

ANNUAL FINANCIAL REPORT

of the

CITY OF WALLER, TEXAS

For the Year Ended
September 30, 2021

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CITY OF WALLER, TEXAS

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September 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Waller, Texas:

Report on the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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, the discretely presented component unit, and each major fund of the City as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedules of changes in net pension and total other postemployment benefits liability and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule and other statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule and other statements are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule and other statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
February 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

The Statement of Activities presents information showing how the City's net position changed during the most recent 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 – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – The City's tax supported services are reported here, including general government, public safety, code enforcement, public works, and culture and recreation. Interest payments on the City's debt are also reported here. Property tax, sales tax, franchise fees, municipal court fines, and permit fees finance most of these activities.
2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's gas, water, and wastewater services.

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

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

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 the City's near-term financing requirements.

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

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund, and the special revenue fund.

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

The City adopts an annual appropriated budget for its general fund and debt service fund. Budgetary comparison schedules have been provided for the general fund and debt service fund to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment operations, and gas operations. The proprietary fund financial statements provide separate information for the water distribution and wastewater collection/treatment operations and gas operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$20,110,168 at year end.

A large portion of the City's net position, 35 percent, reflects its investments in capital assets (e.g. land, City hall, police station, drainage systems, as well as the public works facilities) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

Statement of Net Position

The following tables reflect the condensed Statement of Net Position:

	2021			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 13,111,262	\$ 2,323,639	\$ -	\$ 15,434,901
Noncurrent assets	9,866,088	8,851,601	-	18,717,689
Total Assets	22,977,350	11,175,240	-	34,152,590
Deferred outflows - pensions	65,417	5,323	-	70,740
Deferred outflows - OPEB	25,763	-	-	25,763
Total Deferred Outflows of Resources	91,180	5,323	-	96,503
Long-term liabilities	12,087,918	10,336	-	12,098,254
Other liabilities	1,747,243	122,444	-	1,869,687
Total Liabilities	13,835,161	132,780	-	13,967,941
Deferred inflows - pensions	128,441	22,685	-	151,126
Deferred inflows - OPEB	19,858	-	-	19,858
Total Deferred Inflows of Resources	148,299	22,685	-	170,984
Net Position:				
Net investment in capital assets	2,094,146	8,833,496	(3,888,702)	7,038,940
Restricted	1,700,575	-	-	1,700,575
Unrestricted	5,290,349	2,191,602	3,888,702	11,370,653
Total Net Position	\$ 9,085,070	\$ 11,025,098	\$ -	\$ 20,110,168
	2020			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 12,371,031	\$ 1,955,096	\$ -	\$ 14,326,127
Noncurrent assets	10,126,332	6,795,501	-	16,921,833
Total Assets	22,497,363	8,750,597	-	31,247,960
Deferred outflows - pensions	59,805	9,914	-	69,719
Deferred outflows - OPEB	17,332	-	-	17,332
Deferred charge on refunding	4,469	-	-	4,469
Total Deferred Outflows of Resources	81,606	9,914	-	91,520
Long-term liabilities	12,595,183	10,185	-	12,605,368
Other liabilities	683,111	128,225	-	811,336
Total Liabilities	13,278,294	138,410	-	13,416,704
Deferred inflows - pensions	115,769	21,860	-	137,629
Deferred inflows - OPEB	11,660	-	-	11,660
Total Deferred Inflows of Resources	127,429	21,860	-	149,289
Net Position:				
Net investment in capital assets	3,417,806	6,783,417	(4,094,412)	6,106,811
Restricted	1,582,182	-	-	1,582,182
Unrestricted	4,173,258	1,816,824	4,094,412	10,084,494
Total Net Position	\$ 9,173,246	\$ 8,600,241	\$ -	\$ 17,773,487

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

A portion of the primary government's net position, \$1,700,575, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$11,370,653, may be used to meet the City's ongoing obligation to citizens and creditors. The overall condition of the City increased \$2,336,681 during the year.

A reconciliation is used to move the debt associated with business-type activities for capital assets to the unrestricted net position to give a better picture of the total primary government unrestricted net position.

Statement of Activities

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 2,081,401	\$ 2,014,301	\$ 2,340,337	\$ 1,976,590	\$ 4,421,738	\$ 3,990,891
Operating grants and contributions	219,397	115,076	-	-	219,397	115,076
Capital grants and contributions	-	137,909	-	-	-	137,909
General revenues:						
Property taxes	2,517,113	1,915,576	-	-	2,517,113	1,915,576
Sales taxes	2,654,694	2,956,762	-	-	2,654,694	2,956,762
Franchise fees	327,130	294,404	-	-	327,130	294,404
Investment income	59,724	189,125	4,712	23,584	64,436	212,709
Other revenues	24,691	47,960	-	-	24,691	47,960
Total Revenues	7,884,150	7,671,113	2,345,049	2,000,174	10,229,199	9,671,287
Expenses						
General government	1,387,448	1,177,040	-	-	1,387,448	1,177,040
Public safety	1,791,985	1,236,584	-	-	1,791,985	1,236,584
Permits/Code enforcement	639,524	287,023	-	-	639,524	287,023
Public works	1,012,260	1,469,803	-	-	1,012,260	1,469,803
Culture and recreation	133,898	215,625	-	-	133,898	215,625
Interest and fiscal agent fees	380,083	415,965	-	-	380,083	415,965
Gas	-	-	1,071,134	506,108	1,071,134	506,108
Water and sewer	-	-	1,476,186	1,319,006	1,476,186	1,319,006
Total Expenses	5,345,198	4,802,040	2,547,320	1,825,114	7,892,518	6,627,154
Increase (Decrease) in Net Position Before Transfers	2,538,952	2,869,073	(202,271)	175,060	2,336,681	3,044,133
Transfers in (out)	(2,627,128)	(743,135)	2,627,128	743,135	-	-
Change in Net Position	(88,176)	2,125,938	2,424,857	918,195	2,336,681	3,044,133
Beginning net position	9,173,246	7,047,308	8,600,241	7,682,046	17,773,487	14,729,354
Ending Net Position	\$ 9,085,070	\$ 9,173,246	\$ 11,025,098	\$ 8,600,241	\$ 20,110,168	\$ 17,773,487

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

Overall, governmental activities revenues increased \$213,037. Operating grants and contributions increased by \$104,321 largely due to an increase in Coronavirus relief funds. Property tax revenue increased \$601,537 mainly due to higher appraised values and an increase in the tax rate. Governmental activities expenses increased \$543,158 primarily due to increases in public safety from higher maintenance costs and an increase in the salaries and wages.

Overall, business-type activities revenues increased \$344,875 mainly due to an increase in charges for services from an increase in gas service charges. Business-type activities expenses increased \$722,206 mostly due to an increase in gas wholesale expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The City's governmental funds reflect a combined fund balance of \$11,275,666. Of the total governmental fund balance, \$17,400 is nonspendable in the form of inventory and \$2,159,237 is restricted for debt service, enabling legislation, capital projects, and special projects. \$80,000 is assigned for street projects and fleet reserve. The remaining balance of \$9,019,029 is unassigned.

The general fund is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the general fund was \$9,019,029. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 202 percent of total general expenditures. General fund revenues decreased \$112,035 compared to the prior year largely due to decreases in sales tax revenues, from a decrease in taxable sales within the City and in licenses and permits revenues due to a decrease in building permits issued. Expenditures increased \$338,973 compared to the prior year due primarily to an increase in cost related to inspection services within the permit/code enforcement department.

The debt service fund has a total fund balance of \$546,662, all of which is restricted for payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$33,318 primarily as a result of other financing sources related to interfund transfers from the general fund.

The capital projects fund has a fund balance of \$458,662, all of which is restricted for capital projects. The net decrease in fund balance of \$1,726,670 was primarily due to an increase in construction projects.

The special revenue fund has a fund balance of \$956,610, all of which is restricted for enabling legislation. The net increase of \$92,914 was mostly the result of the net result of an increase in funds restricted funds for enabling legislation and decrease in restricted funds for special projects..

