,432	14,661,273	14,781,914
Deferred outflows of resources	90,210	114,338	36,021	45,268
Internal balances	-	-	-	-
Liabilities				
Current liabilities	1,261,172	1,325,250	770,617	428,595
Noncurrent liabilities	1,726,702	3,341,432	6,072,964	6,856,994
Total liabilities	2,987,874	4,666,682	6,843,581	7,285,589
Deferred inflows of resources	64,069	109,248	25,583	43,697
Net position				
Net investment in capital assets	1,196,130	2,570,017	2,660,690	6,482,076
Restricted for debt service	200,000	317,011	-	190,283
Unrestricted	2,754,776	(1,577,188)	5,167,440	825,537
Total net position	\$ 4,150,906	\$ 1,309,840	\$ 7,828,130	\$ 7,497,896

CITY OF WILLS POINT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021

City of Wills Point's Changes in Net Position

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Program revenues:				
Charges for services	\$ 187,878	\$ 156,682	\$ 2,727,198	\$ 2,744,613
Operating grants and contributions	531,606	338,454	3,375	109,410
General revenues:				
Taxes	2,986,792	2,522,878	-	-
Miscellaneous	203,278	26,400	-	-
Investment earnings	11,224	18,224	949	25,984
		37,121		
Total revenues	<u>3,920,778</u>	<u>3,099,759</u>	<u>2,731,522</u>	<u>2,880,007</u>
Expenses:				
General administrative	318,921	520,850	-	-
Public Safety	132,368	800,585	-	-
Public Works	682,220	527,395	-	-
Municipal court	20,174	108,905	-	-
Parks and recreation	5,257	109,218	-	-
Airport	6,061	4,760	-	140,273
Economic development	504,691	64,992	-	-
Water and sewer	-	-	2,279,163	2,451,606
Interest charges	-	98,763	-	-
Total expenses	<u>1,669,692</u>	<u>2,235,468</u>	<u>2,279,163</u>	<u>2,591,879</u>
Transfers in (out)	(150,000)	(261,197)	39,189	261,197
Change in net position	2,101,086	603,094	491,548	549,325
Beginning balance, net position	<u>2,086,657</u>	<u>1,505,355</u>	<u>3,151,481</u>	<u>2,602,156</u>
Prior period adjustment	<u>196,084</u>	<u>(21,792)</u>	<u>(140,933)</u>	
Ending balance, net position	<u>\$ 4,383,827</u>	<u>\$ 2,086,657</u>	<u>\$ 3,502,096</u>	<u>\$ 3,151,481</u>

CITY OF WILLS POINT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

As noted earlier, City of Wills Point uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of Fiscal Year 2021, City of Wills Point's governmental General Fund reported an ending fund balance \$2,550,349 of compared to at the end of Fiscal Year 2020.

Enterprise funds. The focus of the City of Wills Point's *enterprise funds' statements* is to provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Enterprise funds' as of September 30, 2021 was \$4,808,340, which represents approximately 14 months of the Enterprise Funds' operating expenses based on 2021 results.

BUDGETARY HIGHLIGHTS

Actual expenditures for the General fund were \$99,204 over the final budgeted amounts, and total revenues were \$1,265,170 over the final budgeted amounts, resulting in a favorable budget variance of \$1,165,966 for the General fund for the year ended September 30, 2021.

The Water and Sewer Services fund had actual revenues \$142,392 under budget, and expenses for the year were also \$80,461 under budget, resulting in a unfavorable budget variance of \$61,931 for the year ended September 30, 2021.

CAPITAL ASSETS

City of Wills Point's investment in capital assets for its governmental activities amounts to \$1,196,130 (net of accumulated depreciation) and the investment in capital assets for its business-type activities amounts to \$2,660,690 (net of accumulated depreciation) as of September 30, 2021. These investments in capital assets include land, City buildings, water, sewer, and airport facilities and improvements as well as vehicles, equipment and City infrastructure.

CITY OF WILLS POINT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2021

City of Wills Point's Capital Assets

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Land	\$ 154,156	\$ 154,156	\$	\$ 200,620
Construction in Progress			537,156	436,823
Buildings	1,607,341	1,607,341	124,834	58,167
Improvements	-	-	17,060,903	16,933,828
Machinery and equipment	367,328	320,604	422,199	422,199
Vehicles	237,412	180,512	193,416	193,416
Infrastructure	3,450,677	3,215,170	-	-
	5,816,914	5,477,783	18,338,508	18,245,053
Total accumulated depreciation	<u>(2,647,250)</u>	<u>(2,440,640)</u>	<u>(9,634,935)</u>	<u>(9,148,602)</u>
Net capital assets	<u>\$ 3,169,664</u>	<u>\$ 3,037,143</u>	<u>\$ 8,703,573</u>	<u>\$ 9,096,451</u>

Additional information on City of Wills Point's capital assets can be found in Note 5 on pages 25 and 26 of this report.

DEBT ADMINISTRATION

At year-end, the City had \$6,156,173 in long term debt and obligations between Governmental and Business-type activities, comprised of the following:

	Governmental Activities		Business-type Activities	
	2021	2020	2021	2020
Bonds payable	\$ 1,235,000	\$ -	\$ 4,895,000	\$ 2,027,000
Notes payable	-	-	26,173	286,695
Net pension & OPEB liability	474,561	287,162	189,492	151,867
Total long-term debt	<u>\$ 1,709,561</u>	<u>\$ 287,162</u>	<u>\$ 5,110,665</u>	<u>\$ 2,465,562</u>

Additional information on the City's debt balances can be found in Note 6 on pages 26 through 28 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of City of Wills Point's finances for 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 Secretary, City of Wills Point, PO Box 505, Wills Point, Texas 75169.

