City Wolfforth, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019



Introductory Section

City of Wolfforth, Texas Table of Contents September 30, 2019

INTRODUCTORY SECTION	
Table of Contents	4-5
Official Roster	7
FINANCIAL SECTION	
Independent Auditors' Report	10-11
Management's Discussion and Analysis	12-19
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements: Statement of Net Position	22-23
Statement of Activities	24-25
Fund Financial Statements: Balance Sheet - Governmental Funds	26-27
Reconciliation of the Balance Sheet to the Statement of Net Position	29
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	30-31
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	33
Statement of Net Position - Proprietary Funds	34-35
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	37
Statement of Cash Flows - Proprietary Funds	38-39
Notes to Financial Statements	40-82
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Budgetary Basis) and Actual:	
General Fund	85
Schedule of Changes in Net Pension Liability and Related Ratios - TMRS	86-87
Schedule of Contributions - TMRS	88-89
Schedule of the City's Proportionate Share of the Net Pension Liability - TESRS	90-91

City of Wolfforth, Texas Table of Contents September 30, 2019

REQUIRED SUPPLEMENTARY INFORMATION (Continued)

Schedule of Contributions - TESRS	92-93
Schedule of Changes in Net Pension Liability and Related Ratios - OPEB	94
Notes to Required Supplementary Information	95-97

City of Wolfforth, Texas Official Roster September 30, 2019

City Secretary

Accountant

City Council

<u>Title</u> <u>Name</u> Charles Addington, D.O. Mayor Councilmember **Randy Gross** Julie Merrill Councilmember Mike Bickel Councilmember **Chris Powers** Councilmember Rod Moor Councilmember **Administration Darrell Newsom** City Manager

Lauren Murphey

Shawn Morton

Financial Section



Carr, Riggs & Ingram, LLC 2403 82nd Street Lubbock, TX 79423

(806) 745-6789 (806) 748-3888 (fax) CRIcpa.com

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council City of Wolfforth Wolfforth, Texas

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wolfforth, Texas (the "City"), as of and for the year ended September 30, 2019, 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 misstatements, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wolfforth, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows 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 on pages 12 through 19, the budgetary comparison for the general fund on page 85, the GASB required pension and OPEB schedules on pages 86 through 94, and the notes to the required supplementary information 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 City's financial statements that collectively comprise the City's basic financial statements. The introductory section is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Carr, Riggs & Ingram, LLC Albuquerque, New Mexico

Can, Rigge & Ingram, L.L.C.

March 23, 2020

As management of the City of Wolfforth (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. This discussion and analysis is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the City's activities based on information presented in the financial report and fiscal policies that have been adopted by the Council. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the adopted budget) and identify individual fund issues or concerns. As with other sections of this financial report, the information contained within this MD&A should be considered only as a part of the greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the notes that are provided in addition to this MD&A.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ending September 30, 2019 by \$7,862,791 (net position).
- The City's assets and deferred outflows increased by \$209,096 during the year while the liabilities and deferred inflows decreased by \$23,972.
- The City's net position increased by \$64,164 for the year not including restatements of \$168,904.
- The City continued to maintain its AA- rating for issuing debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: I) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to private sector business. The two government-wide statements report the City's net position and how it has changed.

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

The statement of activities presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the event causing the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., uncollected taxes).

The government-wide financial statements consist of the City (known as the primary government) and the Wolfforth Economic Development Corporation (the "EDC") for which the City is accountable. The EDC is reported separately from the financial information presented for the primary government. The EDC, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

In the statement of net position and the statement of activities, the City is divided into two kinds of activities:

- Governmental activities Distinguish functions of the City that are principally supported by taxes
 and intergovernmental revenues. Most of the City's basic services are reported here, including
 the general administration, police, fire, streets, library, and parks. Property taxes, sales tax and
 franchise fees finance most of these services.
- Business-type activities Report functions of the City that are intended to recover all of a significant portion of their costs through user fees and charges. The City's water and sewer system and sanitation solid was collection are reported here.

The government-wide financial statements are presented on pages 22-25 of this report.

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

Governmental Funds. Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the 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 City's near-term financing decisions. Both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three 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 balance for the General Fund and the Debt Service Fund, which are considered to be major funds. The City has only one non-major governmental fund, the Capital Projects Fund.

The City adopts an annual appropriations budget for its General Fund. A budgetary comparison statement has been provided for the General Fund.

The basic governmental financial statements can be found on pages 22-33 of this report.

Proprietary Funds. The City maintains two types of proprietary 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 and sewer services and sanitation (solid waste disposals) services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for health insurance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position, while the net revenue (expenses) of the internal service fund is reported with governmental activities.

The proprietary fund financial statements provide information for the water and sewer services and sanitation (solid waste disposals) service fund as business-type activities. The information provided is the same type as the information in the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 34-39 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the audited financial statements. The notes can be found on pages 40-82 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 85-97 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wolfforth, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$7,862,791 at September 30, 2019.

The largest portion of the City's net position (74 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related 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 capital assets themselves cannot be used to liquidate these liabilities.

\$989,787 of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$1,058,941 balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

The following is a summary of the City's statement of net position.

		Governmenta	l A	ctivities	s Business-Type Activities					Total					
September 30,		2019		2018		2019	9 2018			2019		2018			
Assets															
Current and Other Assets	\$	2,201,572	\$	2,352,667	\$	1,769,381	\$	1,957,191	\$	3,970,953	\$	4,309,858			
Capital Assets		6,098,368		5,442,508		12,731,887		13,158,132		18,830,255		18,600,640			
Total Assets	\$	8,299,940	\$	7,795,175	\$	14,501,268	\$	15,115,323	\$	22,801,208	\$	22,910,498			
Deferred Outflows															
of Resources	\$	327,101	\$	95,829	\$	185,541	\$	98,427	\$	512,642	\$	194,256			
Liabilities															
Current Liabilities	\$	628,267	\$	262,457	\$	1,269,894	\$	318,960	\$	1,898,161	\$	581,417			
Net Pension Liability		839,207		590,794		367,197		262,266		1,206,404		853,060			
OPEB Liability		54,935		29,377		23,663		13,354		78,598		42,731			
Long-Term Liabilities		2,813,463		2,877,363		9,445,099		11,120,460		12,258,562		13,997,823			
Total Liabilities	\$	4,335,872	\$	3,759,991	\$	11,105,853	\$	11,715,040	\$	15,441,725	\$	15,475,031			
Deferred Inflows															
of Resources	\$	7,576	\$	-	\$	1,758	\$	-	\$	9,334	\$	-			
Net position Net Investment															
in Capital Assets	\$	3,291,597	\$	2,883,492	\$	2,522,466	\$	3,318,753	\$	5,814,063	\$	6,202,245			
Restricted	•	989,787	•	773,235	-	-	•	1,163,002	-	989,787	·	1,936,237			
Unrestricted		2,209		474,286		1,056,732		(983,045)		1,058,941		(508,759)			
Total Net Position	\$	4,283,593	\$	4,131,013	\$	3,579,198	\$	3,498,710	\$	7,862,791	\$	7,629,723			

At the end of the fiscal year, the City was able to report positive balances in net position, for the government as a whole, as well as for its separate governmental and business-type activities.

The following is a summary of the City's statement of activities.

	Governmen	tal	Activities	Business-Type Activities			Activities	Total				
For the year ended September 30,	2019		2018		2019		2018		2019		2018	
Revenues:												
Program revenues:												
Charges for services	171,119	\$	272,805	\$	2,835,200	\$	2,718,777	\$	3,006,319	\$	2,991,582	
Operating grants and												
contributions	83,466		106,932		-		-		83,466		106,932	
Capital grants and												
contributions	-		29,211		183,309		-		183,309		29,211	
General revenues:												
Property taxes	2,620,642		2,219,823		-		-		2,620,642		2,219,823	
Sales and use taxes	694,688		605,246		-		-		694,688		605,246	
Franchise taxes	256,543		263,276		-		-		256,543		263,276	
Investment income	29,181		28,250		17,879		16,532		47,060		44,782	
Other	472,975		183,582		118,984		465,274		591,959		648,856	
Total revenues	\$ 4,328,614	\$	3,709,125	\$	3,155,372	\$	3,200,583	\$	7,483,986	\$	6,909,708	
Expenses:												
General government	\$ 1,112,913	\$	786,904	\$	-	\$	-	\$	1,112,913	\$	786,904	
Public safety	1,438,437		1,172,525		-		-		1,438,437		1,172,525	
Public works	285,421		238,501		-		-		285,421		238,501	
Culture and recreation	337,173		257,280		-		-		337,173		257,280	
Health and welfare	826,322		760,339		-		-		826,322		760,339	
Interest and other charges	74,043		81,996		-		-		74,043		81,996	
Water, sewer, and sanitation	-		-		3,403,629		3,042,186		3,403,629		3,042,186	
Total expenses	\$ 4,074,309	\$	3,297,545	\$	3,403,629	\$	3,042,186	\$	7,477,938	\$	6,339,731	
Change in net position before												
transfers	\$ 254,305	Ş	411,580	\$	(248,257)	Ş	158,397	\$	6,048	Ş	569,977	
Transfers	(287,104)		(281,699)		345,220		281,699		58,116			
Change in net position	(32,799)		129,881		96,963		440,096		64,164		569,977	
Net position - beginning	4,131,013		4,001,132		3,498,710		3,058,614		7,629,723		7,059,746	
Restatement of net position (note 15)	185,379		-		(16,475)		-		168,904		-	
Net position - beginning, as restated	4,316,392		4,001,132		3,482,235		3,058,614		7,798,627		7,059,746	
Net position - ending	\$ 4,283,593	\$	4,131,013	\$	3,579,198	\$	3,498,710	\$	7,862,791	\$	7,629,723	

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balances of the General Fund is \$917,024. 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 general fund expenditures. Unassigned fund balance represents 20.53 percent of total general fund expenditures, while total fund balance represents 20.54 percent of that same amount.

Other Items. The Debt Service Fund has a total fund balance of \$584,360 all of which is restricted for the payment of debt service.

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

Unrestricted net position at the end of the year for the water and sewer services and sanitation (solid waste disposals) service fund is \$1,056,732.

GENERAL FUND BUDGETARY HIGHLIGHTS

It is the practice of the City to budget very conservatively. Revenues in 2018-19 were \$208,375 more than budgeted with Sales and use taxes coming in at \$94,658 more than budgeted. Actual expenses were 817,191 more than budgeted primarily due to Capital Outlay and the General Government expenditures being higher than anticipated. While the City budgeted \$0 of appropriated fund balance the City's actual change in fund balance was an decrease of \$232,538.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019 amounts to \$18,830,255 (net of depreciation). This investment in capital assets includes land, buildings, equipment, streets and water/sewer systems, and improvements other than buildings.

The General Fund leased an ambulance for \$750 thousand. The Water and Sewer Fund began construction of a connection line to tie into the Lubbock emergency water line which will cost approximately \$480 thousand. Expenitures related to the project totaled \$21,400 for the year ended September 30, 2019. Additional information on the City's capital assets can be found in note 6 of this report.

Long-Term Liabilities. At the end of the fiscal year, the City had total outstanding long-term liabilities of \$13,373,991. Included in the City's long-term debt are capital leases in the amount of \$876,991 for a fire truck and ambulance. The remainder of the long-term debt is in the form of certificates of obligation, tax notes, and bonds that were used to acquire and/or rehabilitate facilities to attract and/or retain businesses.