Proprietary Funds – The City's gas and water and sewer funds' operating expenses exceeded revenues by \$206,983. Nonoperating revenue was \$4,712, which was comprised entirely of investment income. The water and sewer fund transferred \$110,094 to repay the general and debt service fund. The gas fund received a net amount of \$396,444 from the general fund. This is the net result of the general fund providing \$462,943 to pay for

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2021

a portion of the gas wholesale charges and the gas fund repaying the general fund \$66,499. The gas and water and sewer fund had capital contributions from the capital projects fund of \$2,340,778.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund reported a positive revenue budget variance of \$1,219,259. This variance is primarily due to more property taxes, sales taxes, and licenses permits revenue than expected. Total expenditures had a positive budget variance of \$263,822 from the final budget due mainly to less expenditures than anticipated in capital outlay.

CAPITAL ASSETS

At the end of the year, the City's governmental activities and business-type activities had invested \$18,440,502 in a variety of capital assets and infrastructure (net of accumulated depreciation).

More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds, certificates of obligation, tax notes, and capital leases of \$11,659,932. Of this amount, \$8,570,000 was general obligation bonds debt, \$2,690,000 was certificates of obligation debt, \$255,000 was tax notes debt and \$144,932 was capital leases.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City is experiencing a period of growth. Property values are increasing, commercial development continues, property and sales tax revenues are expanding, and the City is thriving.

The City adopted a fiscal year 2021-2022 general fund expenditure budget of \$5,587,476, which is an increase of 13 percent from the prior year budget. The City budgeted for fiscal year 2021-2022 general fund revenues of \$6,021,736, which is an increase of 15 percent. The City approved a 2021-2022 Maintenance and Operation tax rate of \$0.3966 and an Interest and Sinking tax rate of \$0.1922 for total of \$0.5888 per \$100 of property valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Secretary, City of Waller, P.O. Box 239, Waller, Texas, 77484.

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BASIC FINANCIAL STATEMENTS

CITY OF WALLER, TEXAS

STATEMENT OF NET POSITION

September 30, 2021

Primary Government

	Governmental Activities	Business-Type Activities	Reconciliation	Total
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 11,885,068	\$ 1,919,583	\$ -	\$ 13,804,651
Restricted cash and cash equivalents	458,662	45,599	-	504,261
Investments	129,532	-	-	129,532
Receivables (net of allowance for uncollectible)	620,600	291,199	-	911,799
Inventory	17,400	67,258	-	84,658
	13,111,262	2,323,639	-	15,434,901
Noncurrent assets:				
Net pension asset	259,082	18,105	-	277,187
Nondepreciable capital assets	772,247	1,778,740	-	2,550,987
Net depreciable capital assets	8,834,759	7,054,756	-	15,889,515
	9,866,088	8,851,601	-	18,717,689
Total Assets	22,977,350	11,175,240	-	34,152,590
<u>Deferred Outflows of Resources</u>				
Deferred outflows - pensions	65,417	5,323	-	70,740
Deferred outflows - OPEB	25,763	-	-	25,763
Total Deferred Outflows of Resources	91,180	5,323	-	96,503
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	572,070	76,845	-	648,915
Customer deposits	-	45,599	-	45,599
Unearned revenue	1,114,128	-	-	1,114,128
Accrued interest payable	61,045	-	-	61,045
	1,747,243	122,444	-	1,869,687
Noncurrent liabilities:				
Total OPEB liability	142,396	-	-	142,396
Due within one year	666,271	9,302	-	675,573
Due in more than one year	11,279,251	1,034	-	11,280,285
	12,087,918	10,336	-	12,098,254
Total Liabilities	13,835,161	132,780	-	13,967,941
<u>Deferred Inflows of Resources</u>				
Deferred inflows - pensions	128,441	22,685	-	151,126
Deferred inflows - OPEB	19,858	-	-	19,858
Total Deferred Inflows of Resources	148,299	22,685	-	170,984
<u>Net Position</u>				
Net investment in capital assets	2,094,146	8,833,496	(3,888,702)	7,038,940
Restricted for:				
Debt service	546,662	-	-	546,662
Enabling legislation	940,082	-	-	940,082
Special projects	213,831	-	-	213,831
Unrestricted	5,290,349	2,191,602	3,888,702	11,370,653
Total Net Position	\$ 9,085,070	\$ 11,025,098	\$ -	\$ 20,110,168

See Notes to Financial Statements.

**Component
Unit**

\$ 3,928,603

-

-

149,981

-

4,078,584

-

-

-

-

4,078,584

-

-

-

22,095

-

-

-

22,095

-

17,037

1,893

18,930

41,025

-

-

-

-

-

-

-

4,037,559

\$ 4,037,559

CITY OF WALLER, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 1,387,448	\$ 545,695	\$ 171,068
Public safety	1,791,985	553,374	48,329
Permits/Code enforcement	639,524	356,404	-
Public works	1,012,260	625,928	-
Culture and recreation	133,898	-	-
Interest and fees on debt	380,083	-	-
Total Governmental Activities	5,345,198	2,081,401	219,397
Business-Type Activities			
Gas	1,071,134	767,170	-
Water and sewer	1,476,186	1,573,167	-
Total Business-Type Activities	2,547,320	2,340,337	-
Total Primary Government	\$ 7,892,518	\$ 4,421,738	\$ 219,397
Component Unit			
Waller Economic Development Corporation	\$ 365,775	\$ -	\$ -

General Revenues:

- Taxes
 - Property taxes
 - Sales tax
 - Franchise fees and local taxes
- Investment income
- Other revenue
- Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
\$ (670,685)	\$ -	\$ (670,685)	\$ -
(1,190,282)	-	(1,190,282)	-
(283,120)	-	(283,120)	-
(386,332)	-	(386,332)	-
(133,898)	-	(133,898)	-
(380,083)	-	(380,083)	-
<u>(3,044,400)</u>	<u>-</u>	<u>(3,044,400)</u>	<u>-</u>
-	(303,964)	(303,964)	-
-	96,981	96,981	-
-	(206,983)	(206,983)	-
<u>(3,044,400)</u>	<u>(206,983)</u>	<u>(3,251,383)</u>	<u>-</u>
-	-	-	(365,775)
2,517,113	-	2,517,113	-
2,654,694	-	2,654,694	884,898
327,130	-	327,130	-
59,724	4,712	64,436	4,380
24,691	-	24,691	10,065
<u>(2,627,128)</u>	<u>2,627,128</u>	<u>-</u>	<u>-</u>
<u>2,956,224</u>	<u>2,631,840</u>	<u>5,588,064</u>	<u>899,343</u>
(88,176)	2,424,857	2,336,681	533,568
9,173,246	8,600,241	17,773,487	3,503,991
<u>\$ 9,085,070</u>	<u>\$ 11,025,098</u>	<u>\$ 20,110,168</u>	<u>\$ 4,037,559</u>

CITY OF WALLER, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2021

	General	Debt Service	Capital Projects	Special Revenue
<u>Assets</u>				
Cash and cash equivalents	\$ 9,615,378	\$ 417,130	\$ 910,291	\$ 942,269
Restricted cash and cash equivalents	-	-	458,662	-
Due from other funds	4,193	-	-	-
Investments	-	129,532	-	-
Receivables, net	568,995	29,713	-	21,892
Inventory	17,400	-	-	-
Total Assets	\$ 10,205,966	\$ 576,375	\$ 1,368,953	\$ 964,161
 <u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 340,410	\$ -	\$ 228,302	\$ 3,358
Due to other funds	-	-	-	4,193
Unearned revenue	432,139	-	681,989	-
Total Liabilities	772,549	-	910,291	7,551
 <u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	53,725	29,713	-	-
Unavailable revenue - garbage collections	65,960	-	-	-
	119,685	29,713	-	-
 <u>Fund Balances</u>				
Nonspendable:				
Inventory	17,400	-	-	-
Restricted for:				
Debt service	-	546,662	-	-
Enabling legislation	-	-	-	940,082
Capital projects	-	-	458,662	-
Special projects	197,303	-	-	16,528
Assigned:				
Street/fleet reserve	80,000	-	-	-
Unassigned	9,019,029	-	-	-
Total Fund Balances	9,313,732	546,662	458,662	956,610
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,205,966	\$ 576,375	\$ 1,368,953	\$ 964,161

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 11,885,068
458,662
4,193
129,532
620,600
17,400
\$ 13,115,455

\$ 572,070
4,193
1,114,128
1,690,391

83,438
65,960
149,398

17,400

546,662
940,082
458,662
213,831

80,000
9,019,029
11,275,666

\$ 13,115,455

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CITY OF WALLER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2021

Total fund balances for governmental funds		\$ 11,275,666
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - nondepreciable	772,247	
Capital assets - net depreciable	<u>8,834,759</u>	9,607,006
Long-term liabilities and deferred outflows and deferred inflows related to the net pension asset and total OPEB liability are not reported in the governmental funds.		
Net pension asset	259,082	
Total OPEB liability	(142,396)	
Deferred outflows - pensions	65,417	
Deferred outflows - OPEB	25,763	
Deferred inflows - pensions	(128,441)	
Deferred inflows - OPEB	<u>(19,858)</u>	59,567
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
		149,398
Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.		
Accrued interest payable	(61,045)	
Noncurrent liabilities due in one year	(666,271)	
Noncurrent liabilities due in more than one year	<u>(11,279,251)</u>	
		<u>(12,006,567)</u>
Net Position of Governmental Activities		<u><u>\$ 9,085,070</u></u>

See Notes to Financial Statements.