BASIC FINANCIAL STATEMENTS

CITY OF WILLS POINT, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

				Component Unit
	Governmental	Business-type		Wills Point Economic Development Corporation
	Activities	Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 3,582,040	\$ 1,376,297	\$ 4,958,337	-
Investments	70,522	-	70,522	-
Due from primary government				956,597
Receivables, net				
Taxes	289,427	-	289,427	-
Fines, fees, and other receivables	-	375,838	375,838	-
Inventories		9,006	9,006	-
Prepaid expenses	986	-	986	-
Capital assets:				
Land	154,156	200,620	354,776	793,222
Construction in Progress	-	537,156	537,156	-
Buildings and improvements	1,607,341	124,834	1,732,175	-
Machinery and equipment	367,328	422,199	789,527	40,248
Vehicles	237,412	193,416	430,828	-
Infrastructure	3,450,677	-	3,450,677	-
Utility plant	-	17,060,903	17,060,903	-
Less: accumulated depreciation	(2,647,250)	(9,634,935)	(12,282,185)	(38,218)
Total capital assets, net	3,169,664	8,904,193	12,073,857	795,252
Restricted assets:				
Cash and cash equivalents	-	3,995,939	3,995,939	-
Total assets	7,112,639	14,661,273	21,773,912	1,751,849
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	64,752	25,856	90,608	-
Deferred outflows - OPEB	25,458	10,165	35,623	-
Total deferred outflows of resources	90,210	36,021	126,231	-
LIABILITIES				
Accounts payable	136,020	124,305	260,325	-
Accrued wages and related expenses	9,411	8,326	17,737	-
Unearned revenue	30,404	-	30,404	-
Due to component unit	956,597	263,734	1,220,331	-
Accrued interest payable	-	9,195	9,195	-
Current portion of long-term liabilities				-
Bonds payable	117,000	335,000	452,000	-
Notes Payable	-	24,100	24,100	-
Non-current liabilities				-
Compensated absences payable	11,740	5,957	17,697	-
Bonds payable	1,276,099	5,881,399	7,157,498	-
Notes payable	-	2,073	2,073	-
Net pension liability	371,011	148,144	519,155	-
Net OPEB liability	79,592	41,348	120,940	-
Total liabilities	2,987,874	6,843,581	9,831,455	-
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	59,924	23,928	83,852	-
Deferred inflows - OPEB	4,145	1,655	5,800	-
Total deferred inflows of resources	64,069	25,583	89,652	-
NET POSITION				
Net investment in capital assets	1,196,130	2,660,690	3,856,820	795,252
Restricted	200,000	-	200,000	35,850
Unrestricted	2,754,776	5,167,440	7,922,216	920,747
Total net position	\$ 4,150,906	\$ 7,828,130	\$ 11,979,036	1,751,849

The accompanying notes are an integral part of the financial statements.