The City's long-term liabilities are summarized below:

	 Governmen	tal	Activities	Business-Type Activities					Total			
	2019		2018		2019		2018	2019			2018	
Note Payable - Ambulance	\$ 126,991	\$	166,319	\$	-	\$	-	\$	126,991	\$	166,319	
Note Payable - Fire Truck	750,000		-		-		-		750,000		-	
Certificate of Obligation Series 2010	1,305,000		1,430,000		-		-		1,305,000		1,430,000	
Certificate of Obligation Series 2013	-		_		4,905,000		5,205,000		4,905,000		5,205,000	
Certificate of Obligation Series 2017A	-		_		1,340,000		1,400,000		1,340,000		1,400,000	
Tax Notes Series 2013	38,540		76,260		8,460		16,740		47,000		93,000	
Tax Notes Series 2015	123,240		162,760		113,760		150,240		237,000		313,000	
Tax Notes Series 2016	-		-		404,000		500,000		404,000		500,000	
Tax Notes Series 2016A	-		-		224,000		278,000		224,000		278,000	
Tax Notes Series 2017B	419,200		537,600		235,800		302,400		655,000		840,000	
General Obligation Refunding												
Bonds Series 2015	442,897		475,000		2,937,103		3,150,000		3,380,000		3,625,000	
Totals	\$ 3,205,868	\$	2,847,939	\$	10,168,123	\$	11,002,380	\$	13,373,991	\$	13,850,319	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Wolfforth will have an expected growth of over 70% in the next Census, according to the Census Bureau. In the past year, two long term employees, Debbie Perkey and Doug Hutcheson, retired from the City Secretary and the Public Works Director positions. We look ahead to moving forward with new employees in those key positions, and with the hiring of Jared Wesley as City Engineer, and Lauren Murphey as City Secretary, adding new players will help with our continued expansion.

This year, Fire, EMS, and Police services are expanding and call for new positions to continue to provide the level of protection and service our community is known for.

Progress has been made in some key developments that will bring a number of new residents to our community. Scarlet Matador homes will be online and operational this year. Preston Manor continues to keep up a strong pace in new construction. Utility and street construction has already begun in the Ironhorse subdivision which will bring new options to prospective homebuyers. New expansion in the Frenship Mesa subdivision will bring growth in the established part of the City.

The Wolfforth EDC continues to lead our commercial development efforts in a very positive way. Recruiting efforts with the Retail Coach's guidance have continued to have an impact on new businesses coming to our community. O'Reilly's is on line and showing much promise in impacting our revenues. The Accoutrements Shopping Center continues to bring new tenants online. With the new relationship the EDC has with the Leading EDG, we will be able to provide new and existing businesses with consulting in financial and business planning. These efforts have brought on a 16% growth in sales tax over last year's

already impressive 31% growth. With the new construction of the Grace Hospital facility across the freeway, new opportunities will increase in markets we have not been active in previously.

Infrastructure needs continue to grow as well. In the near term we will need a major expansion and improvements to our water and sewer plants. The TWDB has awarded our loan to allow us to move ahead with the Wolfforth Place project (see further information regarding new debt in note 13). Plans are in place to provide substantial capacity to our sewer plant. Wells 18 and 19 should be online in the next year. Construction will begin soon to allow for an emergency connection to Lubbock water.

<u>Requests for Information.</u> This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darrell Newsom, at the City of Wolfforth, PO Box 36, Wolfforth, Texas.

Basic Financial Statements

City of Wolfforth, Texas Statement of Net Position September 30, 2019

		Pi	rima	ary Governme	nt		Co	mponent Unit
								Wolfforth
								Economic
	G	overnmental	В	Business-Type				Development
		Activities		Activities		Total		Corporation
Assets								
Current assets								
Cash and cash equivalents	\$	1,851,211	\$	1,233,223	\$	3,084,434	\$	883,196
Investments		35		1,528		1,563		-
Receivables, net:								
Property taxes		79,521		-		79,521		-
Other taxes		127,845		-		127,845		61,316
Accounts receivable		-		342,867		342,867		-
Notes receivable		-		-		-		113,763
EMS fees		141,962		-		141,962		-
Miscellaneous		7,916		-		7,916		-
Prepaid expense		-		18,001		18,001		-
Internal Balances		(7,368)		7,368		-		-
Total current assets		2,201,122		1,602,987		3,804,109		1,058,275
Noncurrent assets								
Restricted cash and cash equivalents		450		166,394		166,844		-
Capital assets, net of								
accumulated depreciation		6,098,368		12,731,887		18,830,255		-
Total noncurrent assets		6,098,818		12,898,281		18,997,099		-
Total assets		8,299,940		14,501,268		22,801,208		1,058,275
Deferred outflows of resources								
Deferred outflows - refunding bonds		18,108		66,164		84,272		-
Deferred outflows - pension		283,952		109,112		393,064		-
Deferred outflows - OPEB		25,041		10,265		35,306		
Total deferred outflows of resources		327,101		185,541		512,642		-
Total assets and deferred outflows								
of resources	\$	8,627,041	\$	14,686,809	\$	23,313,850	\$	1,058,275

Liabilities Activities Business-Type Activities Economic Development Corporation Liabilities Current liabilities Total Corporation Accounts payable \$ 140,074 \$ 228,769 \$ 368,843 \$ 4 5 6 7 7,979 Accrued payroll 32,137 7,979 40,116 4 6 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 40,116 4 7 7,979 4 7 8,119 4 7 8,199 4 7 8,199 4 8,199			P	rima	ary Governme	nt		Со	mponent Unit
Liabilities Current liabilities Accounts payable \$ 140,074 \$ 228,769 \$ 368,843 \$ Accrued payroll 32,137 7,979 40,116 Taxes payable - 3,190 3,190 Accrued interest payable 6,049 20,893 26,942 Customer deposits 450 166,394 166,844 Current portion of notes, bonds, and capital leases payable 425,937 830,486 1,256,423 Compensated absences 23,620 12,183 35,803 Total current liabilities 628,267 1,269,894 1,898,161 Noncurrent liabilities 9,094 - 9,094 Notes, bonds, and capital leases payable 9,094 - 9,094 Notes, bonds, and capital leases payable 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities		G	overnmental	В	Business-Type				Wolfforth Economic Development
Current liabilities Accounts payable \$ 140,074 \$ 228,769 \$ 368,843 \$ Accrued payroll Accrued payroll 32,137 7,979 40,116 Taxes payable - 3,190 3,190 Accrued interest payable 6,049 20,893 26,942 Customer deposits 450 166,394 166,844 Current portion of notes, bonds, and capital leases payable 425,937 830,486 1,256,423 Compensated absences 23,620 12,183 35,803 Total current liabilities 628,267 1,269,894 1,898,161 Noncurrent liabilities 9,094 - 9,094 Notes, bonds, and capital leases payable 9,094 - 9,094 Notes, bonds, and capital leases 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilit			Activities				Total		Corporation
Accounts payable \$ 140,074 \$ 228,769 \$ 368,843 \$ Accrued payroll 32,137 7,979 40,116 Taxes payable - 3,190 3,190 Accrued interest payable 6,049 20,893 26,942 Customer deposits 450 166,394 166,844 Current portion of notes, bonds, and capital leases payable 425,937 830,486 1,256,423 Compensated absences 23,620 12,183 35,803 Total current liabilities 628,267 1,269,894 1,898,161 Noncurrent liabilities 9,094 - 9,094 Claims payable 9,094 - 9,094 Notes, bonds, and capital leases payable 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,10	Liabilities								
Accrued payroll Taxes payable Taxes payable Accrued interest payable Accrued interest payable Customer deposits Accrued interest portion of notes, bonds, and capital leases payable Accrued absences Total current liabilities Claims payable Notes, bonds, and capital leases payable Pond Notes, bonds, and capital leases payable Sond premiums, net of accuulated amortization of \$11,149 and \$45,709 Net pension liability Total noncurrent liabilities Total noncurrent liabilities Total noncurrent liability Assay.207 According to the first transport of transport of the first transport of transport of the first transport of transport of the first transport of transport of the first transport of transport of the first transport of transport of the first transpo	Current liabilities								
Taxes payable - 3,190 3,190 Accrued interest payable 6,049 20,893 26,942 Customer deposits 450 166,394 166,844 Current portion of notes, bonds, and capital leases payable 425,937 830,486 1,256,423 Compensated absences 23,620 12,183 35,803 Total current liabilities 628,267 1,269,894 1,898,161 Noncurrent liabilities 1,269,894 1,898,161 Claims payable 9,094 - 9,094 Notes, bonds, and capital leases payable 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources Deferred inflows - OPEB 1,991 803 2,794 Total	Accounts payable	\$	140,074	\$	228,769	\$	368,843	\$	-
Accrued interest payable Customer deposits 450 166,394 166,844 Current portion of notes, bonds, and capital leases payable Compensated absences 23,620 12,183 25,803 Total current liabilities Claims payable Notes, bonds, and capital leases payable Payable Sond premiums, net of accuulated amortization of \$11,149 and \$45,709 Net pension liability Payable Payable Payable Sond premiums, net of accuulated amortization of \$11,149 and \$45,709 Accuulated Payable	Accrued payroll		32,137		7,979		40,116		-
Customer deposits 450 166,394 166,844 Current portion of notes, bonds, and capital leases payable 425,937 830,486 1,256,423 Compensated absences 23,620 12,183 35,803 Total current liabilities 628,267 1,269,894 1,898,161 Noncurrent liabilities 1,898,161 1,898,161 Claims payable 9,094 - 9,094 Notes, bonds, and capital leases payable 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources Deferred inflows - pensions 5,585 955 6,540 Deferred inflows of resources 7,576 1,758 9,334	Taxes payable		-		3,190		3,190		-
Current portion of notes, bonds, and capital leases payable 425,937 830,486 1,256,423 Compensated absences 23,620 12,183 35,803 Total current liabilities 628,267 1,269,894 1,898,161 Noncurrent liabilities Claims payable 9,094 - 9,094 Notes, bonds, and capital leases payable 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources Deferred inflows - pensions 5,585 955 6,540 Deferred inflows of resources 7,576 1,758 9,334	Accrued interest payable		6,049		20,893		26,942		-
and capital leases payable 425,937 830,486 1,256,423 Compensated absences 23,620 12,183 35,803 Total current liabilities 628,267 1,269,894 1,898,161 Noncurrent liabilities Claims payable 9,094 - 9,094 Notes, bonds, and capital leases 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	Customer deposits		450		166,394		166,844		-
Compensated absences 23,620 12,183 35,803 Total current liabilities 628,267 1,269,894 1,898,161 Noncurrent liabilities 9,094 - 9,094 Notes, bonds, and capital leases 9,337,637 12,117,568 Bond premiums, net of accuulated 3,707,607 1,2438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources 5,585 955 6,540 Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	Current portion of notes, bonds,								
Total current liabilities 628,267 1,269,894 1,898,161 Noncurrent liabilities 9,094 - 9,094 Notes, bonds, and capital leases payable 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources 5,585 955 6,540 Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	and capital leases payable		425,937		830,486		1,256,423		-
Noncurrent liabilities 9,094 - 9,094 Notes, bonds, and capital leases payable 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources 5,585 955 6,540 Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	Compensated absences		23,620		12,183		35,803		-
Claims payable 9,094 - 9,094 Notes, bonds, and capital leases 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	Total current liabilities		628,267		1,269,894		1,898,161		-
Notes, bonds, and capital leases 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources Deferred inflows - pensions 5,585 955 6,540 Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	Noncurrent liabilities								
Notes, bonds, and capital leases 2,779,931 9,337,637 12,117,568 Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources Deferred inflows - pensions 5,585 955 6,540 Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	Claims payable		9,094		-		9,094		-
Bond premiums, net of accuulated amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources Deferred inflows - pensions 5,585 955 6,540 Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	Notes, bonds, and capital leases								
amortization of \$11,149 and \$45,709 24,438 107,462 131,900 Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources Deferred inflows - pensions 5,585 955 6,540 Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	payable		2,779,931		9,337,637		12,117,568		-
Net pension liability 839,207 367,197 1,206,404 OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows - pensions 5,585 955 6,540 Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	Bond premiums, net of accuulated								
OPEB liability 54,935 23,663 78,598 Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources 5,585 955 6,540 Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	amortization of \$11,149 and \$45,709		24,438		107,462		131,900		-
Total noncurrent liabilities 3,707,605 9,835,959 13,543,564 Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	Net pension liability		839,207		367,197		1,206,404		-
Total liabilities 4,335,872 11,105,853 15,441,725 Deferred inflows of resources Deferred inflows - pensions 5,585 955 6,540 Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	OPEB liability		54,935		23,663		78,598		-
Deferred inflows of resourcesDeferred inflows - pensions5,5859556,540Deferred inflows - OPEB1,9918032,794Total deferred inflows of resources7,5761,7589,334	Total noncurrent liabilities		3,707,605		9,835,959		13,543,564		-
Deferred inflows - pensions 5,585 955 6,540 Deferred inflows - OPEB 1,991 803 2,794 Total deferred inflows of resources 7,576 1,758 9,334	Total liabilities		4,335,872		11,105,853		15,441,725		-
Deferred inflows - OPEB1,9918032,794Total deferred inflows of resources7,5761,7589,334	Deferred inflows of resources								_
Total deferred inflows of resources 7,576 1,758 9,334	Deferred inflows - pensions		5,585		955		6,540		-
	•		1,991		803		2,794		-
Net nosition	Total deferred inflows of resources		7,576		1,758		9,334		-
INCL MODITION	Net position								
Net investment in capital assets 3,291,597 2,522,466 5,814,063	-		3.291.597		2.522.466		5.814.063		_
Restricted for:	•		-, - ,		,- ,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
Debt service 584,360 - 584,360			584.360		_		584.360		_
Capital projects 405,427 - 405,427			-		-				-
			•		1,056.732		•		1,058,275
									1,058,275
Total liabilities, deferred inflows,	Total liabilities, deferred inflows,								
		\$	8,627.041	\$	14,686.809	\$	23,313.850	\$	1,058,275