CITY OF WALLER, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General	Debt Service	Capital Projects	Special Revenue
Revenues				
Property taxes	\$ 1,799,651	\$ 726,280	\$ -	\$ -
Sales tax	2,654,694	-	-	-
Franchise fees and local taxes	155,089	-	-	172,041
Licenses and permits	356,404	-	-	-
Fines and forfeitures	504,889	-	-	48,485
Charges for services	543,618	-	-	-
Intergovernmental	171,068	-	-	51,315
Investment income	47,569	4,074	8,081	-
Other revenue	21,705	-	625,928	-
Total Revenues	6,254,687	730,354	634,009	271,841
Expenditures				
Current:				
General government	1,069,357	-	-	59,603
Public safety	1,620,734	-	-	90,706
Permits/Code enforcement	642,779	-	-	-
Public works	987,071	-	-	12,212
Culture and recreation	95,672	-	-	14,336
Capital outlay	-	-	2,360,873	-
Debt Service:				
Principal	33,411	545,000	-	-
Interest and fiscal charges	5,832	395,756	-	-
Bond issuance costs	-	58,220	-	-
Total Expenditures	4,454,856	998,976	2,360,873	176,857
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,799,831	(268,622)	(1,726,864)	94,984
Other Financing Sources (Uses)				
Transfers in	86,376	238,000	194	12,212
Transfers out	(608,656)	(194)	-	(14,282)
Bond proceeds	-	1,975,000	-	-
Payment to escrow	-	(1,910,866)	-	-
Total Other Financing Sources (Uses)	(522,280)	301,940	194	(2,070)
Net Change in Fund Balances	1,277,551	33,318	(1,726,670)	92,914
Beginning fund balances	8,036,181	513,344	2,185,332	863,696
Ending Fund Balances	\$ 9,313,732	\$ 546,662	\$ 458,662	\$ 956,610

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 2,525,931
2,654,694
327,130
356,404
553,374
543,618
222,383
59,724
647,633

7,890,891

1,128,960
1,711,440
642,779
999,283
110,008
2,360,873

578,411
401,588
58,220

7,991,562

(100,671)

336,782
(623,132)
1,975,000
(1,910,866)

(222,216)

(322,887)

11,598,553

\$ 11,275,666

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CITY OF WALLER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds	\$	(322,887)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		71,228
Depreciation expense		(423,928)

Revenues that do not provide current financial resources are not reported as revenues in the funds.

Deferred inflows of resources - unavailable revenue		(6,741)
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Changes in pension and other postemployment benefits (OPEB) activity do not affect the fund balances on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

These changes in pension and OPEB activity that affect the City's net position are as follows:

Net pension asset		92,456
Total OPEB liability		(11,551)
Deferred outflows - pensions		18,844
Deferred outflows - OPEB		8,431
Deferred inflows - pensions		(25,904)
Deferred inflows - OPEB		(8,198)

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Bond proceeds		(1,975,000)
Amortization of bond premiums		10,656
Payment to refunded bond escrow agent		1,910,866
Change in deferred outflows of resources from refunded bonds		5,122
Change in compensated absences		(15,708)
Principal payment on debt and capital leases		578,411

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

Accrued interest		5,727
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	\$	<u>(88,176)</u>
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See Notes to Financial Statements.

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CITY OF WALLER, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2021

	Gas	Water and Sewer	Total Proprietary Funds
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 691,312	\$ 1,228,271	\$ 1,919,583
Restricted cash and cash equivalents	14,289	31,310	45,599
Receivables, net	83,994	207,205	291,199
Inventory	35,863	31,395	67,258
Total Current Assets	825,458	1,498,181	2,323,639
Noncurrent assets			
Net pension asset	-	18,105	18,105
Capital assets:			
Nondepreciable	-	1,778,740	1,778,740
Net depreciable capital assets	698,849	6,355,907	7,054,756
Total Noncurrent Assets	698,849	8,152,752	8,851,601
Total Assets	1,524,307	9,650,933	11,175,240
<u>Deferred Outflows of Resources</u>			
Deferred outflows - pensions	-	5,323	5,323
<u>Liabilities</u>			
Current liabilities			
Accounts payable and accrued liabilities	22,895	53,950	76,845
Customer deposits	14,289	31,310	45,599
Compensated absences	2,697	6,605	9,302
Total Current Liabilities	39,881	91,865	131,746
Noncurrent liabilities			
Compensated absences	300	734	1,034
Total Noncurrent Liabilities	300	734	1,034
Total Liabilities	40,181	92,599	132,780
<u>Deferred Inflows of Resources</u>			
Deferred inflows - pensions	-	22,685	22,685
<u>Net Position</u>			
Net investment in capital assets	698,849	8,134,647	8,833,496
Unrestricted	785,277	1,406,325	2,191,602
Total Net Position	\$ 1,484,126	\$ 9,540,972	\$ 11,025,098

See Notes to Financial Statements.

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CITY OF WALLER, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2021

	Gas	Water and Sewer	Total Proprietary Funds
<u>Operating Revenues</u>			
Charges for services	\$ 767,170	\$ 1,520,360	\$ 2,287,530
Other revenue	-	52,807	52,807
Total Operating Revenues	767,170	1,573,167	2,340,337
<u>Operating Expenses</u>			
Costs of sales and services	1,003,532	1,148,490	2,152,022
Depreciation	67,602	327,696	395,298
Total Operating Expenses	1,071,134	1,476,186	2,547,320
Operating Income (Loss)	(303,964)	96,981	(206,983)
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	1,488	3,224	4,712
Total Nonoperating Revenues	1,488	3,224	4,712
Income (Loss) Before Contributions and Transfers	(302,476)	100,205	(202,271)
<u>Contributions and Transfers</u>			
Capital contributions	415,652	1,925,126	2,340,778
Transfers in	396,444	-	396,444
Transfers out	-	(110,094)	(110,094)
Total Contributions and Transfer	812,096	1,815,032	2,627,128
Change in Net Position	509,620	1,915,237	2,424,857
Beginning net position	974,506	7,625,735	8,600,241
Ending Net Position	\$ 1,484,126	\$ 9,540,972	\$ 11,025,098

See Notes to Financial Statements.