CITY OF WILLS POINT, TEXAS
STATEMENT OF CHANGES IN NET POSITION
SEPTEMBER 30, 2021

FUNCTIONS/PROGRAMS	Expenses	Net (Expense) Revenue and Changes in Net Position					Component Unit Wills Point Economic Development Corporation
		Program Revenues		Primary Government			
		Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT							
Governmental activities							
General administrative	\$ 318,921	\$ 43,020	\$ 531,606	\$ 255,705	\$ -	\$ 255,705	\$ -
Municipal court	132,368	144,858	-	12,490	-	12,490	-
Police department	682,220	-	-	(682,220)	-	(682,220)	-
EMS department	20,174	-	-	(20,174)	-	(20,174)	-
Fire department	5,257	-	-	(5,257)	-	(5,257)	-
Community	6,061	-	-	(6,061)	-	(6,061)	-
Street department	504,691	-	-	(504,691)	-	(504,691)	-
Parks and recreation	121,923	-	-	(121,923)	-	(121,923)	-
Total governmental activities	<u>1,791,615</u>	<u>187,878</u>	<u>531,606</u>	<u>(1,072,131)</u>	<u>-</u>	<u>(1,072,131)</u>	<u>-</u>
Business-type activities							
Water and sewer	2,279,163	2,624,442	3,375	-	348,654	348,654	-
Airport	142,874	102,756	-	-	(40,118)	(40,118)	-
Total business-type activities	<u>2,422,037</u>	<u>2,727,198</u>	<u>3,375</u>	<u>-</u>	<u>308,536</u>	<u>308,536</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	\$ <u>4,213,652</u>	\$ <u>2,915,076</u>	\$ <u>534,981</u>	<u>(1,072,131)</u>	<u>308,536</u>	<u>(763,595)</u>	<u>-</u>
Component Unit							
Wills Point EDC	\$ 104,007	-	-	-	-	-	(104,007)
Total component unit	<u>104,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(104,007)</u>
General revenues:							
Property taxes				1,538,940	-	1,538,940	
Sales taxes				1,268,251	-	1,268,251	410,410
Franchise taxes				179,601	-	179,601	-
Hotel taxes				12,501	-	12,501	-
Miscellaneous income				191,596	11,682	203,278	64,947
Investment income				11,224	949	12,173	5,757
Transfers In (Out)				(150,000)	150,000	-	-
Total general revenues				<u>3,052,113</u>	<u>162,631</u>	<u>3,214,744</u>	<u>377,107</u>
CHANGE IN NET POSITION				1,979,982	471,167	2,451,149	377,107
NET POSITION AT BEGINNING OF YEAR				1,309,840	7,497,896	8,807,736	1,374,742
PRIOR PERIOD ADJUSTMENT				196,084	(140,933)	55,151	-
NET POSITION AT BEGINNING OF YEAR				<u>1,505,924</u>	<u>7,356,963</u>	<u>8,862,887</u>	<u>1,374,742</u>
NET POSITION AT END OF YEAR				<u>\$ 3,485,906</u>	<u>\$ 7,828,130</u>	<u>\$ 11,314,036</u>	<u>1,751,849</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLS POINT, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	<u>General</u> <u>Fund</u>	<u>Permanent</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 3,436,417	\$ 145,623	\$ 3,582,040
Investments	-	70,522	70,522
Taxes receivables (net of allowances)	<u>289,427</u>	<u>-</u>	<u>289,427</u>
Total assets	<u>\$ 3,725,844</u>	<u>\$ 216,145</u>	<u>\$ 3,941,989</u>
LIABILITIES			
Accounts payable	\$ 135,034	\$ -	\$ 135,034
Accrued wages and related expenses	9,411	-	9,411
Due to EDC	956,597	-	956,597
Unearned revenue	<u>30,404</u>	<u>-</u>	<u>30,404</u>
Total liabilities	<u>1,131,446</u>	<u>-</u>	<u>1,131,446</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>44,049</u>	<u>-</u>	<u>44,049</u>
Total deferred inflows of resources	44,049	-	44,049
FUND BALANCES			
Committed fund balance:			
Other committed fund balance		200,000	200,000
Assigned fund balance:			
Unassigned fund balance	<u>2,550,349</u>	<u>16,145</u>	<u>2,566,494</u>
Total fund balances	<u>2,550,349</u>	<u>216,145</u>	<u>2,766,494</u>
TOTAL LIABILITIES, DEFERRED INFLOWS			
OF RESOURCES, AND FUND BALANCES			
	<u>\$ 3,725,844</u>	<u>\$ 216,145</u>	<u>\$ 3,941,989</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLS POINT, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Total Fund Balances - Governmental Funds Balance Sheet	\$	2,766,494
<p>Amounts reported for governmental activities in the statement of net position are</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.</p>		3,169,664
<p>Certain assets, such as property taxes receivable and imposed fines receivable, are not available to pay for current-period expenditures and are not recognized as revenue in the governmental funds. Deferred inflows of resources recognized in the government-wide financial statements results in a net increase to net</p>		71,009
<p>Long-term liabilities, including bonds payable, compensated absences and the City's net pension liability, are not due and payable in the current period and, therefore, are not reported in the governmental funds. The net effect is a decrease in net position.</p>		(1,287,887)
<p>Payables for bond interest which are not due in the current period are not reported in the funds. The net effect is a decrease in net position.</p>		(206,912)
<p>Included in the items related to long-term liabilities is the recognition of the City's deferred outflow of resources, and deferred inflow of resources relating to its pension liability.</p>		<u>(361,462)</u>
Net Position of Governmental Activities - Statement of Net Position	\$	<u><u>4,150,906</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLS POINT, TEXAS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Permanent Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 1,511,980	\$ -	\$ 1,511,980
Sales taxes	1,268,251	-	1,268,251
Franchise taxes	179,601	-	179,601
Hotel occupancy	12,501	-	12,501
Licenses and permits	43,020	-	43,020
Charges for services	60,436	-	60,436
Fines and forfeits	84,422	-	84,422
Investment earnings	11,190	34	11,224
Miscellaneous	191,596	-	191,596
Contributions and gifts	531,606	-	531,606
	<u>3,894,603</u>	<u>34</u>	<u>3,894,637</u>
EXPENDITURES			
Current:			
General government:			
General administrative	899,876	-	899,876
Public safety:			
Municipal court	138,981	-	138,981
Police department	812,375	-	812,375
EMS department	97,914	-	97,914
Fire department	5,257	-	5,257
Other safety	5,860	-	5,860
Public works:			
Street department	697,396	-	697,396
Parks and community	74,277	-	74,277
Total expenditures	<u>2,731,936</u>	<u>-</u>	<u>2,731,936</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>1,162,667</u>	<u>34</u>	<u>1,162,701</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>
Total other financing sources (uses)	<u>400,000</u>	<u>-</u>	<u>400,000</u>
NET CHANGE IN FUND BALANCES	1,412,667	34	1,412,701
FUND BALANCES AT BEGINNING OF YEAR	<u>1,137,682</u>	<u>216,111</u>	<u>1,353,793</u>
FUND BALANCES AT END OF YEAR	<u>\$ 2,550,349</u>	<u>\$ 216,145</u>	<u>\$ 2,766,494</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLS POINT, TEXAS
RECONCILIATION OF STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	1,412,701
<p>Amounts reported for governmental activities in the statement of activities are</p>		
<p>Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net</p>		339,131
<p>Depreciation expense is not reflected in the governmental funds but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.</p>		(206,610)
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year decrease in expense recognized in the government-wide financial statements results in an increase in net position.</p>		426,960
<p>Current year payments of debt are expenditures in the fund financial statements but are shown as reductions in the capital asset liabilities in the government-wide financial statements. The result is an increase to net position.</p>		
		180,000
<p>Interest payable on long-term debt and compensated absences are accrued in the government-wide financial statements, whereas, in the fund financial statements, they are reported when due. This is a net increase in accrual and a decrease to net position.</p>		(11,740)
<p>Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The City's unrecognized deferred inflows and outflows for TMRS as of the measurement date must be amortized and the City's share of pension expense must be recognized.</p>		(160,460)
Change in Net Position of Governmental Activities - Statement of Activities	\$	<u><u>1,979,982</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLS POINT, TEXAS
STATEMENT OF NET POSITION- PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Water & Sewer Services Fund	Airport	Total Enterprise Funds
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,347,886	\$ 28,411	\$ 1,376,297
Receivables from customers (net of allowances)	375,838	-	375,838
Inventories	-	9,006	9,006
Restricted assets:			
Cash and cash equivalents	3,995,939	-	3,995,939
Total current assets	5,719,663	37,417	5,757,080
Noncurrent assets			
Noncurrent/Capital assets:			
Land	182,620	18,000	200,620
Construction in progress	537,156	-	537,156
Buildings and Improvements	58,167	66,667	124,834
Machinery and equipment	422,199	-	422,199
Vehicles	193,416	-	193,416
Infrastructure	15,776,356	1,284,547	17,060,903
Less: accumulated depreciation	(8,913,671)	(721,264)	(9,634,935)
Total capital assets (net of accumulated depreciation)	8,256,243	647,950	8,904,193
TOTAL ASSETS	13,975,906	685,367	14,661,273
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pensions	25,856	-	25,856
Deferred outflow related to OPEB	10,165	-	10,165
Total deferred outflows of resources	36,021	-	36,021
LIABILITIES			
Current liabilities			
Accounts payable	123,374	931	124,305
Accrued wages and related expenses	8,326	-	8,326
Accrued interest payable	9,195	-	9,195
Customer deposits payable	263,734	-	263,734
Current portion of bonds payable	335,000	-	335,000
Current portion of notes payable	24,100	-	24,100
Total current liabilities	763,729	931	764,660
Noncurrent liabilities			
Bonds payable	5,881,399	-	5,881,399
Notes payable	2,073	-	2,073
Compensated absences	5,957	-	5,957
Net pension liability	148,144	-	148,144
Net OPEB liability	41,348	-	41,348
Total noncurrent liabilities	6,078,921	-	6,078,921
TOTAL LIABILITIES	6,842,650	931	6,843,581
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	23,928	-	23,928
Deferred inflows related to OPEB	1,655	-	1,655
Total deferred inflows of resources	25,583	-	25,583
NET POSITION			
Net investment in capital assets	2,013,671	647,019	2,660,690
Restricted for debt services	359,100	-	359,100
Unrestricted	4,770,923	37,417	4,808,340
Total net position	\$ 7,143,694	\$ 684,436	\$ 7,828,130

The accompanying notes are an integral part of the financial statements.