City of Wolfforth, Texas Statement of Activities For the Year Ended September 30, 2019

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:	EXPENSES	00,1,000		
Governmental activities:				
General government	\$ 1,112,913	\$ 125,697	\$ -	\$ -
Public safety	1,438,437	10,986	48,903	-
Public works	285,421	817	-	-
Culture and recreation	337,173	33,346	34,563	-
Health and welfare	826,322	273	-	-
Interest and other charges	74,043	-	-	
Total governmental activities	4,074,309	171,119	83,466	-
Business-type activities:				
Water	1,737,593	1,710,872	-	-
Sewer	1,123,772	515,160	-	183,309
Sanitation	542,264	609,168	-	-
Total business-type activities	3,403,629	2,835,200	-	183,309
Total primary government	\$ 7,477,938	\$ 3,006,319	\$ 83,466	\$ 183,309
Component unit:				
Economic development	\$ 288,758	\$ -	\$ -	\$ -

General revenues and transfers:

Taxes

Property taxes

Sales and use taxes

Franchise taxes

Investment income

Fire and EMS revenue

Fines, fees and permits

Fines and penalty revenue

Donations

Insurance recoveries

Other revenue

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning, as originally stated

Restatement of net position (see note 15)

Net position, beginning, as restated

Net position, ending

		e) Revenue and (y Government	a	B00 1100 1 00 1	mponent Unit
Governmental	<u>IIai</u>	Business-Type			 Wolfforth Economic Development
Activities		Activities		Total	Corporation
\$ (987,216)	\$	-	\$	(987,216)	\$ -
(1,378,548)		-		(1,378,548)	-
(284,604)		-		(284,604)	-
(269,264)		-		(269,264)	-
(826,049)		-		(826,049)	-
(74,043)		-		(74,043)	-
(3,819,724)		-		(3,819,724)	-
-		(26,721)		(26,721)	-
-		(425,303)		(425,303)	-
-		66,904		66,904	-
-		(385,120)		(385,120)	-
(3,819,724)		(385,120)		(4,204,844)	-
-		-		-	(288,758)
2,620,642		-		2,620,642	-
694,688		_		694,688	347,344
256,543		-		256,543	-
29,181		17,879		47,060	7,243
302,982		-		302,982	, -
151,523		_		151,523	_
-		101,495		101,495	
1,756		-		1,756	_
1,524		_		1,524	-
15,190		17,489		32,679	21,000
(287,104)		345,220		58,116	(58,116)
3,786,925		482,083		4,269,008	317,471
 (32,799)		96,963		64,164	28,713
4,131,013		3,498,710		7,629,723	999,743
185,379		(16,475)		168,904	29,819
4,316,392		3,482,235		7,798,627	1,029,562
\$ 4,283,593	\$	3,579,198	\$	7,862,791	\$ 1,058,275

City of Wolfforth, Texas Balance Sheet Governmental Funds September 30, 2019

	General Fund	Debt S	Service Fund
Assets			
Cash and cash equivalents	\$ 807,521	\$	599,496
Investments	35		-
Receivables, net:			
Property taxes	55,182		24,339
Other taxes	127,845		-
EMS fees	141,962		-
Miscellaneous	7,916		-
Due from other funds	7,768		-
Total assets	\$ 1,148,229	\$	623,835
Liabilities, deferred inflows of resources, and fund balances			
Liabilities			
Accounts payable	\$ 140,074	\$	-
Accrued payroll	32,137		-
Due to other funds	-		15,136
Customer deposits	450		
Total liabilities	172,661		15,136
Deferred inflows of resources			
Unavailable revenue - property taxes	58,544		24,339
Total deferred inflows of resources	58,544		24,339
Fund balances			
Restricted			
Debt service	-		584,360
Capital projects	-		-
Unassigned	 917,024		
Total fund balances	917,024		584,360
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,148,229	\$	623,835

	Total
Capital Projects	Governmental
Fund	Funds
\$ 405,427	\$ 1,812,444
-	35
-	79,521
-	127,845
-	141,962
-	7,916
-	7,768
\$ 405,427	\$ 2,177,491
\$ -	\$ 140,074
-	32,137
-	15,136
 -	450
-	187,797
-	82,883
-	82,883
-	584,360
405,427	405,427
-	917,024
405,427	1,906,811
\$ 405,427	\$ 2,177,491

City of Wolfforth, Texas Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position September 30, 2019

Total net position of governmental activities	\$ 4,283,593
statement of net position	30,123
the internal service fund attributable to the fund are included in the	20.455
to appropriate functions in other funds. The assets and liabilities of	
The City uses an internal service fund to charge the costs of insurance	
OPEB liability	(54,935)
Net pension liability	(839,207)
Premium on bonds payable	(24,438)
Notes, bonds, and capital leases payable	(3,205,868)
Compensated absences	(23,620)
Accrued interest	(6,049)
are not reported in the funds:	
accrued interest are not due and payable in the current period and, therefore,	
accrued compensated absences, net pension liability, OPEB liability, and	
Some liabilities, including bonds payable, certificates of obligation, tax notes,	
Deferred inflows - OPEB	(1,991)
Deferred inflows - pensions	(5,585)
Deferred outflows - OPEB	25,041
Deferred outflows - pensions	283,952
Deferred outflows - refunding bonds	18,108
to future periods and therefore, are not reported in funds:	
Deferred outflows and inflows of resources are applicable	
Property taxes	82,883
but are considered revenue in the statement of activities	
considered to be unearned revenue in the fund financial statements,	
Certain taxes receivable are not considered "available" revenues and are	
and, therefore, are not reported in the funds	6,098,368
Capital assets used in governmental activities are not financial resources	
Fund balances - total governmental funds	\$ 1,906,811
are different because:	

City of Wolfforth, Texas Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended September 30, 2019

	General Fund	Debt Service Fund
Revenues		_
Taxes:		
Property taxes	\$ 1,785,661	\$ 813,277
Sales and use taxes	694,688	-
Franchise taxes	256,543	-
State operating grants	83,466	-
Charges for services	171,119	-
Fines, fees and permits	151,523	-
Fire and EMS revenue	302,982	-
Investment income	17,544	4,985
Other revenue	15,190	-
Donations	1,756	-
Total revenues	3,480,472	818,262
Expenditures		
Current:		
General government	971,597	-
Public safety	1,061,241	-
Public works	105,297	-
Culture and recreation	307,527	-
Health and welfare	865,505	-
Capital outlay	1,153,367	-
Debt service:		
Principal	-	352,891
Interest and other charges	-	78,218
Total expenditures	4,464,534	431,109
Excess (deficiency) of revenues over expenditures	(984,062)	387,153
Other financing sources (uses)		
Loan proceeds	750,000	-
Insurance recoveries	1,524	-
Transfers out	-	(287,104)
Total other financing sources (uses)	751,524	(287,104)
Net change in fund balances	(232,538)	100,049
Fund balances, beginning, as originally stated	1,547,138	484,311
Fund balances - reclassification (note 15)	(606,317)	
Fund balances - restatement (note 15)	208,741	-
Fund balances, beginning, as restated	1,149,562	484,311
Fund balances - end of year	\$ 917,024	

Capital	Projects Fund	Total Governmental Funds
\$	-	\$ 2,598,938 694,688
	-	256,543 83,466
	-	171,119 151,523
	- 6,267	302,982
	-	28,796 15,190
	6,267	1,756 4,305,001
	-	971,597
	-	1,061,241 105,297
	-	307,527
2	- 07,157	865,505 1,360,524
	-	352,891 78,218
2	07,157	5,102,800
(2	00,890)	(797,799)
	-	750,000
	-	1,524 (287,104)
	-	464,420
(2	00,890)	(333,379)
6	- 06,317	2,031,449
O	-	208,741
	06,317	2,240,190
\$ 4	05,427	\$ 1,906,811

City of Wolfforth, Texas Governmental Funds

(6,836) 4,986

(1,508)

(10,945)

(32,799)

\$

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, 2019

Net change in fund balances - total governmental funds	\$ (333,379)
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 expenditures recorded in capital outlay Depreciation expense	1,360,524 (660,592)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Property taxes	21,704
Governmental funds report pension and other post-employment benefit contributions as expenditures. However, in the statement of activities, the cost of pension and other post-employment benefits earned net of employee contributions is reported as pension or OPEB expense:	
Pension related expense OPEB related expense	(47,335) (5,665)
The issuance of long-term debt (e.g. bonds, loans, leases) 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.	
Proceeds from the issuance of capital leases Principal payments on notes and bonds payable Principal payments on capital leases payable	(750,000) 352,891 39,180
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	4,176

Amounts reported for governmental activities in the statement of activities

are different because:

Accrued compensated absences

Amortization of premium on refunding

Change in net position of governmental activities

Amortization of deferred amount on refunding

The City uses an internal service fund to charge the costs of insurance to individual funds. The adjustment is needed to reflect the consolidation

of the internal service fund in the governmental activities

City of Wolfforth, Texas Statement of Net Position Proprietary Funds September 30, 2019

	Business-Type Activities	Governmental Activities	
	Water, Sewer and	_	
	Sanitation Fund	Self-Insurance Fund	
Assets			
Current assets			
Cash and cash equivalents	\$ 1,233,223	\$ 39,217	
Investments	1,528	-	
Accounts receivable, net	342,867	-	
Due from other funds	7,368	-	
Prepaid assets	18,001	-	
Total current assets	1,602,987	39,217	
Noncurrent assets			
Restricted cash and cash equivalents	166,394	-	
Capital assets non-depreciable	517,670	-	
Capital assets depreciable	21,359,284	-	
Less: accumulated depreciation	(9,145,067)	-	
Total noncurrent assets	12,898,281	-	
Total assets	14,501,268	39,217	
Deferred outflows of resources			
Deferred outflows - refunding bonds	66,164	-	
Deferred outflows - pension	109,112	-	
Deferred outflows - OPEB	10,265	-	
Total deferred outflows of resources	185,541	-	
Total assets and deferred outflows			
of resources	\$ 14,686,809	\$ 39,217	

	Business-Type Activities Water, Sewer and Sanitation Fund	Governmental Activities Self-Insurance Fund
Liabilities		
Current liabilities		
Accounts payable	\$ 228,769	\$ -
Accrued payroll	7,979	-
Taxes payable	3,190	-
Accrued interest payable	20,893	-
Customer deposits	166,394	-
Current portion of notes and bonds payable	830,486	-
Compensated absences	12,183	_
Total current liabilities	1,269,894	_
Noncurrent liabilities		
Notes and bonds payable	9,337,637	-
Bond premiums, net of accumulated		
amortization of \$45,709	107,462	-
Net pension liability	367,197	-
Net OPEB liability	23,663	-
Claims payable	-	9,094
Total noncurrent liabilities	9,835,959	9,094
Total liabilities	11,105,853	9,094
Deferred inflows of resources		
Deferred inflows - pension	955	-
Deferred inflows - OPEB	803	-
Total deferred inflows of resources	1,758	
Net position		
Net investment in capital assets	2,522,466	-
Restricted for debt service		-
Unrestricted	1,056,732	30,123
Total net position	3,579,198	30,123
Total liabilities, deferred inflows of resources,		
and net position	\$ 14,686,809	\$ 39,217

City of Wolfforth, Texas Statement of Revenues, Expenses, and Changes in Net Position Proprietary Funds For the Year Ended September 30, 2019

		Business-Type Activities	Governmental Activities		
	Wat	er, Sewer and	Activities		
		anitation Fund	Self-Insurance Fund		
Operating revenues					
Water sales	\$	1,653,131	\$ -		
Sewer		439,460	-		
Sanitation		609,168	-		
Contributions		-	264,990		
Fines and penalty revenue		101,495	-		
Water and sewer taps		75,700	-		
Rentals		57,741	-		
Other Revenue		17,489	-		
Total operating revenues		2,954,184	264,990		
Operating expenses					
Personnel services		674,583	-		
Supplies		189,888	-		
Contractual		612,567	-		
Depreciation		1,054,995	-		
Landfill fees		540,300	-		
Claims expense		, -	81,918		
Administrative fees		_	180,632		
Premiums		_	13,643		
Other operating costs		85,518	127		
Total operating expenses		3,157,851	276,320		
Operating income (loss)		(203,667)	(11,330)		
Non-operating revenues (expenses)					
Contribution from EDC		_	-		
Interest expense		(245,778)	-		
Interest income		17,879	385		
Total non-operating revenues (expenses)		(227,899)	385		
Income (loss) before contributions and					
transfers		(431,566)	(10,945)		
Capital grant revenue		183,309	-		
Transfers in		345,220	-		
Change in net position		96,963	(10,945)		
Net position, beginning, as originally stated		3,498,710	41,068		
Net position, restatement (note 15)		(16,475)			
Net position, beginning, as restated		3,482,235	41,068		
Net position, end of year	\$	3,579,198	\$ 30,123		

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

City of Wolfforth, Texas Statement of Cash Flows Proprietary Funds For the Year Ended September 30, 2019

		Business-type Activities	Governmental Activities
	Wat	ter, Sewer and	
	Sa	anitation Fund	Self-Insurance Fund
Cash flows from operating activities			
Cash received from customers	\$	2,892,549	\$ -
Cash received for premiums and claims	Ψ	-	264,990
Cash payments to suppliers		(1,318,303)	(276,320)
Cash payments to employees		(653,701)	-
Net cash provided (used) by operating activities		920,545	(11,330)
Cash flows from noncapital financing activities			
Transfers and interfund activity		337,852	_
Net cash provided by noncapital			
financing activities		337,852	-
Cash flows from investing activities			
Interest on investments		17,879	385
Net cash provided by investing activities		17,879	385
		,	
Cash flows from capital and related financing activities Acquisition of capital assets		(620 7E2)	
Capital grants		(628,752) 183,309	-
Interest paid		(258,074)	_
Principal payments on bonds, loans, and		(238,074)	_
notes payable		(844,876)	_
Net cash (used) by capital		(844,870)	
and related financing activities		(1,548,393)	_
Net (decrease) in cash and cash equivalents		(272,117)	(10,945)
Cash and cash equivalents - beginning of year		1,671,734	50,162
Cash and cash equivalents - end of year	\$	1,399,617	\$ 39,217
Cash and cash equivalents			
Cash	\$	1,233,223	\$ 39,217
Restricted cash	Ļ	1,233,223	ر 35,217
Total cash and cash equivalents	\$	1,399,617	\$ 39,217
Total cash and cash equivalents	<u> </u>	1,333,017	y 33,217

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

City of Wolfforth, Texas Statement of Cash Flows Proprietary Funds For the Year Ended September 30, 2019

	Business-type Activities		Governmental Activities	
		ter, Sewer and anitation Fund	Self-In:	surance Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$	(203,667)	\$	(11,330)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation		1,054,995		-
Noncash pension and OPEB expense		29,887		-
Changes in assets, liabilities and deferred outflows of resources:				
Accounts receivable		(78,284)		-
Prepaid assets		1,346		-
Accounts payable		105,434		-
Accrued payroll expenses		(10,294)		-
Accrued compensated absences		1,289		-
Other current liabilities		3,190		-
Customer deposits		16,649		-
Net cash provided (used) by operating activities	\$	920,545	\$	(11,330)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wolfforth, Texas (the "City") was established in 1916 under the Constitution of the State of Texas and has adopted the Home Rule Charter (Vernon's Ann. Civ. St. art. et. seq.) on July 25, 1966. The City operates under a council-manager form of government and provides the following services authorized by its charter: public safety (police, fire, and ambulance), highways and streets, sanitation, public improvements (water and sewer systems), planning and zoning, and general administrative services.

The City is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the City and it's discretely presented component unit, an entity for which the City is considered to be financially accountable.

This summary of significant accounting policies of the City is presented to assist in the understanding of City's financial statements. The financial statements and notes are the representation of City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other 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.

In evaluating how to define the City for financial reporting purposes management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has one component unit required to be reported under GASB Statements No. 14, No. 39, No. 61, and No. 80.

Discretely Presented Component Unit

The Wolfforth Economic Development Corporation (the "EDC") was formed to provide economic growth in the City. The governing board of the EDC is appointed by the City Council. The City has assigned one-third of its sales tax revenues to the EDC for future economic development. The EDC is reported as a discretely presented component unit in the statement of net position and statement of activities.

B. Government-wide and Fund 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. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The government-wide financial statements (statement of net position and the statement of activities) were prepared using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary financial statements. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions. Property taxes, net of estimated refunds, 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.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of account, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, sales and use taxes, franchise taxes, charges for services, fines, fees and permits, fire and EMS revenue, and investment income 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. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives payment.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The 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 the customers for sales and services. Operating expenses for 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 with the capital grants that reported below nonoperating revenues and expenses in the statement of revenues, expenses and changes in net position.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Under the requirements of GASB Statement No. 34, the City is required to present certain governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major proprietary fund:

The Water, Sewer and Sanitation Fund accounts for operation of the City water, sewer utility, and trash collection and disposal. Activities of the fund include administration, operation and maintenance of the water and sewer system, solid waste pickup, as well as billing and collection activities. The fund also accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for debt. All costs are financed through charges made to utility customers.

The Self-Insurance Fund accounts for the resources utilized to provide limited self-insurance for the employee's health insurance. The fund receives monies from the general and water, sewer and sanitation funds to pay claims and premiums for the benefit of the employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity

Deposits and Investments: 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, including restricted assets.

Receivables and Payables: Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in the water, sewer and sanitation fund that are delinquent for more than ninety days at year-end comprise the trade accounts receivable allowance for uncollectible accounts of \$9,646. The miscellaneous receivable allowance of \$24,543 is comprised of accounts aged more than ninety days.

Property Tax: Ad valorem property taxes are levied each October 1, in conformity with Subtitle E, Texas Property Tax Code. The taxes are levied from valuations assessed as of the prior January 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. Tax liens are automatic on January 1 each year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed.

Restricted Assets: Restricted assets consist of those funds expendable for debt service purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

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 activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life of one year or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental activities and proprietary funds is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the governmental activities, business-type activities and enterprise funds are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	7 - 40 years
Streets and infrastructure	25 years
Office furniture and equipment	5 - 15 years
Water and sewer system	5 - 50 years
Vehicle, equipment, and machinery	5 - 15 years
Library books and equipment	5 - 15 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)

Deferred Outflows of Resources: In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has four types of items that qualify for reporting in this category in both the governmental and business-type activities, which arise due to the requirements of GASB 68 and 75 and relate to the net pension liability and OPEB liability. These amounts are reported as deferred outflows and amortized into pension and OPEB expense over the average remaining service life of employees. Deferred outflows related to net pension liability and OPEB liability are further detailed in notes 9 and 10, respectively. Additionally, the City has one type of item related to the refunding general obligation bond described in note 7.

Accrued Payroll: Accrued payroll is comprised of the payroll expenditures based on amounts earned by the employees through September 30, 2019, along with accruals for applicable fringe benefits.

Liability for Incurred Claims: The liability for incurred claims represents estimated claims incurred but unpaid for the employee's group medical insurance at September 30, 2019. The estimate includes claims reported as well as claims incurred but not reported at year end. The City bases its estimate on prior claims history.

Deferred Inflows of Resources: In addition to liabilities, the statement of net position and fund balance sheets reports separate sections for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The City has one type of deferred inflow which arises under the modified accrual basis of accounting that qualifies for reporting in this category. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The item, unavailable revenue - property taxes is reported only in the governmental funds balance sheet.

In addition, the City has four types of items present on the statement of net position for both the governmental and business-type activities, which arise due to the requirements of GASB 68 and 75 and relate to the net pension liability and OPEB liability. These amounts are reported as deferred inflows and amortized into pension and OPEB expense over the average remaining service life of employees. Deferred inflows related to net pension liability and OPEB liability are further detailed in notes 9 and 10, respectively.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)

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

The City also provides its volunteer firefighters a pension which is administered through the Texas Emergency Services Retirement System (TESRS) and is accounted for in a similar manner.