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CITY OF WALLER, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended September 30, 2021

	Gas	Water and Sewer	Total Proprietary Funds
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 731,429	\$ 1,549,274	\$ 2,280,703
Payments to suppliers and employees	(989,545)	(1,158,420)	(2,147,965)
Net Cash Provided (Used) by Operating Activities	(258,116)	390,854	132,738
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers in (out)	396,444	(110,094)	286,350
Net Cash (Used) by Noncapital Financing Activities	396,444	(110,094)	286,350
<u>Cash Flows from Capital and Related Financing Activities</u>			
Acquisition and construction of capital assets	(29,542)	(75,057)	(104,599)
Net Cash (Used) by Capital and Related Financing Activities	(29,542)	(75,057)	(104,599)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	1,488	3,224	4,712
Net Cash Provided by Investing Activities	1,488	3,224	4,712
Net Increase (Decrease) in Cash and Cash Equivalents	110,274	208,927	319,201
Beginning cash and cash equivalents	595,327	1,050,654	1,645,981
Ending Cash and Cash Equivalents	\$ 705,601	\$ 1,259,581	\$ 1,965,182
Ending Cash and Cash Equivalents			
Unrestricted cash and cash equivalents	\$ 691,312	\$ 1,228,271	\$ 1,919,583
Restricted cash and cash equivalents	14,289	31,310	45,599
	\$ 705,601	\$ 1,259,581	\$ 1,965,182
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (303,964)	\$ 96,981	\$ (206,983)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	67,602	327,696	395,298
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(35,741)	(23,893)	(59,634)
Inventories	15,232	(4,940)	10,292
Net pension asset	-	(6,021)	(6,021)
Deferred outflows - pensions	-	4,591	4,591
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(2,192)	(8,818)	(11,010)
Compensated absences	(907)	1,058	151
Deferred inflows - pensions	-	825	825
Customer deposits	1,854	3,375	5,229
Net Cash Provided (Used) by Operating Activities	\$ (258,116)	\$ 390,854	\$ 132,738
Noncash Investing, Capital, and Financing Activities:			
Contributions of capital assets	\$ 415,652	\$ 1,925,126	\$ 2,340,778

See Notes to Financial Statements.

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CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Waller, Texas (the “City”) was incorporated under the laws of the State of Texas (the “State”) on October 16, 1947. The City is a general law city that operates under a council-mayor form of government. The City Council is the principal legislative body of the City.

The City provides the following services: general government, public safety, code enforcement, public works, and culture and recreation.

The City is an independent political subdivision of the State governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The component unit listed below, although legally separate, is considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Waller Economic Development Corporation

The Waller Economic Development Corporation (WEDC) has been included in the reporting entity as a discretely presented component unit.

The WEDC was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by, and serves at the discretion of, the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the WEDC shall be conveyed to the City. The operations of the WEDC are presented as a governmental fund type. Separate financial statements of the WEDC may be obtained from the City Secretary.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

B. Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's gas and water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenue include local property taxes, sales tax, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, code enforcement, public works, and culture and recreation. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

The *capital projects fund* is used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

The *special revenue fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue fund is considered a nonmajor fund for reporting purposes, but the City has elected to present it as major due to its significance.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The City reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide gas, water, and sewer operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The gas and water and sewer funds are considered major funds for reporting purposes.

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

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

E. Measurement Focus and Basis of Accounting

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

The government-wide and proprietary 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations and is reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

3. Inventories

The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased (i.e., the first-in/first-out method).

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the capital projects fund are restricted by bond covenants for repayment of debt and to finance construction projects. Restricted assets of the enterprise funds are restricted for customer deposits.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. 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 four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles and equipment	5 to 10 years
System infrastructure	30 to 40 years
Buildings	20 to 50 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and garbage collections. These amounts are deferred and recognized as an inflows of resources in the period that the amounts becomes available.

7. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the City's personnel policy. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumptions

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

11. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

12. 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

13. Pensions

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

14. Other Postemployment Benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes are levied during October of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. The interest continues to accumulate on the account at one percent per month, but the penalty remains at a maximum of 12 percent until paid.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles, except for the capital projects fund which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget, as defined by the charter, is at the department level for all funds. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were not made for the year ended September 30, 2021.

Expenditures in Excess of Appropriations

For the year ended September 30, 2021, expenditures exceeded appropriations at the legal level of control as follows:

General Fund		
Permits/Code Enforcement	\$	371,190
Culture and Recreation	\$	1,105

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2021, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 129,532	0.06
External investment pools	1,031	0.00
Total Fair Value	<u>\$ 130,563</u>	
Portfolio weighted average maturity		0.06

Credit risk. State law and the City’s investment policy limit investments to obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent. As of September 30, 2021, the City’s investment in TexPool was rated “AAAm” by Standard & Poor’s. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102 percent. As of September 30, 2021, market values of pledged securities and FDIC insurance exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rated TexPool “AAAm”. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less,

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

B. Receivables

Amounts are aggregated into a single accounts receivable line (net of allowance for uncollectibles) for certain funds and aggregated columns. Below is the detail of receivables for the general fund, the debt service fund, the special revenue fund, the enterprise funds, and the component unit, including the applicable allowances for uncollectible accounts:

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Gas</u>	<u>Water/Sewer</u>	<u>Component Unit</u>
Property taxes	\$ 53,726	\$ 29,713	\$ -	\$ -	\$ -	\$ -
Sales taxes	457,569	-	-	-	-	149,981
Accounts	44,445	-	-	74,347	207,314	-
Intergovernmental	727	-	4,193	-	-	-
Allowance	(13,242)	-	-	(14,560)	(69,764)	-
Other receivables	25,770	-	17,699	24,207	69,655	-
	<u>\$ 568,995</u>	<u>\$ 29,713</u>	<u>\$ 21,892</u>	<u>\$ 83,994</u>	<u>\$ 207,205</u>	<u>\$ 149,981</u>

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

C. Capital Assets

A summary of changes in capital assets for governmental activities for the year end is as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 73,300	\$ 65,105	\$ -	\$ 138,405
Construction in progress	627,719	6,123	-	633,842
Total capital assets not being depreciated	701,019	71,228	-	772,247
Other capital assets:				
Infrastructure	2,884,310	-	-	2,884,310
Buildings	8,211,105	-	-	8,211,105
Vehicles	872,747	-	-	872,747
Equipment	693,396	-	-	693,396
Total other capital assets	12,661,558	-	-	12,661,558
Less accumulated depreciation for:				
Infrastructure	(1,907,167)	(68,846)	-	(1,976,013)
Buildings	(457,868)	(237,733)	-	(695,601)
Vehicles	(496,927)	(80,019)	-	(576,946)
Equipment	(540,909)	(37,330)	-	(578,239)
Total accumulated depreciation	(3,402,871)	(423,928)	-	(3,826,799)
Other capital assets, net	9,258,687	(423,928)	-	8,834,759
Governmental Activities Capital Assets, Net	\$ 9,959,706	\$ (352,700)	\$ -	9,607,006
			Plus unspent bond proceeds	458,662
			Less associated debt	(7,971,522)
			Net Investment in Capital Assets	\$ 2,094,146

All capital assets constructed or paid for with funds of the component unit are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

Depreciation was charged to governmental functions as follows:

General government	\$ 213,568
Public safety	111,428
Public works	74,115
Cultural and recreation	24,817
Total Governmental Activities Depreciation Expense	\$ 423,928

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The following is a summary of changes in capital assets for business-type activities for the year ended:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 16,671	\$ 325,000	\$ -	\$ 341,671
Construction in progress	1,670,186	738,003	(971,120)	1,437,069
Total capital assets not being depreciated	<u>1,686,857</u>	<u>1,063,003</u>	<u>(971,120)</u>	<u>1,778,740</u>
Other capital assets:				
Building	92,434	-	-	92,434
Water/sewer system	9,368,892	1,878,758	-	11,247,650
Gas system	525,988	415,652	-	941,640
Equipment	655,170	-	-	655,170
Vehicles	118,620	59,084	-	177,704
Total other capital assets	<u>10,761,104</u>	<u>2,353,494</u>	<u>-</u>	<u>13,114,598</u>
Less accumulated depreciation for:				
Building	(63,504)	(2,089)	-	(65,593)
Water/sewer system	(4,701,630)	(309,282)	-	(5,010,912)
Gas system	(249,656)	(52,528)	-	(302,184)
Equipment	(551,741)	(18,272)	-	(570,013)
Vehicles	(98,013)	(13,127)	-	(111,140)
Total accumulated depreciation	<u>(5,664,544)</u>	<u>(395,298)</u>	<u>-</u>	<u>(6,059,842)</u>
Other capital assets, net	<u>5,096,560</u>	<u>1,958,196</u>	<u>-</u>	<u>7,054,756</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,783,417</u>	<u>\$ 3,021,199</u>	<u>\$ (971,120)</u>	<u>\$ 8,833,496</u>

Depreciation was charged to business-type functions as follows:

Gas	\$ 67,602
Water/Sewer	327,696
Total Business-Type Activities Depreciation Expense	<u>\$ 395,298</u>