CITY OF WILLS POINT, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water & Sewer Services Fund	Airport	Total Enterprise Funds
REVENUES			
Charges for services	\$ 2,624,442	\$ 73,589	\$ 2,698,031
Other revenues	11,682	-	11,682
Total revenues	<u>2,636,124</u>	<u>73,589</u>	<u>2,709,713</u>
OPERATING EXPENSES			
Personnel services - salaries and wages	473,041	-	473,041
Supplies and materials	355,644	67,356	423,000
Maintenance and repairs	455,972	14,284	470,256
Contractual services	333,578	7,384	340,962
Water purchases	99,645	-	99,645
Ambulance service fees	80,765	-	80,765
Depreciation	439,148	53,850	492,998
Debt service - interest expense	115,507	-	115,507
Total operating expenses	<u>2,353,300</u>	<u>142,874</u>	<u>2,496,174</u>
NONOPERATING REVENUE (EXPENSES)			
Intergovernmental		29,167	29,167
Investment earnings	949		949
Interest and fiscal charges	74,137	-	74,137
Contributions and grants	3,375	-	3,375
Total nonoperating revenue (expenses)	<u>78,461</u>	<u>29,167</u>	<u>107,628</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES			
	<u>361,285</u>	<u>(40,118)</u>	<u>321,167</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total other financing sources (uses)	<u>150,000</u>	<u>-</u>	<u>150,000</u>
CHANGE IN NET POSITION	511,285	(40,118)	471,167
NET POSITION AT BEGINNING OF YEAR	<u>6,773,342</u>	<u>724,554</u>	<u>7,497,896</u>
PRIOR PERIOD ADJUSTMENT	<u>(140,933)</u>	<u></u>	<u>(140,933)</u>
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	<u>6,632,409</u>	<u>724,554</u>	<u>7,356,963</u>
NET POSITION AT END OF YEAR	<u>\$ 7,143,694</u>	<u>\$ 684,436</u>	<u>\$ 7,828,130</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLS POINT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water & Sewer Services Fund	Airport Fund	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from user charges	\$ 2,528,892	\$ 84,491	\$ 2,613,383
Cash payments to employees for services	(791,439)	(72,554)	(863,993)
Cash payments for other operating expenses	(837,137)	(69,307)	(906,444)
Net cash provided by operating activities	<u>900,316</u>	<u>(57,370)</u>	<u>842,946</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Operating transfers (to) from other funds	<u>354,941</u>	<u>373,695</u>	<u>728,636</u>
Net cash provided by (used in) non-capital financing activities	<u>354,941</u>	<u>373,695</u>	<u>728,636</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payment on bonds payable	4,189,399	-	4,189,399
Payments on capital leases	26,173	(286,695)	(260,522)
Interest payments	(127,004)	(1,219)	(128,223)
Net cash used in capital and related financing activities	<u>4,088,568</u>	<u>(287,914)</u>	<u>3,800,654</u>
Net increase (decrease) in cash and equivalents	5,343,825	28,411	5,372,236
Ending cash and equivalents	<u>\$ 5,343,825</u>	<u>\$ 28,411</u>	<u>\$ 5,372,236</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 511,285	\$ (40,118)	\$ 471,167
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	439,148	53,850	492,998
Changes in operating assets			
Receivables	241,093	(76,839)	164,254
Pension related balances	18,073	-	18,073
Accounts payable	(123,374)	1,060	(122,314)
Accrued liabilities and payroll	8,215	4,677	12,892
Unearned revenues	1,743	-	1,743
Customer deposits	(195,867)	-	(195,867)
Net cash provided by operating activities	<u>\$ 900,316</u>	<u>\$ (57,370)</u>	<u>\$ 842,946</u>

The accompanying notes are an integral part of the financial statements

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The City is a municipality governed by an elected six member council, made up of the Mayor and five other council members. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting unit was made by applying the criteria set forth in GASB Statement No. 61, The Financial Reporting Entity: Omnibus (GASB 61). Blended component units, although legally separate entities, are, in substance, part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relation, regardless of whether the government is able to exercise oversight responsibilities.

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

DISCRETELY PRESENTED COMPONENT UNITS

Based upon the application of the above criteria, the City has one component unit: the Wills Point Economic Development Corporation (WPEDC).

The Wills Point Economic Development Corporation (WPEDC) is a legal entity formed to create, manage, operate, and supervise programs and activities to promote, assist, and enhance economic development within and around the City. The City Council appoints the board members, and its operations and budget are approved by the Council. Copies of the WPEDC's separately issued financial statements may be obtained from the City Secretary, 518 Houston Street, P.O. Box 505, Wills Point, Texas, 75169. GASB Statement No. 14 requires portions of the WPEDC component unit financial information to be presented along with City information.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued

GOVERNMENTAL FUNDS

Governmental funds are those funds through which most governmental functions are typically financed. Governmental funds reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

General Fund - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in the other funds.

Permanent Fund – The Park Trust 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.

PROPRIETARY FUNDS

Proprietary funds reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The City's proprietary funds are all classified as enterprise funds. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. All of the City's enterprise funds are major funds.

Water and Sewer Fund - The Water and Sewer Services Fund is used to account for the provision of water and sewer services to residents and commercial enterprises of the City and proximate area. In accordance with the City's accounting policies, the City maintains a number of departments within this fund to account for water and sewer billing and collection, maintenance and operations, extension and improvements and consumer deposits, all of which have been consolidated for the financial statement presentation.

Airport Fund - The airport fund accounts for the activities of the City's airport.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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 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 by the provider have been met.

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.

Enterprise fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position.

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

CASH AND CASH INVESTMENTS

Cash of all funds, including restricted cash, are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's equity in the pooled cash accounts are available upon demand and are considered to be "cash equivalents" when preparing these financial statements.

INTERFUND RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans).

All trade and tax receivables are shown net of an allowance for uncollectibles.

CAPITAL ASSETS

Capital assets, which include City and utilities land, construction in process, buildings and improvements, related equipment and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund financial statements, capital assets are recorded as expenditures. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Capital assets are stated at historical cost or estimated cost if actual historical cost is not available. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the lives are not capitalized.

Capital assets in the proprietary fund are capitalized and depreciated on the straight-line method over the estimated useful lives of the respective assets. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against operations. Accumulated depreciation is reported on the proprietary fund balance sheet. The estimated useful lives of capital assets are as follows:

Buildings and improvements	45-50 years
Machinery, vehicles, and equipment	10-20 years
Infrastructure	50 years

LONG-TERM OBLIGATIONS

All payables, accrued liabilities, and long-term obligations are reported in the Government-wide financial statements. All payables, accrued liabilities, and long-term obligations payable from the proprietary fund types are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. Long-term loans and leases are recognized as a liability on the governmental fund financial statements when due.