Other Post-Employment Benefits: For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEBs, and net OPEB expense, information about the Texas Municipal Retirement System - Supplemental Death Benefit Plan 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 benefit terms. Investments are reported at fair value.

Compensated Absences: It is the City's policy to permit regular full-time employees to accumulate a limited amount of earned but unused vacation benefits. Benefits are accrued as follows:

Length of Service	Annual Vacation Leave Earned
1 year	80 hours
11 – 15 years	120 hours
16 – 20 years	140 hours
21 – 25 years	160 hours
Every 5 years thereafter	20 additional hours

Certified full time police officers shall receive 84 hours of vacation leave annually. Temporary employees and part-time employees do not earn vacation leave.

When an employee leaves the service of the City, he or she may be paid for any unused vacation leave in his or her account at time of separation. The rate of pay is determined by the salary rate in effect at the time of termination. Unused sick leave is canceled upon termination of employment without compensation of the employee.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)

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 governmental activities, business-type activities, or proprietary fund type statements of net position. For bonds issued after GASB Statement No. 34 was implemented, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred. For fund financial reporting, governmental fund types recognize bond premiums, discounts, as well as issuance costs, 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. Issuances cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Insurance costs, if any, are recorded as prepaid insurance and amortized over the term of the respective bond and certificate of obligation using the straight line method.

Fund Balance Classification Policies and Procedures:

In the fund financial statements, governmental funds report the following classifications of fund balance:

- a. Nonspendable Fund Balance: Includes amounts that are not in a spendable form or are required to be maintained intact. At September 30, 2019, the City had no nonspendable fund balance categorized in the governmental funds.
- b. Restricted Fund Balance: Includes amounts constrained for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of another government. At September 30, 2019, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$989,787 for various City programs and operations as restricted by enabling legislation. The details of these fund balance items are located on the governmental funds balance sheet.
- c. Committed Fund Balance: Includes amounts constrained to specific purposes by the City's highest decision-making authority. The City Council is the City's highest decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at the City's Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)
 - d. Assigned Fund Balance: Includes amounts for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. The City Council authorizes the City Manager as the City Official responsible for the assignment of fund balance.
 - e. Unassigned Fund Balance: All amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted fund balance to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of restricted funds, committed funds, then assigned, and finally unassigned as needed.

Net Position: Net position is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets: This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The City had \$405,427 of unspent bond and note proceeds as of September 30, 2019 related to the capital project fund, which are included as a component of net investment in capital assets.
- b. Restricted Net Position: Net position is reported as restricted when constraints placed on net position use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- **c.** Unrestricted Net Position: Net position that does not meet the definition of "net investment in capital assets" or "restricted."

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the City are management's estimate of depreciation on assets over their estimated useful lives, the current portion of accrued compensated absences, the allowance for doubtful accounts for various types of receivables, the liability for incurred claims, and the allocation of long-term liabilities between the governmental and business-type activities. Actuarial estimates are included in the calculation of net pension liability, net OPEB liability, and related pension and OPEB amounts.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The City operates on a twelve-month fiscal year which begins on October 1. The City Manager is the budget officer and submits a budget of estimated revenues and expenditures to the City Council. Upon receipt of the budget estimates the City Council holds a budget workshop and a public budget hearing. Prior to October 1, the budget is legally enacted through approval by the City Council. Once approved, the Council may amend the legally adopted budget by a majority vote when unexpected modifications are required in estimated revenues and appropriations. In addition to the legally adopted budget the Council approves payment of expenditures at each monthly Council meeting.

Governmental fund budgets are prepared on the GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Proprietary fund budgets are also prepared on the GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year and include debt principal retirements and capital outlays as expenses.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. The legal level of control is the total expenditures of the budgeted funds. Expenditures may not exceed appropriations at the total levels. Within these control levels, management may transfer appropriations between line items without Council approval.

The accompanying statement of revenues, expenditures and changes in fund balance – budget (GAAP basis) and actual present comparisons of the legally adopted budget with actual data on the modified accrual basis.

Excess Expenditures over Budget

At fiscal year-end, the City exceeded its budget in the following funds:

				Over-
		Actual	I	Expenditure
	Final Budget	Expenditures		Variance
 General Fund	\$ 3,647,343	\$ 4,464,534	\$	(817,191)

NOTE 3: DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of the State of Texas, and its agencies. The market value of pledged collateral must fully cover uninsured deposits. The City's and the component unit's deposits were fully secured at the balance sheet date by FDIC coverage and pledged securities as of September 30, 2019.

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of Cash and Cash Equivalents

City of Wolfforth:

,	
Cash and cash equivalents	\$ 3,084,434
Restricted cash and cash equivalents	166,844
Total cash and cash equivalents	3,251,278
Plus: outstanding checks	252,197
Less: outstanding deposits	(12,519)
Less: petty cash	(200)
Bank balance of deposits	\$ 3,490,756
Economic Development Corporation:	
Economic Development Corporation: Cash and cash equivalents	\$ 883,196
•	\$ 883,196 -
Cash and cash equivalents	\$ 883,196 - 883,196
Cash and cash equivalents Restricted cash and cash equivalents	\$
Cash and cash equivalents Restricted cash and cash equivalents	\$
Cash and cash equivalents Restricted cash and cash equivalents Total cash and cash equivalents	\$ 883,196

<u>Investments</u>

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank or financial institution failure, the City's investments may not be returned to it. The City minimizes this risk by investing in certificates of deposit, which are fully insured or collateralized in the TexPool investment pool, which is rated AAAm by Standards & Poor's.

TexPool is a local government investment pool organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All investments of the TexPool are stated at amortized cost, which approximates the market value of the securities. The objective of TexPool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas.

Credit Risk- Investments: The City controls credit risk by limiting its investments to those described above, which are permitted by the Texas Public Funds Investment Act.

Interest Rate Risk – Investments: The City manages interest rate risk by diversifying its portfolio and limiting its investments to the relatively low risk investments described above.

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

The City's investments at September 30, 2019 include the following:

Investment	Credit Rating	Average Maturities	_	alance at tember 30, 2018
City of Wolfforth				
Tex-Pool	AAAm	34 days	\$	1,563
Total investments			\$	1,563

Fair Value Measurement

All of the City's investments are either checking accounts or external investment pools, which are not subject to fair value measurement in accordance with GASB 72.

NOTE 4: RECEIVABLES

Receivables as of September 30, 2019, are as follows:

Governmental Activities:

		Debt Service				
	Gen	eral Fund		Fund		Total
Property taxes	\$	64,828	\$	24,339	\$	89,167
Other taxes:						
Sales taxes		127,845		-		127,845
EMS fees		141,962		-		141,962
Miscellaneous		32,459		-		32,459
Less allowance for doub	tful accounts:					
Property taxes		(9,646)		-		(9,646)
Miscellaneous		(24,543)		-		(24,543)
Totals	\$	332,905	\$	24,339	\$	357,244

NOTE 4: RECEIVABLES (Continued)

Business-Type Activities:

	Water, Sewe and Sanitatio Fund	
Accounts receivable	\$	770,199
Less: Allowance for		
doubtful accounts		(427,332)
Totals	\$	342,867

Economic Development Corporation:

	Wolfforth		
	Economic		
	Development		
	Cor	poration	
Sales taxes	\$	61,316	
Notes receivable		113,763	
Totals	\$	175,079	

The EDC has issued various notes receivable to aid local economic growth. The terms of the notes include provisions for interest at 0-3% per annum with repayment periods of between 10-16 years. Total payments on notes receivable received for the year ended September 30, 2019 were \$59,841.

NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances for the City's individual major funds and nonmajor funds at September 30, 2019, is as follows:

Due from	Due to	Δ	Mount
Debt Service Fund	General Fund	\$	7,768
Debt Service Fund Water, Sewer and Sanitation Fund			7,368
	Total	\$	15,136

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2019, is as follows:

Transfer In	Transfer Out	 Amount
Water, Sewer and Sanitation Fund	Debt Service Fund	\$ 287,104
Water, Sewer and Sanitation Fund	Economic Development Corp.	58,116
Total		\$ 345,220

NOTE 6: CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended September 30, 2019. Land and Construction in Progress are not subject to depreciation.

Governmental Activities:

	I	eginning Balance 10/1/18	Addi	itions	De	eletions	statement Note 15)	Ending Balance 9/30/19
Capital assets not being depreciated:								
Land	\$	403,537	\$	-	\$	-	\$ -	\$ 403,537
Construction in Progress		44,071		-		-	(44,071)	-
Total non-depreciable assets		447,608		-		-	(44,071)	403,537
Capital assets being depreciated:								
Buildings and improvements		4,039,262	4	47,049		-	-	4,086,311
Streets and infrastructure		4,859,092	12	23,777		-	-	4,982,869
Office furniture and equipment		229,423		4,882		-	-	234,305
Vehicles, equipment, and machinery		4,335,125	1,13	33,208		-	-	5,468,333
Library books and equipment		325,458	Ţ	51,608		(40,813)	-	336,253
Total capital assets being								
depreciated	1	13,788,360	1,36	50,524		(40,813)	-	15,108,071
Total capital assets	1	14,235,968	1,36	50,524		(40,813)	(44,071)	15,511,608
Accumulated depreciation:								
Buildings and improvements		1,565,615	g	99,718		-	-	1,665,333
Streets and infrastructure		3,805,264	16	57,184		-	-	3,972,448
Office furniture and equipment		200,838		8,959		-	-	209,797
Vehicles, equipment, and machinery		2,976,741	35	58,463		-	-	3,335,204
Library books and equipment		245,003		26,268		(40,813)	-	230,458
Total accumulated depreciation		8,793,461	66	60,592		(40,813)	-	9,413,240
Governmental activities capital								
assets, net	\$	5,442,507	\$ 69	99,932	\$	-	\$ (44,071)	\$ 6,098,368

NOTE 6: CAPITAL ASSETS (Continued)

Depreciation expense for the year ended September 30, 2019 was charged to the functions of the governmental activities as follows:

Governmental activities:	
General government	\$ 109,347
Public safety	344,853
Public works	180,124
Culture and recreation	26,268
Total depreciation expense - governmental activities	\$ 660,592

Business-type Activities:

	Beginning			Ending
	Balance			Balance
	10/1/18	10/1/18 Additions		9/30/19
Non-depreciable assets:				_
Land	\$ 486,270	\$ 10,000	\$ -	\$ 496,270
Construction in Progress	-	21,400	-	21,400
Total non-depreciable assets	486,270	31,400	-	517,670
Depreciable assets:				
Buildings	257,903	-	-	257,903
Water and sewer system	19,485,231	573,622	-	20,058,853
Vehicles, equipment, and machinery	1,018,798	23,730	-	1,042,528
Total capital assets being				
depreciated	20,761,932	597,352	-	21,359,284
Total capital assets	21,248,202	628,752	-	21,876,954
Accumulated depreciation:				
Buildings and improvements	205,070	7,137	-	212,207
Improvements other than buildings	7,276,704	953,733	-	8,230,437
Infrastructure	608,298	94,125	-	702,423
Total accumulated depreciation	8,090,072	1,054,995	-	9,145,067
Business-type activities capital				
assets, net	\$ 13,158,130	\$ (426,243)	\$ -	\$ 12,731,887

NOTE 6: CAPITAL ASSETS (Continued)

Depreciation expense for business-type activities is reported in the following fund on the statement of revenues, expenses, and changes in net position.