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
General obligation bonds:					
Series 2018	\$ 6,550,000	\$ -	\$ 130,000	\$ 6,420,000	\$ 135,000
Direct borrowing/placement:					
Series 2014 refunding	290,000	-	100,000	190,000	95,000
Series 2021 refunding	-	1,975,000	15,000	1,960,000	125,000
Total general obligation bonds	<u>6,840,000</u>	<u>1,975,000</u>	<u>245,000</u>	<u>8,570,000</u> (1)	<u>355,000</u>
Certificates of obligation:					
Series 2012	1,990,000	-	1,990,000	-	-
Series 2017	2,760,000	-	70,000	2,690,000	75,000
Total certificates of obligation	<u>4,750,000</u>	<u>-</u>	<u>2,060,000</u>	<u>2,690,000</u> (2)	<u>75,000</u>
Notes from direct borrowings and direct placements:					
Series 2016	380,000	-	125,000	255,000 *	125,000
Capital lease	178,343	-	33,411	144,932 *	34,503
Other liabilities:					
Premiums	246,405	-	46,113	200,292 (3)	-
Net pension liability (asset)	(166,626)	-	92,456	(259,082)	-
Total OPEB liability	130,845	11,551	-	142,396	-
Compensated absences	69,590	85,196	69,488	85,298	76,768
Total Governmental Activities	<u>\$ 12,428,557</u>	<u>\$ 2,071,747</u>	<u>\$ 2,671,468</u>	<u>\$ 11,828,836</u>	<u>\$ 666,271</u>
				<u>\$ 11,162,565</u>	
				\$ 7,419,600 *	
				1,150,400 **	
				<u>\$ 8,570,000</u> (1)	
				\$ 2,690,000 **	
				<u>\$ 2,690,000</u> (2)	
				\$ 151,990 *	
				48,302 **	
				<u>\$ 200,292</u> (3)	
				<u>\$ 7,971,522</u>	
				<u>\$ 3,888,702</u>	

* Debt associated with governmental activities capital assets

** Debt associated with business-type activities capital assets

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Net pension liability (asset)	\$ (12,084)	\$ -	\$ 6,021	\$ (18,105)	\$ -
Compensated absences	10,185	17,480	17,329	10,336	9,302
Total Business-Type Activities	\$ (1,899)	\$ 17,480	\$ 23,350	\$ (7,769)	\$ 9,302

Long-term liabilities due in more than one year \$ 1,533

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Component Unit:					
Compensated absences	\$ 15,952	\$ 7,805	\$ 4,827	\$ 18,930	\$ 17,037

Long-term liabilities due in more than one year \$ 1,893

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Balance
<u>Governmental Activities</u>		
General Obligation Bonds		
General Operating Refunding Bonds, Series 2014	2.11%	\$ 190,000
General Obligation Bonds, Series 2018	3.75-5.00%	6,420,000
General Operating Refunding Bonds, Series 2021	1.51%	1,960,000
Certificates of Obligation		
Certificates of Obligation, Series 2017	3.00-3.50%	2,690,000
Tax Notes		
Tax Notes, Series 2016	1.67%	255,000
Total Bonds, Certificates of Obligation, and Tax Notes		<u>11,515,000</u>
Capital Leases		
2020 Chevrolet Tahoes (4)	3.27%	144,932
Total Capital Leases		<u>144,932</u>
Total General Long-Term Debt		<u>\$ 11,659,932</u>

Current Refunding

The City has issued \$1,975,000 in General Obligation Refunding Bonds, Series 2021 with an interest rate of 1.51 percent. The net proceeds were used to provide for a current refunding of \$1,885,000 of outstanding Certificate of Obligation, Series 2012 (the "Certificates") which had an interest rate ranging from two to three percent. The proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, this portion of the certificates are considered defeased and the liability for those Certificates has been removed from the Statement of Net Position. The reacquisition price was consistent with the net carrying amount of the debt. The current refunding reduced future total debt service payments by \$90,000.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The annual requirements to amortize bond and certificate debt issues outstanding at year end were as follows:

Fiscal Year Ending Sept. 30	Long-Term Debt					
	General Obligation Bonds					
	Series 2018		(Direct borrowing/placement) Series 2014 and 2021		Certificates of Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 135,000	\$ 247,881	\$ 220,000	\$ 33,605	\$ 75,000	\$ 86,663
2023	145,000	241,131	220,000	29,713	80,000	84,413
2024	150,000	233,881	130,000	25,821	85,000	82,013
2025	160,000	226,381	135,000	23,858	90,000	79,463
2026	160,000	219,981	140,000	21,820	90,000	76,763
2027-2031	890,000	999,306	780,000	75,651	525,000	340,313
2032-2036	1,060,000	808,506	525,000	16,006	680,000	251,948
2037-2041	1,335,000	593,688	-	-	865,000	128,800
2042-2046	1,640,000	325,606	-	-	200,000	7,000
2047-2048	745,000	42,188	-	-	-	-
Total	\$ 6,420,000	\$ 3,938,549	\$ 2,150,000	\$ 226,474	\$ 2,690,000	\$ 1,137,376

Fiscal Year Ending Sept. 30	Long-Term Debt			
	Tax Notes			
	(Direct borrowing/placement)		Capital Lease	
	Principal	Interest	Principal	Interest
2022	\$ 125,000	\$ 3,215	\$ 34,503	\$ 4,739
2023	130,000	1,086	35,632	3,611
2024	-	-	36,797	2,446
2025	-	-	38,000	1,243
Total	\$ 255,000	\$ 4,301	\$ 144,932	\$ 12,039

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds, certificates of obligation, and tax notes are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
General Fund	Special Revenue Fund	\$ 14,282
General Fund	Water and Sewer Fund	72,094
Gas Fund	General Fund	396,444
Debt Service Fund	General Fund	200,000
Debt Service Fund	Water and Sewer Fund	38,000
Capital Projects Fund	Debt Service Fund	194
Special Revenue Fund	General Fund	12,212
		<u>\$ 733,226</u>

Amounts transferred from the special revenue fund and water and sewer fund to the general fund are related to their portion of certain governmental expenditures. Amounts transferred from the general fund and the water and sewer fund to the debt service fund are related to their portion of debt expenditures. The general fund transfer to the gas fund is the net result of general fund transfers to pay for a portion of the gas wholesale charges and gas fund cost related to their portion of certain general fund expenditures.

The composition of interfund balances as of year end were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>
General Fund	Special Revenue Fund	\$ 4,193

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

F. Fund Equity

As of September 30, 2021, \$940,082 of the City's total fund balance is restricted by enabling legislation.

G. Restricted Assets

As of September 30, 2021, the City held restricted cash and cash equivalents in the capital projects fund, the gas fund, and the water and sewer fund for the following purposes:

	<u>Capital Projects</u>	<u>Gas</u>	<u>Water and Sewer</u>
Customer deposits	\$ -	\$ 14,289	\$ 31,310
Bond proceeds	458,662	-	-
Total	<u>\$ 458,662</u>	<u>\$ 14,289</u>	<u>\$ 31,310</u>

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

B. Contingent Liabilities

The continued spread of the COVID-19 pandemic has given a rise in uncertainties that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are uncertain.

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.tMrs.com.

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

Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2021	2020
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

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	20
Inactive employees entitled to, but not yet receiving, benefits	24
Active employees	40
Total	84

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute five percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.96 percent and 4.02 percent in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were \$86,320, which were more than the required contributions.