PENSIONS

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

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES- Continued

COMPENSATED ABSENCES

It is the City's policy to permit some employees to accumulate earned but unused vacation pay benefits, depending on job classification, length of service and other factors. All vacation leave is accrued when earned in the governmental and proprietary fund financial statements. Vacation leave expires at the end of each calendar year but is to be paid out upon a City employee's separation from the City.

FUND BALANCE CLASSIFICATIONS

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has \$8,326 of nonspendable fund balance as of September 30, 2021, related to prepaid expenses.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, laws, or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has no restricted funds for the year ended September 30, 2021.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has committed funds of \$359,100 for debt service as of September 30, 2021.

Assigned – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the Council delegating this responsibility to management through the budgetary process. The City has no assigned fund balance as of September 30, 2021.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

NET POSITION

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of City's capital assets. Net position restricted for debt service consists of amounts restricted for spending on the upcoming year's debt obligations.

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer, and sanitation.

RISK MANAGEMENT

The City is exposed to various risks related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2021, the City purchased insurance coverage to cover potential risks.

There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 2: DEPOSITS AND INVESTMENTS

DEPOSITS

State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. Happy State Bank of Wills Point, Texas is the primary depository of the City.

Throughout the year and as of September 30, 2021, the City's bank deposits were fully insured by FDIC insurance coverage and pledged securities held by the City's bank in the City's name.

INVESTMENTS

The City is required by Government Code Chapter 2256, Public Funds Investment Act, to adopt, implement, and publicize an investment policy. The Public Funds Investment Act requires an annual audit of the investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas on investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act.

The Act determines the types of investment, which are allowable for the City. These include, with certain restrictions, (1) obligations of the U. S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments consist of certificates of deposit and deposits with TEXPOOL. All of the certificates of deposit are fully collateralized with FDIC coverage and pledged securities. The carrying amount by type of investment is classified into the following three categories of credit risk:

- Category 1 - Insured, registered, or securities held by the entity or its agent in the entity's name.
- Category 2- Uninsured or unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 - Uninsured and unregistered, with the securities held by the counterparty, or by its trust department or agent but not in the City's name.

Based on this description all of the City's and its component units' investments fall under Category 1.

Analysis of Specific Deposit and Investment Risks:

- GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain disclosures:
- Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk, but had these investments:
- Custodial Risk - Deposits are exposed to custodial risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty, the counterparty's trust department, or agent in the City's name. At year end, the City was not exposed to custodial risk.
- Concentration of Credit Risk - The risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.
- Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end the City was not exposed to interest rate risk.
- Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 3: PROPERTY TAXES AND OTHER RECEIVABLES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during the City's fiscal year or during a 60-day period after the close of the City's fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The property tax receivables of the City of Wills Point's Governmental Type funds as of September 30, 2021 are as follows:

	Governmental Type		Total Governmental Funds
	General Fund	Permanent Fund	
Receivables			
Property taxes	\$ 81,355	\$ -	\$ 81,355
Franchise and sales taxes receivable	245,378	-	245,378
Total gross receivables	326,733	-	326,733
Less: Allowance for uncollectibles			
Property taxes	(37,306)	-	(37,306)
Net total receivables	\$ 289,427	\$ -	\$ 289,427

	Business Type		Total Proprietary Funds
	Water Waste Water Fund	Airport Fund	
Receivables			
Receivables from customers	\$ 375,838	\$ -	\$ 375,838
Net total receivables	\$ 375,838	\$ -	\$ 375,838

Governmental Activities recognize an allowance for uncollectible taxes based on historical tax collection data.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

The proprietary funds recognize receivables from customers when Water and Sewer services and Solid Waste services are rendered. Historically write-offs of bad debts in the Water and Sewer Fund have not been material, but the City estimates allowances for bad utility debt based on historical collection data and the age of the receivables at any given time.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 4: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At September 30, 2021, the General fund owed other funds the following amounts primarily related to the General fund's maintenance of the City's disbursement and deposit bank accounts, resulting in other fund's cash operations conducted through the General fund.

Transfers between the General fund, the Debt service fund, the Water and Sewer services fund and the Solid waste services fund were made during the year ended September 30, 2021, as follows:

	Transfers in	Transfers out	
General fund	\$	\$	150,000
Water and Sewer fund	150,000		
	\$ 150,000	\$	150,000

NOTE 5: CAPITAL ASSETS

A summary of changes in governmental capital assets for the year ended September 30, 2021 is as follows:

	Beginning Balances	Increases	Transfers/ Retirements	Ending Balances
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 154,156	\$ -	\$ -	\$ 154,156
Total capital assets not being depreciated	154,156	-	-	154,156
Capital assets being depreciated				
Buildings and improvements	1,607,341	-	-	1,607,341
Machinery and equipment	320,604	46,724	-	367,328
Vehicles	180,512	56,900	-	237,412
Infrastructure	3,215,170	235,507	-	3,450,677
Total capital assets being depreciated	5,323,627	339,131	-	5,662,758
Less accumulated depreciation for:				
Buildings and improvements	(709,370)	(48,769)	-	(758,139)
Machinery and equipment	(260,360)	(19,322)	-	(279,682)
Vehicles	(100,315)	(34,982)	-	(135,297)
Infrastructure	(1,370,595)	(103,537)	-	(1,474,132)
Total accumulated depreciation	(2,440,640)	(206,610)	-	(2,647,250)
Total capital assets being depreciated, net	2,882,987	132,521	-	3,015,508
Governmental activities capital assets, net	\$ 3,037,143	\$ 132,521	\$ -	\$ 3,169,664

Governmental activities' depreciation expense was charged to the following departments of the General Fund:

General administrative	\$ 34,892
Police department	37,185
EMS department	12,601
Highways and streets	74,286
Parks and recreation	47,646
Total depreciation expense	\$ 206,610

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 5: CAPITAL ASSETS- Continued

A summary of changes in business-type capital assets for the year ended September 30, 2021 is as follows:

	Beginning Balances	Increases	Transfers/ Retirements	Ending Balances
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 200,620	\$ -	\$ -	\$ 200,620
Construction in Progress	436,823	108,225	7,892	537,156
Total capital assets not being depreciated	637,443	108,225	7,892	737,776
Capital assets being depreciated				
Buildings	58,167	66,667	-	124,834
Machinery and equipment	422,199	-	-	422,199
Vehicles	193,416	-	-	193,416
Improvements	16,933,828	127,075	-	17,060,903
Total capital assets being depreciated	17,607,610	193,742	-	17,801,352
Less accumulated depreciation for:				
Buildings	(37,736)	(2,024)	-	(39,760)
Machinery and equipment	(270,064)	(39,463)	-	(309,527)
Vehicles	(72,297)	(33,665)	-	(105,962)
Infrastructure	(8,768,505)	(411,181)	-	(9,179,686)
Total accumulated depreciation	(9,148,602)	(486,333)	-	(9,634,935)
Total capital assets being depreciated, net	8,459,008	(292,591)	-	8,166,417
Business-type activities capital assets, net	\$ 9,096,451	\$ (184,366)	\$ 7,892	\$ 8,904,193

Business-type activities' depreciation expense was charged between the Water & Sewer and the Sanitation fund as follows:

Water	\$ 113,911
Wastewater	323,214
Solid waste	2,024
Airport	50,517
Total depreciation expense	\$ 489,665

NOTE 6: LONG TERM OBLIGATIONS

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 in the percentage of 65% and business-type activities in the percentage of 35%. General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding at September 30, 2021 are as follows:

GOVERNMENTAL ACTIVITIES

Terms & Principal Balance

BONDS	Issue Amount	Origination Date	Maturity Date	Interest Rate
2015 Refunding Total (65%)	\$ 1,612,487	10/15/2015	8/15/2030	2.00-3.75%

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 6: LONG TERM OBLIGATIONS--continued

BUSINESS TYPE ACTIVITIES

Terms & Principal Balance

BONDS	Issue Amount	Origination Date	Maturity Date	Interest Rate
2019 CO (TWDB)	\$ 4,500,000	2/15/2019	2/15/2044	0.68-2.140%
2015 Refunding Total (35%)	868,263	10/15/2015	8/15/2030	2.00-3.75%
NOTES PAYABLE				
NP WW System Improvements	\$ 188,500	10/23/2012	10/21/2022	5.90%

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
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	48,212
2026	207,500	41,125	207,500	41,125
2027-2030	917,500	87,018	917,500	87,019
	<u>\$ 1,900,000.00</u>	<u>\$ 358,681.00</u>	<u>\$ 1,900,000.00</u>	<u>\$ 358,681.00</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. The debt service requirements for the City's certificates of obligation are as follows:

Year Ending September 30	2019 CO (TWDB)		
	Principal	Interest	Total
2022	\$ 155,000	\$ 71,088	\$ 226,088
2023	155,000	69,662	224,662
2024	160,000	68,063	228,063
2025	160,000	66,295	226,295
2026	165,000	64,360	229,360
2027-2031	845,000	287,153	1,132,153
2031-2036	920,000	215,001	1,135,001
2037-2041	1,010,000	123,075	1,133,075
2041-2044	660,000	21,346	681,346
	<u>\$ 4,230,000</u>	<u>\$ 986,043</u>	<u>\$ 5,216,043</u>

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 6: LONG TERM OBLIGATIONS—continued

The change in long-term debt is as follows:

GOVERNMENTAL ACTIVITIES

Beginning Balance	Proceeds from borrowings	Principal Payments	Ending Balance	Payments for Year Ending 9/30/2022
\$ 1,352,000	\$ -	\$ 117,000	\$ 1,235,000	\$ 117,000
\$ 1,352,000	\$ -	\$ 117,000	\$ 1,235,000	\$ 117,000

BUSINESS-TYPE ACTIVITIES

Beginning Balance	Proceeds from borrowings	Principal Payments	Ending Balance	Principal Payments for Year Ending 9/30/2022
\$ 4,385,000		\$ 155,000	\$ 4,230,000	\$ 155,000
728,000		63,000	665,000	63,000
48,896		22,722	26,173	24,100
\$ 5,161,896	\$ -	\$ 240,722	\$ 4,921,173	\$ 242,100

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.

OTHER POST-EMPLOYMENT BENEFIT LIABILITY

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.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN

Plan Description. The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

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 payment options. Members May also choose to receive a portion of their benefits 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.

Members can retire at ages 60 and above with five or more years of services or with twenty years of service. A member is vested after five years. The plan provisions are adopted by the governing body of the City, with the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiveing benefits	50
Active employees	28
Total	100

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

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.34% and 10.88% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, was \$91,809 and was equal to the required contributions.

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

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

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN-continued

Actuarial assumptions—continued

These actuarial assumptions used in the December 31, 2020 valuation 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. Economic assumptions used in the actuarial valuations are as follows. *Discount/Crediting Rates, System-wide Investment Return Assumption*: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.

Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

Overall Payroll Growth – 2.75% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2008 to 2018, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

Individual Salary Increases: Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase by the following graduated service-based scale.

Annuity Increase: The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City annual annuity increases of 0.00% are assumed when calculating the TPL.

Load for Updated Service Credit: To reflect the asymmetric nature of the credits due to the USC provision, there is a load on the final average earnings used in the calculation of 0.1% per year into the future that the calculation is performed.

Demographic assumptions used in the actuarial valuations are as follows:

Termination rates: For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For the City the base table is then multiplied by a factor of 75.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 68%, 2) Police – 86%, or 3) Other – 108%. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility.

Forfeiture Rates: (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates described above. The withdrawal rates for cities with a 2-to-1 match, range between 20.7% and 40.2% based on age of the withdrawing member.

Service Retirees and Beneficiary Mortality Rates: For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100%.

Disabled Annuitant Mortality Rates: For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used with a 4 year set -forward for males and a 3 year set forward for females. In addition, a 3.5% and 3% 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.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN- Continued

Actuarial assumptions—continued

Pre-Retirement Mortality: For calculating the actuarial liability and the retirement contribution rates, the 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 by Scale UMP to account for future mortality improvements.

Annuity Purchase Rates: For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries.

The following table summarizes changes in the Total Pension Liability and Plan Fiduciary Net Position (the difference of which is the Net Pension Liability) between the December 31, 2019 and December 31, 2020 measurement dates:

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		Net Pension Liability / (Asset) (a) - (b)
	Total Pension Liability (a)	Fiduciary Net Position (b)	
Balances as of December 31, 2019	\$ 5,002,416	\$ 4,327,226	\$ 675,190
Changes for the year:			
Service cost	128,342		128,342
Interest on total pension liability	334,092		334,092
Changes of benefit terms <small>Difference between expected and actual experience</small>	(92,480)		(92,480)
Changes of assumptions	-		-
Refund of contributions	-	-	-
Benefit payments	(234,142)	(234,142)	-
Administrative expenses		(2,125)	2,125
Member contributions		59,038	(59,038)
Net investment income		327,359	(327,359)
Employer contributions		141,802	(141,802)
Other		(83)	83
Balances as of December 31, 2020	<u>\$ 5,138,228</u>	<u>\$ 4,619,075</u>	<u>\$ 519,153</u>

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.