Business-type activities:

Water, sewer and sanitation	\$ 1,054,995
Total depreciation expense -business-type activities	\$ 1,054,995

NOTE 7: LONG-TERM LIABILITIES

Governmental Activities:

The governmental activities have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. During the year ended September 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

								Balance		
		Balance					Se	ptember 30,	D	ue Within
	October 1, 2018		ber 1, 2018 Additions		Retirements		2019		One Year	
Certificates of obligation	\$	1,430,000	\$	-	\$	125,000	\$	1,305,000	\$	130,000
Refunding bonds		475,000		-		32,103		442,897		33,414
Tax notes		776,620		-		195,640		580,980		159,100
Capital leases		166,319		750,000		39,328		876,991		103,423
Compensated absences		16,784		41,706		34,870		23,620		23,620
Total	\$	2,864,723	\$	791,706	\$	426,941	\$	3,229,488	\$	449,557

NOTE 7: LONG-TERM LIABILITIES (Continued)

Governmental Activities: (Continued)

Certificates of obligation:

At September 30, 2019, the City had one certificate of obligation as follows:

					Original	
			Interest	Α	mount of	Remainng
Description	Date of Issue	Due Date	Rate		Issue	Balance
Certificate of Obligation Series 2010	09/15/10	02/15/32	2.30-4.15%	\$	2,090,000	\$ 1.305.000

The annual requirements to amortize the certificate of obligation as of September 30, 2019, including interest payments, are as follows:

Fiscal Year					
Ending				To	otal Debt
September 30,	F	Principal	Interest		Service
2020	\$	130,000	\$ 44,323	\$	174,323
2021		130,000	40,325		170,325
2022		140,000	36,070		176,070
2023		145,000	31,438		176,438
2024		150,000	26,495		176,495
2025-2029		280,000	91,844		371,844
2030-2032		330,000	27,110		357,110
	\$	1,305,000	\$ 297,605	\$	1,602,605

GO Refunding Bond:

At September 30, 2019, the City had one general obligation refunding bond as follows:

					Original			
			Interest	A	mount of	R	emainng	
Description	Date of Issue	Due Date	Rate		Issue		Balance	
GO Refunding Bond Series 2015	10/15/15	02/15/31	2.00-3.00%	\$	4.190.000	\$	442.897	

NOTE 7: LONG-TERM LIABILITIES (Continued)

Governmental Activities: (Continued)

GO Refunding Bond: (Continued)

The annual requirements to amortize the general obligation refunding bonds as of September 30, 2019, including interest payments, are as follows:

Fiscal Year					
Ending				To	otal Debt
September 30,	P	rincipal	Interest		Service
2020	\$	33,414	\$ 10,501	\$	43,915
2021		33,414	9,833		43,247
2022		34,069	9,158		43,227
2023		35,379	8,463		43,842
2024		36,034	7,749		43,783
2025-2029		186,724	25,690		212,414
2030-2031		83,863	2,536		86,399
	\$	442,897	\$ 73,930	\$	516,827

Tax Notes:

At September 30, 2019, the City had three tax notes as follows:

			Original				
			Interest	Amount of	Remainng		
Description	Date of Issue	Due Date	Rate	Issue	Balance		
Tax Note Series 2013	09/15/13	02/15/20	1.69% \$	580,000	\$ 38,540		
Tax Note Series 2015	09/15/15	02/15/22	1.80%	711,000	123,240		
Tax Note Series 2017B	08/01/17	02/15/24	2.00%	1,020,000	419,200		

The annual requirements to amortize the tax notes as of September 30, 2019, including interest payments, are as follows:

Fiscal Year					
Ending				To	otal Debt
September 30,	P	rincipal	Interest		Service
2020	\$	159,100	\$ 13,555	\$	172,655
2021		121,080	10,095		131,175
2022		124,800	6,902		131,702
2023		86,400	3,984		90,384
2024		89,600	1,344		90,944
	\$	580,980	\$ 35,880	\$	616,860

NOTE 7: LONG-TERM LIABILITIES (Continued)

Governmental Activities: (Continued)

Capital Leases:

At September 30, 2019, the City had two capital leases as follows:

			Original		
			Interest	Amount of	Remainng
Description	Date of Issue	Due Date	Rate	Issue	Balance
Fire Truck Lease WOLTX2018-11PB	04/25/18	04/25/22	3.72%	\$ 211,840	\$ 126,991
Ambulance Lease 62368	11/30/18	11/30/28	2.25%	750,000	750,000

The annual requirements to amortize the capital leases as of September 30, 2019, including interest payments, are as follows:

Fiscal Year					
Ending					Total Debt
September 30,	F	Principal	I	nterest	Service
2020	\$	103,423	\$	34,309	\$ 137,732
2021		107,413		30,320	137,733
2022		111,555		26,177	137,732
2023		70,337		21,873	92,210
2024		73,111		19,099	92,210
2025-2029		411,152		49,902	461,054
	\$	876,991	\$	181,680	\$ 1,058,671

NOTE 7: LONG-TERM LIABILITIES (Continued)

Business Type Activities:

The business-type activities have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. During the year ended September 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

							Balance		
		Balance				Se	ptember 30,	D	ue Within
	Oc	tober 1, 2018	Additions	Re	tirements		2019	(One Year
Certificates of obligation	\$	6,605,000	\$ -	\$	360,000	\$	6,245,000	\$	365,000
Refunding bonds		3,150,000	-		212,897		2,937,103		221,586
Tax notes		1,247,380	-		261,360		986,020		243,900
Compensated absences		10,894	22,637		21,348		12,183		12,183
Total	\$	11,013,274	\$ 22,637	\$	855,605	\$	10,180,306	\$	842,669

Certificates of Obligation:

At September 30, 2019, the City had two certificates of obligation as follows:

			Original			
			Interest	A	mount of	Remainng
Description	Date of Issue	Due Date	Rate		Issue	Balance
Certificate of Obligation Series 2013	05/01/13	02/15/33	1.00-3.00%	\$	6,625,000	\$ 4,905,000
Certificate of Obligation Series 2017A	08/01/17	02/15/37	2.00%		1,445,000	1,340,000

NOTE 7: LONG-TERM LIABILITIES (Continued)

Business Type Activities: (Continued)

Certificates of Obligation: (Continued)

The annual requirements to amortize the certificate of obligation as of September 30, 2019, including interest payments, are as follows:

Fiscal Year						
Ending						Total Debt
September 30,	Principal			Interest		Service
2020	\$	365,000	\$	155,363	Ç	520,363
2021		365,000		149,588		514,588
2022		370,000		143,775		513,775
2023		385,000		137,000		522,000
2024		390,000		129,250		519,250
2025-2029		2,100,000		493,525		2,593,525
2030-2034		1,995,000		169,575		2,164,575
2035-2037		275,000		12,525		287,525
	\$	6,245,000	\$:	1,390,601	ć	7,635,601

General Obligation Refunding Bonds:

At September 30, 2019, the City had one general obligation refunding bond as follows:

					Original	
			Interest	A	mount of	Remainng
Description	Date of Issue	Due Date	Rate		Issue	Balance
GO Refunding Bond Series 2015	10/15/15	02/15/31	2.00-3.00%	\$	4,190,000	\$ 2,937,103

NOTE 7: LONG-TERM LIABILITIES (Continued)

Business Type Activities: (Continued)

General Obligation Refunding Bonds: (Continued)

The annual requirements to amortize the general obligation refunding bond as of September 30, 2019, including interest payments, are as follows:

Fiscal Year					
Ending				T	otal Debt
September 30,	1	Principal	Interest		Service
2020	\$	221,586	\$ 69,637	\$	291,223
2021		221,586	65,205		286,791
2022		225,931	60,730		286,661
2023		234,621	56,125		290,746
2024		238,966	51,389		290,355
2025-2029		1,238,276	170,366		1,408,642
2030-2031		556,137	16,814		572,951
	\$	2,937,103	\$ 490,266	\$	3,427,369

Tax Notes:

At September 30, 2019, the City had five tax notes as follows:

			Original		
			Interest	Amount of	Remainng
Description	Date of Issue	Due Date	Rate	Issue	Balance
Tax Note Series 2013	09/15/13	02/15/20	1.69%	580,000	\$ 8,460
Tax Note Series 2015	09/15/15	02/15/22	1.80%	711,000	113,760
Tax Note Series 2016	01/15/16	02/15/23	1.90%	680,000	404,000
Tax Note Series 2016A	02/15/16	02/15/23	1.64%	380,000	224,000
Tax Note Series 2017B	08/01/17	02/15/24	2.00%	1,020,000	235,800

NOTE 7: LONG-TERM LIABILITIES (Continued)

Business Type Activities: (Continued)

Tax Notes: (Continued)

The annual requirements to amortize the tax notes as of September 30, 2019, including interest payments, are as follows:

Fiscal Year						
Ending					To	otal Debt
September 30,	F	Principal	I	nterest		Service
2020	\$	243,900	\$	18,149	\$	262,049
2021		238,920		13,258		252,178
2022		243,200		8,357		251,557
2023		209,600		3,696		213,296
2024		50,400		756		51,156
	\$	986,020	\$	44,216	\$	1,030,236

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The Revenue Bonds are collateralized by the revenue of the water and sewer system. The bond ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. Certain General Obligation Certificates of Obligation are to be repaid by revenues of the Enterprise Fund. Enterprise Fund General Obligation Certificates of Obligation are secured both by a pledge of ad valorem taxes levied on all taxable property within the City and by a lien on and pledge of revenues to be generated by the Enterprise Fund.

Accrued Compensated Absences

Employees of the City are able to accrue a limited amount of vacation time during the year. During the fiscal year ended September 30, 2019, compensated absences increased by \$6,836 and \$1,289 for the governmental and business-type activities, respectively. Compensated absences are liquidated by the respective funds in which they are accrued.

NOTE 8: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The City entered into an agreement with the Texas Municipal League (TML-IRP) for risk management services. These services include a sharing of risk pool, claims administration and loss control services.

NOTE 8: RISK MANAGEMENT (Continued)

All risk is then shared among members of the pool. Members of the pool are not subject to additional assessments in the event losses exceed contributions. There have been no significant reductions in coverage during the fiscal year ended September 30, 2019 and the amount of settlements during the past three years has not exceeded the insurance coverage.

The City participates in the Texas Municipal League Joint Self-Insurance Fund for workers compensation coverage. The Texas Municipal League Joint Self-Insurance Fund assesses its members a contribution or premium based on a funding plan developed by the account for workers' compensation. The plan has a stop loss of \$100,000 per occurrence and overall aggregate stop loss of \$300,000 per year for the City. All risk is shared among members of the pool. Members of the pool are not subject to additional assessments in the event losses exceed contributions. Premiums are expensed by the insurance fund when incurred.

There has been no reduction in coverage and the amount of settlements during the past three years has not exceeded the insurance coverage.