Net Pension Liability (Asset)

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

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Actuarial Assumptions

The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

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

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

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

Discount Rate

The discount rate used to measure the TPL was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the TMRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NP(A)

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability / (Asset) (A) - (B)
Changes for the year:			
Service cost	\$ 174,053	\$ -	\$ 174,053
Interest	231,717	-	231,717
Difference between expected and actual experience	(57,678)	-	(57,678)
Contributions - employer	-	79,822	(79,822)
Contributions - employee	-	94,800	(94,800)
Net investment income	-	273,794	(273,794)
Benefit payments, including refunds of employee contributions	(189,040)	(189,040)	-
Administrative expense	-	(1,778)	1,778
Other changes	-	(69)	69
Net Changes	159,052	257,529	(98,477)
Balance at December 31, 2019	3,440,334	3,619,044	(178,710)
Balance at December 31, 2020	\$ 3,599,386	\$ 3,876,573	\$ (277,187)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Sensitivity of the NPL(A) to Changes in the Discount Rate

The following presents the NPL(A) of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL(A) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability (Asset)	\$ 100,229	\$ (277,187)	\$ (595,817)

Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions

For the fiscal year ended September 30, 2021, the City recognized pension expense of \$317.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 50,520
Changes in actuarial assumptions	6,844	-
Net difference between projected and actual investment earnings	-	100,606
Contributions subsequent to the measurement date	63,896	-
Total	\$ 70,740	\$ 151,126

\$63,896 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 NPL(A) for the fiscal year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2022	\$ (61,504)
2023	(15,954)
2024	(60,920)
2025	(5,904)
Total	\$ (144,282)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

D. Other Postemployment Benefits

TMRS Supplemental Death Benefits Fund

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the 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. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a five percent interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

Benefits

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. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2020 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to, but not yet receiving, benefits	4
Active employees	40
Total	59

Total OPEB Liability

The City's total OPEB liability of \$142,396 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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%*
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 8,911
Interest	3,705
Difference between expected and actual experience	(15,980)
Changes of assumptions	16,053
Benefit payments	(1,138)
	Net Changes
Beginning balance	130,845
	Ending Balance
	\$ 142,396

The discount rate decreased from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

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 one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's Total OPEB Liability	\$ 168,580	\$ 142,396	\$ 121,575

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$14,230.

The City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 17,787
Changes in actuarial assumptions	23,171	2,071
Contributions subsequent to the measurement date	2,592	-
Total	\$ 25,763	\$ 19,858

\$2,592 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2022.

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

Fiscal Year Ended September 30	OPEB Expense
2022	\$ 490
2023	1,467
2024	1,347
2025	9
Total	\$ 3,313

E. Chapter 380 Economic Development and Tax Abatement Agreements

1. Chapter 380 Agreements

Chapter 380, *Miscellaneous Provisions Relating to Municipal Planning and Development*, of the Texas Local Government Code provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs, including programs to promote state or local economic development and to stimulate business and commercial activity in the municipality.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Buc-ee's, Ltd.

The City has entered into a Chapter 380 Economic Development Agreement (the "Agreement") with Buc-ee's, Ltd. (the "Company"). The Company agreed to establish and maintain an office in the City that generates substantial taxable sales. The Company agreed to construct a retail store at least 33,000 square feet in size, in addition to creating a minimum of 120 jobs no later than 36 months following the opening of the store. The Agreement is for a term of 15 years. The City will remit back to the Company 75 percent (of the one percent collected by the City) of the sales tax revenues generated by this Company. During the current fiscal year, the City collected \$758,245 in sales taxes from the sales of this business and recorded expenditures of \$277,262.

The City also agreed to construct a water line to the store. The Company agreed to advance \$215,000 to the City to be repaid by the City at a rate of 5.75 percent per annum. The repayments shall consist of one-eighth of one percent of sales tax revenue generated by the Company and remitted to the City each month. This repayment shall be paid monthly during the 15-year term of this Agreement. Once the reimbursable advance by the Company for the construction of the water line, plus interest, has been reimbursed by the City, payments shall cease and the parties shall have no further obligations under the Agreement. All payments made by the City to the Company for reimbursable costs shall be applied to the payments of accrued but unpaid interest on the outstanding balance of reimbursable costs first and then to the payment of all or any portion of the balance then outstanding second. The water line to the store was repaid in October 2020 and the obligation under this agreement ceased and the parties have no further obligation under the agreement.

The City entered into an infrastructure funding agreement (the "Funding Agreement") with the WEDC in which the WEDC agreed to dedicate one-half of all sales tax generated by the Company for a period not to exceed 15 years. The City has agreed to use all funds granted by the WEDC for the sole purpose of developing and constructing the infrastructure projects described in the Funding Agreement or other infrastructure projects specifically approved by the WEDC Board of Directors and City Council.

AFGlobal Corporation, LLC

On June 17, 2019, the City entered into a Chapter 380 Economic Development Agreement (the "Agreement") with AFGlobal Corporation, LLC (the "Company"). The Company agreed to certain property improvements while continuously occupying and using the improvements to produce oil and gas equipment. The Company will have, and maintain on the property, at least 150 full-time employees. Lastly, the Company will make every effort to maintain a minimum of \$20 million in appraised inventory on their property.

The City agreed to pay the Company, for a period of three years commencing on the effective date of the Agreement, an amount of money equal to 50 percent of the amount of ad valorem property taxes actually paid by the Company and received by the City for improvements to the property. If the City terminates the Agreement because of the Company's default or breach of any provision as permitted by the Agreement, the Company will immediately reimburse the City for all payments the City has made to the Company. No payments were made by the City during fiscal year 2021 related to this Agreement.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

Alegacy Development, LLC

On July 15, 2019, the City entered into a Chapter 380 Economic Development Agreement (the “Agreement”) with Alegacy Development, LLC (the “Company”). The Company agreed to improvements constructed for the benefit of Laney Directional Drilling. If the Company completes construction of the improvements by December 31, 2019, payment will be based upon property taxes actually paid for tax years 2020, 2021, and 2022. If improvements are completed after January 1, 2020, payments will be based upon property taxes actually paid for tax years 2021, 2022, and 2023. The appraised value of the improvements constructed by the Company shall be an amount in excess of \$2,000,000.

The City agreed to pay the Company, for a period of three years, an amount of money equal to the amount of ad valorem property taxes actually paid by the Company and received by the City, derived from the improvements to the leased premises, for the tax years 2020, 2021, and 2022, or tax years 2021, 2022, and 2023. The beginning tax year for payments to the Company will depend upon the date of completion of improvements. “Improvements” shall mean the buildings, structures, and associated betterments for the commercial and industrial operations of Laney Directional Drilling, specifically a two-story building, a covered storage area, and shop, totaling approximately 34,290 square feet, constructed or expanded by the Company on the leased premises. If the City terminates the Agreement because of the Company’s default or breach of any provision as permitted by the Agreement, the Company will immediately reimburse the City for all payments the City has made to the Company.

Wolff Companies, LLC

On September 16, 2019, the WEDC entered into a Chapter 380 Economic Development Agreement (the “Agreement”) with Wolff Companies LLC (the “Company”). The Company agreed to construct commercial/industrial park(s) and single family residential units. The estimated cost of the construction is \$1,009,669. Prior to receipt of payments from the WEDC, the Company shall provide a contractor’s closing statement or other documentation acceptable to the WEDC verifying the cost of construction of the project facilities. The Company also agreed to construct the extension of Beacon Hill Boulevard, and entrance and exit ramps.

The WEDC also agreed to reimburse the Company for one-half the cost of construction of the facilities, not to exceed \$500,000. The project will be constructed in two stages. For stage one, the WEDC will reimburse the Company one-half the construction costs of certain project facilities, as outlined in the Agreement, up to a maximum of \$250,000. Payment of the funds is contingent upon the Company’s completion of the construction of Beacon Hill Boulevard from Owens Road to the Utility Extension and the tying-in of the utility trunk line. For stage two, the WEDC will reimburse the Company one-half the construction costs of certain project facilities, as outlined in the Agreement, up to a maximum of \$250,000. Payment of the funds is contingent upon the Company’s construction of entrance and exit ramps to enable the property’s access to and from US 290 and/or FM 362.

The WEDC is under no obligation to make payments for reimbursement of costs until completion of each stage. If the WEDC terminates the Agreement because of the Company’s default or breach of any provision as permitted by the Agreement, the Company will immediately reimburse the WEDC for all payments the WEDC has made to the Company. In the event of termination of this Agreement after completion of the construction of stage one or stage two project facilities, the Company shall be entitled to retain those grant funds previously paid to the Company by the WEDC.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2021

R&L Carriers, Inc

On June 15, 2020, the City entered into a Chapter 380 Economic Development Agreement (the “Agreement”) with R&L Carriers, Inc (the “Company”). The Company agreed to develop a commercial trucking terminal within the City limits while continuously occupying the facility. The Company will maintain on the property at least 90 full-time employees and will make every effort to maintain a minimum of \$5,000,000 in personal property on the property.