	Current		
	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability	\$ 1,234,532	\$ 519,156	\$ (64,669)

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 7: PENSION PLAN- Continued

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

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 55,635	\$ -
Changes in actuarial assumptions	-	
Net difference between projected and actual investment earnings	28,217	
Contributions paid to TMRS subsequent to the measurement date		90,608
Total	\$ 83,852	\$ 90,608

\$90,608 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:	
2021	\$ (63,126)
2022	(8,041)
2023	(51,699)
2024	(5,241)
2025	-
Thereafter	-
	\$ (128,107)

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

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 converts 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.

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 the employees' entire careers.

EMPLOYEES COVERED BY BENEFIT TERMS

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

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS-continued
EMPLOYEES COVERED BY BENEFIT TERMS-continued

Inactive employees currently receiving benefits	20
Inactive employees entitled to but not yet receiving benefits	4
Active employees	28
Total	52

TOTAL OPEB LIABILITY

The City's total OPEB liability of \$144,900 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

ACTUARIAL ASSUMPTIONS AND OTHER INPUTS

The total OPEB liability in the December 31, 2020 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 impairment for younger members who become disabled for males and females, respectively. The rates are projected of 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, 2020.

CHANGES IN TOTAL OPEB LIABILITY

[1] Reflects the change in the liability due to the time value of money. TCDR:

[2] No plan changes valued.

[3] Reflects change in discount rate.

[1] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

[2] No plan changes valued.

[3] Reflects change in discount rate.

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 8: OTHER POSTEMPLOYMENT BENEFIT (OPEB) OBLIGATIONS-continued

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 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	\$ <u>174,576</u>	\$ <u>144,900</u>	\$ <u>121,936</u>

NOTE 9: CONTINGENCIES AND COMMITMENTS

The City participates in various federal and state assisted grant programs which are subject to financial and compliance audits. Such audits could lead to a request for reimbursement of the grantor agency for expenditure disallowed under terms of the grant. Management believes such disallowance, if any, would be immaterial.

NOTE 10: BUDGET VARIANCES

For the year ended September 30, 2021, the City had the following negative budget variances:

GENERAL FUND

Revenue

Franchise taxes	\$ 7,074
Fines and forfeitures	40,578
Miscellaneous	6,937

Expenditures

Municipal court	3,119
EMS department	91,825
Fire department	2,747
Animal control	5,860
Street department	52,926
Parks & recreation	9,359
Debt-principal	31,464
Debt-interest & fiscal charge	\$ 698

WATER & WASTEWATER FUND

Revenues

Charges for services	\$ 144,074
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Expenses

Maintenance & repairs	154,677
Water purchases	7,645
Ambulance service fees	\$ 765

CITY OF WILLS POINT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NOTE 11: WILLS POINT ECONOMIC DEVELOPMENT CORPORATION - DISCRETELY PRESENTED COMPONENT UNITS

Component unit information for the City's component unit, the Wills Point Economic Development Corporation is provided in the accompanying fund level financial statements.

NOTE 12: PRIOR PERIOD ADJUSTMENTS

The following describes the adjustments needed for the prior period:

<u>Description of prior period adjustment</u>	<u>Governmental Activities</u> <u>General fund</u>
(1) Understatement of 2020 Net Pension Liability and Net OPEB Liability	\$ 196,084
Total/Net adjustments reflected on the Government-wide Financial Statements:	<u>196,084</u>
Total/Net adjustments reflected on Government-Wide Financial Statements	<u>\$ 196,084</u>
	<u>Business-type Activities</u> <u>Water Fund</u>
(1) Understatement of 2020 Net Pension Liability and Net OPEB Liability	\$ 266,933
(2) Overstatement of 2020 debt expenses in fund statements	(126,000)
Total/Net adjustments reflected on the Fund Financial Statements:	<u>140,933</u>
Total/Net adjustments reflected on Fund Financial Statements	<u>\$ 140,933</u>

NOTE 13: SUBSEQUENT EVENTS

The City evaluated subsequent events through July 12, 2022, the date which the financial statements were available to be issued and no noted the required disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILLS POINT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL COMPARISON – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Actual Results Cash Basis	Amended/Final Budgeted Results	Variance from Budget - Favorable (Unfavorable)	GAAP Adjustments	Actual Results GAAP Basis
REVENUES					
Property taxes	\$ 1,525,398	\$ 1,500,161	\$ 25,237	\$ (13,418)	\$ 1,511,980
Sales taxes	1,652,432	1,034,398	618,034	(384,181)	1,268,251
Franchise taxes	152,926	160,000	(7,074)	26,675	179,601
Licenses and permits	43,020	23,180	19,840	-	43,020
Charges for services	60,436	56,400	4,036	-	60,436
Fines and forfeits	84,422	125,000	(40,578)	-	84,422
Investment earnings	11,190	8,000	3,190	-	11,190
Miscellaneous	191,596	198,533	(6,937)	-	191,596
Contributions and gifts	699,422	50,000	649,422	(167,816)	531,606
Total revenues	<u>4,420,842</u>	<u>3,155,672</u>	<u>1,265,170</u>	<u>(538,740)</u>	<u>3,882,102</u>
EXPENDITURES					
Current:					
General government:					
Mayor and council	-	13,000	13,000	-	-
General administrative	810,346	865,180	54,834	89,530	899,876
Public safety:					
Municipal court	138,981	135,862	(3,119)	-	138,981
Police department	812,193	843,153	30,960	182	812,375
EMS department	99,825	8,000	(91,825)	(1,911)	97,914
Fire department	7,447	4,700	(2,747)	(2,190)	5,257
Animal control department	5,860		(5,860)	(5,860)	-
Public works:					
Street department	697,212	644,286	(52,926)	184	697,396
Parks and recreation	74,079	64,720	(9,359)	198	74,277
Debt service:					
Principal	378,547	347,083	(31,464)	(378,547)	-
Interest and fiscal charges	95,568	94,870	(698)	(95,568)	-
Total expenditures	<u>3,120,058</u>	<u>3,020,854</u>	<u>(99,204)</u>	<u>(393,982)</u>	<u>2,726,076</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>1,300,784</u>	<u>134,818</u>	<u>1,165,966</u>	<u>(144,758)</u>	<u>1,156,026</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	-	(150,000)	(150,000)
Total other financing sources (uses)	-	-	-	(150,000)	(150,000)
NET CHANGE IN FUND BALANCES	<u>\$ 1,300,784</u>	<u>\$ 134,818</u>	<u>\$ 1,165,966</u>	<u>\$ (294,758)</u>	<u>\$ 1,006,026</u>