The City has established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss related to employee health claims. Under this program, the Fund provides coverage up to a maximum of \$50 thousand for each claim. The Fund purchases commercial insurance for claims in excess of this coverage. Settled claims have not exceed commercial coverage in any of the last three fiscal years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

Changes in the balances of claims liabilities during the past two years are as follows:

	Septen	nber 30, 2019	Sept	ember 30, 2018
Unpaid claims and claim adjustment expenses, beginning	\$	9,094	\$	9,481
Incurred claims and claim adjustment		81,918		52,968
Claims and claim adjustment expenses		(81,918)		(53,355)
Unpaid claims and claim adjustment expenses, ending	\$	9,094	\$	9,094

NOTE 9: DEFINED BENEFIT PENSION PLANS

Texas Municipal Retirement System (TMRS)

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	17
Active employees	28
Total	51

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.39% and 11.29% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$177,779, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation 2.5% per year Overall payroll growth 3% per year

Investment rate of return 6.75%, net of pension plan investment expense,

including inflation

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

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

Actuarial assumptions used in the December 31, 2018, valuation were based on results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

		Long-term expected rate of
Asset Class	Target Allocation	return (Arithmetic)
Domestic equity	17.50%	4.55%
International equity	17.50%	6.35%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	4.15%
Real return	10.00%	4.15%
Real estate	10.00%	4.75%
Absolute return	10.00%	4.00%
Private equity	5.00%	7.75%
Total	100.00%	

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)					
	То	tal pension liability (a)		an fiduciary et position (b)	N	let pension liability (a) - (b)
Balance at 12/31/2017	\$	3,906,360	\$	3,115,469	\$	790,891
Changes for the year:						
Service cost		166,199		-		166,199
Interest		266,386		-		266,386
Change of benefit terms		-		-		-
Difference between expected/actual						
experience		62,641		-		62,641
Changes of assumptions		-		-		-
Contributions - employer		-		155,885		(155,885)
Contributions - employee		-		69,540		(69,540)
Net investment income		-		(93,367)		93,367
Benefit payments, including refunds of						
employee contributions		(86,005)		(86,005)		-
Administrative expense		-		(1,804)		1,804
Other changes		-		(95)		95
Net changes		409,221		44,154		365,067
Balance at 12/31/2018	\$	4,315,581	\$	3,159,623	\$	1,155,958

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1%	6 Decrease in			19	% Increase in
	D	Discount Rate Discount Rate		iscount Rate	Discount Rate	
		(5.75%)		(6.75%)		(7.75%)
City's net pension liability	\$	1,775,396	\$	1,155,958	\$	647,135

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2019, the City recognized pension expense of \$240,502.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows		Deferred Inflows of		
200	ОТ	Resources	Ke	sources	
Differences between expected and actual					
economic experience	\$	89,148	\$	-	
Changes in actuarial assumptions		-		3,607	
Difference between projected and actual					
investment earnings		162,011		-	
Contributions subsequent to the measurement date		132,705		_	
Total TEMRS	\$	383,864	\$	3,607	

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

\$132,705 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	TMRS
Year ending September 30:	
2019	\$ 79,840
2020	46,438
2021	40,554
2022	75,234
2023	5,486
Thereafter	-
Total	\$ 247,552

Texas Emergency Services Retirement System (TESRS)

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

TESRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TESRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained at www.tesrs.org.

Benefits Provided

Senate Bill 411, 6sth Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 791h Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefits formulas and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS) (Continued)

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities. The State is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended affective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017. Based on the August 31, 2018 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS) (Continued)

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ended September 30, 2019, total contributions (dues, prior service, and interest on prior service financing) of \$8,997 were paid into TESRS by the City. This was equal to the required contributions for the period.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed below.

The most recent completed biennial actuarial valuation as of August 31, 2018 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expenses.

Net Pension Liability

The System's net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018.

	Sy	System 100.00%		City 0.233%		
Total pension liability	\$	137,514,345	\$	320,408		
Plan fiduciary net position		115,863,894		269,962		
Net pension liability	\$	21,650,451	\$	50,446		
Plan fiduciary net position as a percentage						
of the total pension liability				84.3%		

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS) (Continued)

Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 3% Salary increases N/A

Investment rate of return 7.75% net of pension plan investment

expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 5.01%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.26% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

		Long-term expected rate of
Asset Class	Target allocation	return (arithmetic)
Equities		
Large cap domestic	32%	5.81%
Small cap domestic	15%	5.92%
Developed international	15%	6.21%
Emerging markets	5%	7.18%
Master limited partnership	5%	7.61%
Real Estate	5%	4.46%
Fixed income	23%	1.61%
Cash	0%	0.00%
Total / Weighted Average	100%	5.01%

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of the current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1%	Decrease in			1	% Increase in		
		Discount Rate (6.75%)		Discount Rate (7.75%)		Discount Rate (8.75%)		
City's proportional share of the net								
pension liability	\$	100,251	\$	50,446	\$	16,853		

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of</u> Resources Related to Pensions

At August 31, 2018, the City reported a liability of \$50,446 for its proportionate share of the TESRS's net pension liability. The net pension liability was measured as of August 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability (0.233%) was based on the District's contributions to the pension plan relative to the contribution of all employers to the plan for the period September 1, 2017 through August 31, 2018.

For the year ended September 30, 2019, the City recognized pension expense of \$6,497.

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS) (Continued)

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Defer	red Outflows	Def	erred Inflows of
	of	Resources		Resources
Differences between expected and actual				
economic experience	\$	14	\$	-
Changes in actuarial assumptions		189		-
Difference between projected and actual				
experience		-		145
Net difference between projected and actual				
investment earnings on pension plan				
investments		-		2,788
Contributions subsequent to the measurement date		8,997		-
Total TESRS	\$	9,200	\$	2,933

\$8,997 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

	TESRS
Year ending September 30:	
2019	3,250
2020	(1,809)
2021	(2,662)
2022	(1,509)
Total	(2,730)

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS

Plan Description and Benefits

The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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 another postemployment benefit ("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).

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	2
Active employees	28
Total	35

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Employees for the City of Wolfforth, TX were required to contribute 0.02% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.18% and 0.19% in calendar 2018 and 2019, respectively. The City's contributions to SBDF for the year ended September 30, 2019 were \$2,995 and were equal to the required contributions.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Liability

Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.5% to 10.5% including inflation
Discount rate*	3.71
Retirees' share of benefit-	
related costs	\$ -
	All adminstrative expenses are paid through the Pension Trust and
	accounted for under reporting requirements under GASB Statement
Administrative expenses	No. 68.
Mortality rates - service	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and femail multiplied by 103% and
retirees	projected on a fully generational basis with scale BB.
Mortality rates disabled	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are
Mortality rates - disabled retirees	projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

^{*}Discount Rate

The discount rate used to measure the total OPEB liability was 3.71%. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

Changes in the Net OPEB Liability

	 tal OPEB .iability (a)
Balance at 12/31/2017	\$ 42,731
Changes for the year:	
Service cost	2,921
Interest	1,458
Change of benefit terms	-
Difference between expected/actual experience	34,956
Changes of assumptions	(3,190)
Benefit payments, including refunds of employee contributions	(278)
Net changes	35,867
Balance at 12/31/2018	\$ 78,598

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would have been of it were calculated using a discount rate that is 1 percentage point lower (2.71%) or 1 percentage point higher (4.71%) than the current rate:

	1%	6 Decrease in			19	% Increase in
	D	iscount Rate	D	iscount Rate	D	iscount Rate
_ <u></u>		(2.71%)	%) (3.71			(4.71%)
City's net OPEB liability	\$	87,058	\$	78,598	\$	71,993

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at <u>www.tmrs.com</u>.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

For the year ended September 30, 2019 the City recognized OPEB expense of \$5,665.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	red Outflows Resources	Deferred Inflow of Resources		
Differences between expected and actual				
experience	\$ 30,619	\$	-	
Changes in actuarial assumptions	2,416		2,794	
Contributions subsequent to the measurement date	2,271		-	
Total OPEBs	\$ 35,306	\$	2,794	

\$2,271 reported as deferred outflows of resources related to OPEBs resulted from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

	OPEB
Year ending September 30:	
2019	\$ 4,340
2020	4,340
2021	4,340
2022	4,340
2023	4,340
Thereafter	8,541
Total	\$ 30,241

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the year ended 2019 was \$2,271, which equaled the required contributions each year.

NOTE 11: CONTINGENT LIABILITIES

The City is exposed to various claims and lawsuits in the normal course of business. Management are unaware of any material pending or threatened litigation, claims, or assessments against the City, which are not covered by the City's insurance.

In the normal course of operations the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes any liability resulting from these audits would be immaterial.

NOTE 12: RESTRICTED COMPONENTS OF NET POSITION

The government-wide statement of net position reports \$989,787 of restricted net position, all of which is restricted by enabling legislation or other methods.

NOTE 13: SUBSEQUENT EVENTS

Subsequent events were evaluated through March 23, 2020, which is the date the financial statements were available to be issued.

The City issued general obligation refunding bonds, series 2020 on February 1, 2020 in the amount of \$1,095,000 with an interest rate of 4% and maturity at February 15, 2027.

The City issued tax notes, series 2020 on February 1, 2020 in the amount of \$1,435,000 with an interest rate of 5% and a maturity date of February 15, 2027.

On March 23, 2020 the City issued a state of emergency in relation to the COVID-19 pandemic. The financial implications are unknown.

NOTE 14: COMMITMENTS

The City has an outstanding construction project related to connecting to the Lubbock emergency water line. The total remaining cost to complete the project was \$453,010 as of September 30, 2019.

NOTE 15: RECLASSIFICATION/RESTATEMENT OF FUND BALANCE/NET POSITION

Fund balance and net position were reclassified and/or restated due to the creation of a Capital Projects Fund, accruing receivables and revenues, recording pension related deferred items, and recording the Self-Insurance Fund (ISF) in the governmental activities.

						Total
			Ca	pital Projects	ts Governme	
	(General Fund		Fund		Funds
Fund balance, beginning of year	\$	1,547,138	\$	-	\$	2,031,449
Sales tax receivables not accrued in 2018		208,741		-		208,741
Creation of Capital Projects Fund		(606,317)		606,317		
Fund balance, beginning of year, as restated	\$	1,149,562	\$	606,317	\$	2,240,190
	G	overnmental	I	Business-type		
		Activities		Activities		Total
Net position, beginning of year	\$	4,131,013	\$	3,498,710	\$	7,629,723
Properly accrue receivables and revenue		208,741		-		208,741
Restatement related to removing						
construction in progress		(44,071)		-		(44,071)
Properly record pension of ISF in						
governmental activities		16,475		(16,475)		-
Properly record pension deferred items		4,234		-		4,234
Net position, beginning of year, as restated	\$	4,316,392	\$	3,482,235	\$	7,798,627

NOTE 16: SUBSEQUENT PRONOUNCEMENTS

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, was issued. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

NOTE 16: SUBSEQUENT PRONOUNCEMENTS (Continued)

In June 2018, GASB Statement No. 90, Majority Equity Interests—an amendment of GASB Statements No.14 and No. 61, was issued. Effective Date: The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In January 2020, GASB Statement No. 92, *Omnibus 2020*, was issued. The requirements of this statement are effective periods beginning after June 15, 2020. Earlier application is encouraged and is permitted by topic. The City is still evaluating how this pronouncement will affect the financial statements.