The City agreed to pay the Company, for tax years 2022, 2023, and 2024, an amount of money equal to 50 percent of the amount of ad valorem property taxes actually paid by the Company and received by the City for improvements to the property. If the City terminates the Agreement because of the Company’s default or breach of any provision as permitted by the Agreement, the Company will immediately reimburse the City for all payments the City has made to the Company. No payments were made by the City during fiscal year 2021 related to this Agreement.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WALLER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 1,619,178	\$ 1,619,178	\$ 1,799,651	\$ 180,473
Sales tax	2,000,000	2,000,000	2,654,694	654,694
Franchise fees and other taxes	142,000	142,000	155,089	13,089
Licenses and permits	215,100	215,100	356,404	141,304
Fines and forfeitures	454,300	454,300	504,889	50,589
Charges for services	513,350	513,350	543,618	30,268
Intergovernmental	75,000	75,000	171,068	96,068
Investment income	10,000	10,000	47,569	37,569
Other revenue	6,500	6,500	21,705	15,205
Total Revenues	5,035,428	5,035,428	6,254,687	1,219,259
Expenditures				
Current:				
General government	1,206,210	1,206,210	1,069,357	136,853
Public safety	1,765,926	1,765,926	1,620,734	145,192
Permits/Code enforcement	271,589	271,589	642,779	(371,190) *
Public works	1,341,143	1,341,143	987,071	354,072
Culture and recreation	94,567	94,567	95,672	(1,105) *
Principal	33,411	33,411	33,411	-
Interest and fiscal charges	5,832	5,832	5,832	-
Total Expenditures	4,718,678	4,718,678	4,454,856	263,822
Excess of Revenues Over Expenditures	316,750	316,750	1,799,831	1,483,081
Other Financing Sources (Uses)				
Transfers in	-	86,376	86,376	-
Transfers (out)	(200,000)	(662,943)	(608,656)	54,287
Total Other Financing (Uses)	(200,000)	(576,567)	(522,280)	54,287
Change in Fund Balance	\$ 116,750	\$ (259,817)	1,277,551	\$ 1,537,368
Beginning fund balance			8,036,181	
Ending Fund Balance			\$ 9,313,732	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

CITY OF WALLER, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2021

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 107,477	\$ 132,493	\$ 125,064	\$ 130,525
Interest (on the total pension liability)	190,319	195,980	196,181	203,628
Difference between expected and actual experience	(33,536)	(81,153)	(22,342)	(35,472)
Change of assumptions	-	76,719	-	-
Benefit payments, including refunds of employee contributions	(165,870)	(225,930)	(201,383)	(181,215)
Net Change in Total Pension Liability	<u>98,390</u>	<u>98,109</u>	<u>97,520</u>	<u>117,466</u>
Beginning total pension liability	<u>2,748,044</u>	<u>2,846,434</u>	<u>2,944,543</u>	<u>3,042,063</u>
Ending Total Pension Liability	<u><u>\$ 2,846,434</u></u>	<u><u>\$ 2,944,543</u></u>	<u><u>\$ 3,042,063</u></u>	<u><u>\$ 3,159,529</u></u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 60,449	\$ 63,296	\$ 51,823	\$ 63,564
Contributions - employee	67,345	74,434	66,101	70,784
Net investment income	162,554	4,374	194,353	413,613
Benefit payments, including refunds of employee contributions	(165,870)	(225,930)	(201,383)	(181,215)
Administrative expense	(1,697)	(2,664)	(2,196)	(2,145)
Other	(140)	(131)	(118)	(109)
Net Change in Plan Fiduciary Net Position	<u>122,641</u>	<u>(86,621)</u>	<u>108,580</u>	<u>364,492</u>
Beginning plan fiduciary net position	<u>2,841,326</u>	<u>2,963,967</u>	<u>2,877,346</u>	<u>2,985,926</u>
Ending Plan Fiduciary Net Position	<u><u>\$ 2,963,967</u></u>	<u><u>\$ 2,877,346</u></u>	<u><u>\$ 2,985,926</u></u>	<u><u>\$ 3,350,418</u></u>
Net Pension Liability (Asset)	<u><u>\$ (117,533)</u></u>	<u><u>\$ 67,197</u></u>	<u><u>\$ 56,137</u></u>	<u><u>\$ (190,889)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	104.13%	97.72%	98.15%	106.04%
Covered Payroll	\$ 1,346,908	\$ 1,488,686	\$ 1,322,025	\$ 1,415,675
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	-8.73%	4.51%	4.25%	-13.48%

* Only seven years of information is currently available. The City will build this schedule over the next three-year period.

		Measurement Year*		
		2018	2019	2020
\$		144,728	\$ 145,502	\$ 174,053
		210,854	219,944	231,717
		(15,954)	(31,377)	(57,678)
		-	17,795	-
		(216,270)	(194,417)	(189,040)
		<u>123,358</u>	<u>157,447</u>	<u>159,052</u>
		<u>3,159,529</u>	<u>3,282,887</u>	<u>3,440,334</u>
\$		<u><u>3,282,887</u></u>	<u><u>3,440,334</u></u>	<u><u>3,599,386</u></u>
\$		67,340	\$ 67,560	\$ 79,822
		79,784	79,858	94,800
		(100,016)	489,688	273,794
		(216,270)	(194,417)	(189,040)
		(1,940)	(2,777)	(1,778)
		(100)	(84)	(69)
		<u>(171,202)</u>	<u>439,828</u>	<u>257,529</u>
		<u>3,350,418</u>	<u>3,179,216</u>	<u>3,619,044</u>
\$		<u><u>3,179,216</u></u>	<u><u>3,619,044</u></u>	<u><u>3,876,573</u></u>
\$		<u><u>103,671</u></u>	<u><u>(178,710)</u></u>	<u><u>(277,187)</u></u>
		96.84%	105.19%	107.70%
\$		1,595,682	\$ 1,597,163	\$ 1,895,999
		6.50%	-11.19%	-14.62%

CITY OF WALLER, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2021

	Fiscal Year*			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 63,068	\$ 63,059	\$ 52,440	\$ 60,138
Contributions in relation to the actuarially determined contribution	63,068	63,059	52,440	60,138
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,335,275	\$ 1,465,534	\$ 1,308,850	\$ 1,386,384
Contributions as a percentage of covered covered payroll	4.30%	4.30%	4.01%	4.34%

*Only eight years of information is currently available. The City will build this schedule over the next two-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	N/A
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2020 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

3. Other Information:

There were no benefit changes during the year.

Fiscal Year*

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 67,108	\$ 63,442	\$ 71,321	\$ 82,396
67,108	67,246	76,196	86,320
<u>\$ -</u>	<u>\$ (3,804)</u>	<u>\$ (4,875)</u>	<u>\$ (3,924)</u>
<u>\$ 1,556,283</u>	<u>\$ 1,590,779</u>	<u>\$ 1,807,775</u>	<u>\$ 2,057,601</u>
4.31%	4.23%	4.21%	4.20%

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CITY OF WALLER, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)
For the Year Ended September 30, 2021

	Measurement Year*			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	\$ 4,530	\$ 5,744	\$ 5,271	\$ 8,911
Interest (on the total OPEB liability)	3,801	3,843	4,227	3,705
Difference between expected and actual experience	-	(3,887)	(7,618)	(15,980)
Change of assumptions	7,511	(6,673)	18,145	16,053
Benefit payments**	(849)	(957)	(958)	(1,138)
Net Change in Total OPEB Liability	14,993	(1,930)	19,067	11,551
Beginning total OPEB liability	98,715	113,708	111,778	130,845
Ending Total OPEB Liability	\$ 113,708	\$ 111,778	\$ 130,845	\$ 142,396
Covered Payroll	\$ 1,415,675	\$ 1,595,682	\$ 1,597,163	\$ 1,895,999
Total OPEB Liability as a Percentage of Covered Payroll	8.03%	7.01%	8.19%	7.51%

*Only four years of information is currently available. The City will build this schedule over the next six-year period.