CITY OF WILLS POINT, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL COMPARISON – WATER & SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Actual Results Cash Basis	Amended/Final Budgeted Results	Variance from Budget - Favorable (Unfavorable)	GAAP Adjustments	Actual Results GAAP Basis
REVENUES					
Charges for services	\$ 2,624,442	\$ 2,768,516	\$ (144,074)	\$ -	\$ 2,624,442
Other revenues	11,682	10,000	1,682	-	11,682
Total revenues	<u>2,636,124</u>	<u>2,778,516</u>	<u>(142,392)</u>	<u>-</u>	<u>2,636,124</u>
OPERATING EXPENSES					
Personnel services - salaries and wages	583,208	650,173	66,965	(110,167)	473,041
Supplies and materials	418,641	545,860	127,219	(62,997)	355,644
Maintenance and repairs	592,555	437,878	(154,677)	(136,583)	455,972
Contractual services	333,299	370,000	36,701	279	333,578
Water purchases	99,645	92,000	(7,645)	-	99,645
Ambulance service fees	80,765	80,000	(765)	-	80,765
Depreciation	-	-	-	439,148	439,148
Debt service - interest expense	115,507	128,170	12,663	-	115,507
Total operating expenses	<u>2,223,620</u>	<u>2,304,081</u>	<u>80,461</u>	<u>129,680</u>	<u>2,353,300</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>412,504</u>	<u>474,435</u>	<u>(61,931)</u>	<u>(129,680)</u>	<u>282,824</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	-	150,000	150,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
CHANGE IN NET POSITION	<u>\$ 412,504</u>	<u>\$ 474,435</u>	<u>\$ (61,931)</u>	<u>\$ 20,320</u>	<u>\$ 432,824</u>

CITY OF WILLS POINT, TEXAS
SCHEDULE OF CHANGE IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE LAST TEN YEARS ENDED DECEMBER 31

	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability							
Service cost	\$ 97,685	\$ 99,772	\$ 99,019	\$ 102,357	\$ 101,605	\$ 96,216	\$ 57,721
Interest on total pension liability	240,092	226,256	223,130	217,622	201,157	199,220	182,736
Changes of benefit terms	-	-	-	-	-	-	443,972
Difference between expected and actual experience	(28,521)	(41,203)	(157,817)	(115,617)	29,199	(92,670)	90,557
Changes of assumptions	-	23,145	-	-	-	12,098	-
Benefit payments/refunds of contributions	(112,759)	(91,129)	(145,689)	(96,503)	(80,316)	(86,582)	(142,973)
Net change in total pension liability	<u>196,497</u>	<u>216,841</u>	<u>18,643</u>	<u>107,859</u>	<u>251,645</u>	<u>128,282</u>	<u>632,013</u>
Total pension liability, beginning	3,564,453	3,347,612	3,328,969	3,221,110	2,969,465	2,841,183	2,209,170
Total pension liability, ending (a)	<u>\$ 3,760,950</u>	<u>\$ 3,564,453</u>	<u>\$ 3,347,612</u>	<u>\$ 3,328,969</u>	<u>\$ 3,221,110</u>	<u>\$ 2,969,465</u>	<u>\$ 2,841,183</u>
Fiduciary Net Position							
Employer contributions	\$ 91,809	\$ 101,835	\$ 108,550	\$ 108,519	\$ 112,401	\$ 108,441	\$ 36,159
Member contributions	40,804	41,262	40,657	41,575	41,236	39,693	38,636
Investment income net of investment expenses	237,170	412,087	(82,247)	327,821	145,168	3,077	116,588
Benefit payments/refunds of contributions	(112,759)	(91,129)	(145,689)	(96,503)	(80,316)	(86,582)	(142,973)
Administrative expenses	(1,535)	(2,327)	(1,589)	(1,698)	(1,639)	(1,874)	(1,217)
Other	(60)	(71)	(83)	(87)	(89)	(93)	(100)
Net change in fiduciary net position	<u>255,429</u>	<u>461,657</u>	<u>(80,401)</u>	<u>379,627</u>	<u>216,761</u>	<u>62,662</u>	<u>47,093</u>
Fiduciary net position, beginning	3,125,424	2,663,767	2,744,168	2,364,541	2,147,780	2,085,118	2,038,025
Fiduciary net position, ending (b)	<u>\$ 3,380,853</u>	<u>\$ 3,125,424</u>	<u>\$ 2,663,767</u>	<u>\$ 2,744,168</u>	<u>\$ 2,364,541</u>	<u>\$ 2,147,780</u>	<u>\$ 2,085,118</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 380,097</u>	<u>\$ 439,029</u>	<u>\$ 683,845</u>	<u>\$ 584,801</u>	<u>\$ 856,569</u>	<u>\$ 821,685</u>	<u>\$ 756,065</u>
Fiduciary net position as a percentage of total pension liability	89.89%	87.68%	79.57%	82.43%	73.41%	72.33%	73.39%
Pensionable covered payroll	\$ 816,080	\$ 825,248	\$ 812,294	\$ 831,495	\$ 824,717	\$ 793,859	\$ 772,715
Net pension liability as a percentage of covered payroll	46.58%	53.20%	84.19%	70.33%	103.86%	103.51%	97.85%

Only seven years of data is presented in accordance with GASB #68, paragraph 138. "The information for all periods for the 10 year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

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

Year Ending December 31,	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a Percentage of Covered Payroll
2014	91,542	91,542	-	772,715	11.8%
2015	107,309	107,309	-	793,859	13.5%
2016	112,760	112,760	-	824,717	13.7%
2017	106,806	106,806	-	831,495	12.8%
2018	108,550	108,550	-	812,294	13.4%
2019	101,835	101,835	-	825,248	12.3%
2020	91,809	91,809	-	816,080	11.3%

NOTE TO SCHEDULE OF CONTRIBUTIONS

Valuation Date	December 31, 2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 year smoothed market 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 201-2018
Mortality	<p>Post-retirement: 2019 Municipal Retirees of Texas Mortality tables. The rates are projected on a fully generational basis with scaled UMP.</p> <p>Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.</p>
Other Information:	
Notes	There were no benefit changes during the year.