Required Supplementary Information

THIS PAGE INTENTIONALLY LEFT BLANK

City of Wolfforth, Texas General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (GAAP Budgetary Basis) and Actual For the Year Ended September 30, 2019

Variances

							Favorable
	 Budgeted	nounts			(Uı	nfavorable)	
	 Original		Final	Actual		Fina	al to Actual
Revenues							
Taxes							
Property taxes	\$ 1,829,985	\$	1,829,985	\$	1,785,661	\$	(44,324)
Sales and use taxes	600,030		600,030		694,688		94,658
Franchise taxes	260,000		260,000		256,543		(3,457)
State operating grants	-		-		83,466		83,466
Charges for services	167,977		167,977		171,119		3,142
Fines, fees, and permits	139,600		139,600		151,523		11,923
Fire and EMS revenue	235,000		235,000		302,982		67,982
Investment income	18,005		18,005		17,544		(461)
Other revenue	19,500		19,500		15,190		(4,310)
Donations	2,000		2,000		1,756		(244)
Total revenues	3,272,097		3,272,097		3,480,472		208,375
Expenditures							
Current							
General government	742,860		742,860		971,597		(228,737)
Public safety	1,045,216		1,045,216		1,061,241		(16,025)
Public works	89,700		89,700		105,297		(15,597)
Culture and recreation	247,725		247,725		307,527		(59,802)
Health and welfare	836,642		836,642		865,505		(28,863)
Capital outlay	685,200		685,200		1,153,367		(468,167)
Total expenditures	3,647,343		3,647,343		4,464,534		(817,191)
Excess (deficiency) of revenues							
over expenditures	(375,246)		(375,246)		(984,062)		(608,816)
Other financing sources (uses)							
Proceeds from note payable	_		_		750,000		750,000
Insurance recoveries	_		_		1,524		1,524
Total other financing sources (uses)	-		-		751,524		751,524
Net change in fund balance	(375,246)		(375,246)		(232,538)		142,708
Fund balance - beginning of year	 				1,149,562		
Fund balance - end of year					917,024	•	
- 1					,		

See independent auditors' report.

City of Wolfforth, Texas Schedule of Changes in Net Pension Liability and Related Ratios Texas Municipal Retirement System Last 10 Fiscal Years*

Plan Year Ended December 31

	F	Plan Year Ended December 31,			
		2018		2017	
Total Pension Liability					
Service cost	\$	166,199	\$	161,933	
Interest (on the total pension liability)		266,386		243,771	
Changes of benefit terms		-		-	
Difference between expected and actual experience		62,641		21,340	
Change of assumptions		-		-	
Benefit payments, including refunds of employee					
contributions		(86,005)		(102,272)	
Net Change in Total Pension Liability		409,221		324,772	
Total Pension Liability - Beginning		3,906,360		3,581,588	
Total Pension Liability - Ending	\$	4,315,581	\$	3,906,360	
Plan Fiduciary Net Position					
Contributions - employer	\$	155,885	\$	162,852	
Contributions - employee	Ą	69,539	Ą	69,280	
Net investment income		(93,367)		363,708	
Benefit payments, including refunds of employee contributions		(86,005)		(102,272)	
Administrative expense		(1,804)		(102,272)	
Other		(1,804)		(1,885)	
Net Change in Plan Fiduciary Net Position		44,154		491,587	
Plan Fiduciary Net Position - Beginning		3,115,469		2,623,882	
Plan Fiduciary Net Position - Ending	\$	3,159,623	\$	3,115,469	
· · · · · · · · · · · · · · · · · · ·					
Net Pension Liability - Ending	\$	1,155,958	\$	790,891	
Plan Fiduciary Net Position as a Percentage of Total					
Pension Liability		73.21%		79.75%	
Covered Payroll	\$	1,390,787	\$	1,372,312	
Net Pension Liability as a Percentage of Covered Payroll		83.12%		57.63%	

^{*} The amounts presented were determined as of December 31. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Wolfforth will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

Plan Year Ended December 31,							
	2016		2015		2014		
\$	147,467	\$	126,524	\$	100,375		
	224,057		211,984		195,013		
	-		-		302,903		
	14,922		42,068		15,598		
	-		(11,327)		-		
	(100,975)		(76,433)		(86,803)		
	285,471		292,816		527,086		
	3,296,117		3,003,301		2,476,215		
\$	3,581,588	\$	3,296,117	\$	3,003,301		
\$	135,793	\$	119,684	\$	82,934		
	61,445		55,154		52,490		
	160,109		3,350		120,269		
	(100,975)		(76,433)		(86,803)		
	(1,808)		(2,040)		(1,256)		
	(97)		(101)		(103)		
	254,467		99,614		167,531		
	2,369,415		2,269,801		2,102,270		
\$	2,623,882	\$	2,369,415	\$	2,269,801		
	057.706	۲	026 702	۲.	722.500		
\$	957,706	\$	926,702	\$	733,500		
	73.26%		71.89%		75.58%		
\$	1,228,894	\$	1,103,083	\$	1,049,803		
-		•					
	77.93%		84.01%		69.87%		

See independent auditors' report.
See notes to required supplementary information.

City of Wolfforth, Texas Schedule of Contributions Texas Municipal Retirement System Last 10 Fiscal Years*

Fiscal year ended September 30,

	•	•	•
	2019		2018
Actuarially determined contribution	\$ 180,774	\$	158,132
Contributions in relation to the actuarially			
determined contribution	(180,774)		(158,132)
Contribution deficiency (excess)	\$ -	\$	
Covered payroll	\$ 1,597,627	\$	1,390,901
Contributions as a percentage of covered payroll	11.32%		11.37%

^{*} The amounts presented were determined as of September 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Wolfforth will present information for those years for which information is available.

Fiscal year ended September 30,

•	•	•
2017	2016	2015
\$ 156,682	\$ 129,826	\$ 109,271
(156,682)	(129,826)	(109,271)
\$ -	\$ -	\$
\$ 1,355,605	\$ 1,180,765	\$ 1,092,288
11.56%	11.00%	10.00%

See independent auditors' report.
See notes to required supplementary information.

City of Wolfforth, Texas Schedule of the City's Proportionate Share of the Net Pension Liability Texas Emergency Services Retirement System Last 10 Fiscal Years*

	2018	2017	2016
Proportion of the net pension liability	0.00233	0.00259	0.00295
Proportionate share of the net pension liability	\$ 50,446	\$ 62,164	\$ 85,928
State's proportionate share of the net pension liability			
associated with the City	6,008,866	7,860,070	10,069,876
Total	\$ 6,059,312	\$ 7,922,234	\$ 10,155,804
Plan fiduciary net position as a percentage of the total pension liability	84%	79%	85%

^{*} The amounts presented were determined as of December 31. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Wolfforth will present information for those years for which information is available.

2015	2014
0.00235	0.00260
\$ 62,727 \$	47,246
 9,252,432	6,140,560
\$ 9,315,159 \$	6,187,806
68%	77%

City of Wolfforth, Texas Schedule of Contributions Texas Emergency Services Retirement System Last 10 Fiscal Years*

	2019	2018
Actuarially determined contribution	\$ 8,997	\$ 14,295
Contributions in relation to the actuarially		
determined contribution	(8,997)	(14,295)
Contribution deficiency (excess)	\$ -	\$ -

^{*} The amounts presented were determined as of September 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Wolfforth will present information for those years for which information is available.

 2017	2016	2015
\$ 12,528	\$ 13,500 \$	11,088
(12,528)	(13,500)	(11,088)
 (12,320)	(13,300)	(11,000)
\$ -	\$ - \$	-

See independent auditors' report.
See notes to required supplementary information.

City of Wolfforth, Texas Schedule of Changes in Net Pension Liability and Related Ratios Other Post-Employment Benefits Last 10 Fiscal Years*

Plan Year Ended December 31,

	Tidii Tedi Elided Decellibei 3		
		2018	2017
Total OPEB Liability			
Service cost	\$	2,921	\$ 2,470
Interest (on the total OPEB liability)		1,458	1,399
Changes of benefit terms		-	-
Difference between expected and actual experience		34,956	-
Change of assumputions		(3,190)	3,214
Benefit payments, including refunds of employee contributions		(278)	(274)
Net Change in Total OPEB Liability		35,867	6,809
Total OPEB Liability - Beginning		42,731	35,922
Total OPEB Liability - Ending	\$	78,598	\$ 42,731
Covered Payroll	\$	1,390,787	\$ 1,372,312
Total OPEB Liability as a Percentage of Covered Payroll		5.65%	3.11%

^{*} The amounts presented were determined as of December 31. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Wolfforth will present information for those years for which information is available.

City of Wolfforth, Texas Notes to Required Supplementary Information For the Year Ended September 30, 2019

NOTE 1: BUDGET

The City operates on a twelve-month fiscal year which begins on October 1. The City Manager is the budget officer and submits a budget of estimated revenues and expenditures to the City Council. Upon receipt of the budget estimates the City Council holds a budget workshop and a public budget hearing. Prior to October 1, the budget is legally enacted through approval by the City Council. Once approved, the Council may amend the legally adopted budget by a majority vote when unexpected modifications are required in estimated revenues and appropriations. In addition to the legally adopted budget, the Council approves payment of expenditures at each monthly Council meeting. Unused appropriations for all annually budgeted funds lapse at the end of the fiscal year. Budgets are prepared on the accrual basis of accounting and include debt principal retirements and capital outlays as expenses.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. The legal level of control is the total expenditures of the budgeted funds. Expenditures may not exceed appropriations at the total levels. Budget revisions at this level are subject to final review by the City Council. Within these control levels, management may transfer appropriations between line items without Council approval.

The Budgetary Comparison Schedule, included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results, with the exception of the donated assets and related expenditure associated with the donation.

NOTE 2: SCHEDULE OF CONTRIBUTIONS - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

Valuation Date: Actuarially determined contribution rates are calculated as of

December 31, and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll, Closed

Remaining Amortization Period 27 years

Asset Valuation Method 10 Year smoothed market; 15% soft corridor

Inflation 2.5%

Salary Increases 3.5% to 10.5% including inflation

Investment Rate of Return 6.75%

See independent auditors' report.

City of Wolfforth, Texas Notes to Required Supplementary Information For the Year Ended September 30, 2019

NOTE 2: SCHEDULE OF CONTRIBUTIONS - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

Retirement Age Experience-based table based on rates that are specific to the City's

plan of benefits. Last updated for the 2015 valuation pursuant to

an experience study of the period 2010-2014.

Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment

with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

NOTE 3: SCHEDULE OF CONTRIBUTIONS - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

Valuation Date: August 31, 2018

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal

Amortization Method Level dollar, open

Amortization Period 30 years

Asset Valuation Method Market value smoother by a 5-year deferred recognition method

with a 80%/120% corridor on market value

Inflation 3.5%

Salary Increases n/a

Investment Rate of Return 7.75%, net of pension plan investment expense, including inflation

Mortality RP2000 Combined Mortality Healthy Lives Mortality Tables for mails

and for females projected to 2024 by scale AA.

Other Information: There were no benefit changes during the year.

City of Wolfforth, Texas Notes to Required Supplementary Information For the Year Ended September 30, 2019

NOTE 4: SCHEDULE OF CONTRIBUTIONS – TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFIT

Valuation Date: Actuarially determined contribution rates are calculated as of

December 31, and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll, Closed

Remaining Amortization Period 17 years

Asset Valuation Method 10 Year smoothed market; 15% soft corridor

Inflation 2.5%

Salary Increases 3.5% to 10.5% including inflation

Investment Rate of Return 6.75%

Retirement Age Experience-based table based on rates that are specific to the City's

plan of benefits. Last updated for the 2015 valuation pursuant to an

experience study of the period 2010-2014.

Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with

male rates multiplied by 109% and female rates multiplied by 103%

and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.