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

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	2.75%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

3. Other Information:

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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SCHEDULE AND OTHER STATEMENTS

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CITY OF WALLER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 706,144	\$ 706,144	\$ 726,280	\$ 20,136
Investment income	1,000	1,000	4,074	3,074
Total Revenues	<u>707,144</u>	<u>707,144</u>	<u>730,354</u>	<u>23,210</u>
Expenditures				
Principal	530,000	545,000	545,000	-
Interest and fiscal charges	411,790	396,790	395,756	1,034
Bond issuance costs	-	63,940	58,220	5,720
Total Expenditures	<u>941,790</u>	<u>1,005,730</u>	<u>998,976</u>	<u>6,754</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(234,646)</u>	<u>(298,586)</u>	<u>(268,622)</u>	<u>29,964</u>
Other Financing Sources (Uses)				
Transfers in	238,000	238,000	238,000	-
Transfers (out)	-	(194)	(194)	-
Bond proceeds	-	1,975,000	1,975,000	-
Payment to escrow	-	(1,910,866)	(1,910,866)	-
Total Other Financing Sources	<u>238,000</u>	<u>301,940</u>	<u>301,940</u>	<u>-</u>
Change in Fund Balance	<u>\$ 3,354</u>	<u>\$ 3,354</u>	<u>33,318</u>	<u>\$ 29,964</u>
Beginning fund balance			<u>513,344</u>	
Ending Fund Balance			<u>\$ 546,662</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF WALLER, TEXAS
CONSOLIDATED COMBINING BALANCE SHEET
SUB-FUNDS SPECIAL REVENUE FUND (1 of 2)
September 30, 2021

	<u>Special Revenue</u>	<u>Police Department ED Grant</u>	<u>Hotel/Motel</u>	<u>Christmas Festival</u>
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 1,368	\$ 741,468	\$ 2,951
Other receivables	-	-	17,699	-
Total Assets	<u>\$ -</u>	<u>\$ 1,368</u>	<u>\$ 759,167</u>	<u>\$ 2,951</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ 144	\$ -
Due to other funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>144</u>	<u>-</u>
<u>Fund Balances</u>				
Restricted for special projects	-	1,368	-	2,951
Restricted for enabling legislation	-	-	759,023	-
Total Fund Balances	<u>-</u>	<u>1,368</u>	<u>759,023</u>	<u>2,951</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 1,368</u>	<u>\$ 759,167</u>	<u>\$ 2,951</u>

Court Technology	Building Security	Child Safety	Police Department Forfeiture	Library	Court Truancy
\$ 57,768	\$ 66,772	\$ 13,245	\$ 20,495	\$ 5,118	\$ 22,419
-	-	-	-	-	-
<u>\$ 57,768</u>	<u>\$ 66,772</u>	<u>\$ 13,245</u>	<u>\$ 20,495</u>	<u>\$ 5,118</u>	<u>\$ 22,419</u>
\$ 91	\$ -	\$ -	\$ -	\$ 667	\$ -
-	-	-	-	-	-
<u>91</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>667</u>	<u>-</u>
-	-	-	-	4,451	-
<u>57,677</u>	<u>66,772</u>	<u>13,245</u>	<u>20,495</u>	<u>-</u>	<u>22,419</u>
<u>57,677</u>	<u>66,772</u>	<u>13,245</u>	<u>20,495</u>	<u>4,451</u>	<u>22,419</u>
<u>\$ 57,768</u>	<u>\$ 66,772</u>	<u>\$ 13,245</u>	<u>\$ 20,495</u>	<u>\$ 5,118</u>	<u>\$ 22,419</u>

CITY OF WALLER, TEXAS
CONSOLIDATED COMBINING BALANCE SHEET
SUB-FUNDS SPECIAL REVENUE FUND (2 of 2)
September 30, 2021

	Police Department Click It Or Ticket	Court Jury	2018 CDBG	Tri-County Health Alliance
<u>Assets</u>				
Cash and cash equivalents	\$ 1,268	\$ 451	\$ -	\$ 6,490
Other receivables	-	-	4,193	-
Total Assets	\$ 1,268	\$ 451	\$ 4,193	\$ 6,490
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	4,193	-
Total Liabilities	-	-	4,193	-
<u>Fund Balances</u>				
Restricted for special projects	1,268	-	-	6,490
Restricted for enabling legislation	-	451	-	-
Total Fund Balances	1,268	451	-	6,490
Total Liabilities and Fund Balances	\$ 1,268	\$ 451	\$ 4,193	\$ 6,490

TxDOT 580	Coronavirus Relief	Total
\$ 2,456	\$ -	\$ 942,269
-	-	21,892
<u>\$ 2,456</u>	<u>\$ -</u>	<u>\$ 964,161</u>
\$ 2,456	\$ -	\$ 3,358
-	-	4,193
<u>2,456</u>	<u>-</u>	<u>7,551</u>
-	-	16,528
-	-	940,082
<u>-</u>	<u>-</u>	<u>956,610</u>
<u>\$ 2,456</u>	<u>\$ -</u>	<u>\$ 964,161</u>

CITY OF WALLER, TEXAS
CONSOLIDATED COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
SUB-FUNDS SPECIAL REVENUE FUND (1 of 2)
For the Year Ended September 30, 2021

	<u>Special Revenue</u>	<u>Police Department ED Grant</u>	<u>Hotel/Motel</u>	<u>Christmas Festival</u>
Revenues				
Franchise and local taxes	\$ -	\$ -	\$ 172,041	\$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>172,041</u>	<u>-</u>
Expenditures				
General government	59,603	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	13,669	-
Total Expenditures	<u>59,603</u>	<u>-</u>	<u>13,669</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(59,603)</u>	<u>-</u>	<u>158,372</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(59,603)</u>	<u>-</u>	<u>158,372</u>	<u>-</u>
Beginning fund balances	<u>59,603</u>	<u>1,368</u>	<u>600,651</u>	<u>2,951</u>
Ending Fund Balances	<u>\$ -</u>	<u>\$ 1,368</u>	<u>\$ 759,023</u>	<u>\$ 2,951</u>

Court Technology	Building Security	Child Safety	Police Department Forfeiture	Library	Court Truancy
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15,147	17,077	555	-	-	15,398
-	-	-	-	-	-
<u>15,147</u>	<u>17,077</u>	<u>555</u>	<u>-</u>	<u>-</u>	<u>15,398</u>
-	-	-	-	-	-
15,546	23,429	-	-	-	-
-	-	-	-	-	-
-	-	-	-	667	-
<u>15,546</u>	<u>23,429</u>	<u>-</u>	<u>-</u>	<u>667</u>	<u>-</u>
<u>(399)</u>	<u>(6,352)</u>	<u>555</u>	<u>-</u>	<u>(667)</u>	<u>15,398</u>
-	(6,000)	-	(8,282)	-	-
-	-	-	-	-	-
<u>-</u>	<u>(6,000)</u>	<u>-</u>	<u>(8,282)</u>	<u>-</u>	<u>-</u>
(399)	(12,352)	555	(8,282)	(667)	15,398
<u>58,076</u>	<u>79,124</u>	<u>12,690</u>	<u>28,777</u>	<u>5,118</u>	<u>7,021</u>
<u>\$ 57,677</u>	<u>\$ 66,772</u>	<u>\$ 13,245</u>	<u>\$ 20,495</u>	<u>\$ 4,451</u>	<u>\$ 22,419</u>

CITY OF WALLER, TEXAS
CONSOLIDATED COMBINING STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
SUB-FUNDS SPECIAL REVENUE FUND (2 of 2)
For the Year Ended September 30, 2021

	Police Department Click It Or Ticket	Court Jury	2018 CDBG	Tri-County Health Alliance
Revenues				
Franchise and local taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	308	-	-
Intergovernmental	-	-	-	2,986
Total Revenues	-	308	-	2,986
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	3,402
Public works	-	-	6,089	-
Culture and recreation	-	-	-	-
Total Expenditures	-	-	6,089	3,402
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	308	(6,089)	(416)
Other Financing (Uses)				
Transfers out	-	-	-	-
Transfers in	-	-	6,089	-
tal Other Financing Sources (Uses)	-	-	6,089	-
Net Change in Fund Balances	-	308	-	(416)
Beginning fund balances	1,268	143	-	6,906
Ending Fund Balances	\$ 1,268	\$ 451	\$ -	\$ 6,490

TxDOT 580	Coronavirus Relief	Total
\$ -	\$ -	\$ 172,041
-	-	48,485
-	48,329	51,315
-	48,329	271,841
-	-	59,603
-	48,329	90,706
6,123	-	12,212
-	-	14,336
6,123	48,329	176,857
(6,123)	-	94,984
-	-	(14,282)
6,123	-	12,212
6,123	-	(2,070)
-	-	92,914
-	-	863,696
\$ -	\$ -	\$ 956,610

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