



City of Wolfforth, Texas

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2020

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Introductory Section

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September 30, 2020

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**City of Wolfforth, Texas
Official Roster
September 30, 2020**

<u>City Council</u>	
<u>Name</u>	<u>Title</u>
Mike Wright	Mayor
Randy Gross	Councilmember-Pro-Tem
Debbie Perkey	Councilmember
Corey Layman	Councilmember
Chris Powers	Councilmember
Rod Moore	Councilmember
<u>Administration</u>	
Darrell Newsom	City Manager
Lauren Field	City Secretary

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Financial Section

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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, 2020, 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

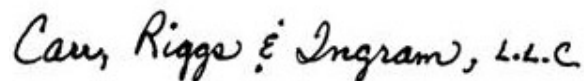
Required Supplementary Information

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 87, the Governmental Accounting Standards Board (GASB) required pension and Other Post-Employment Benefit (OPEB) schedules on pages 88 through 96, 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 GASB, 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
Lubbock, Texas
May 21, 2021

City of Wolfforth, Texas

Management's Discussion and Analysis

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, 2020. 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 Management's Discussion and Analysis (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, 2020 by \$8,201,824 (net position).
- The City's assets and deferred outflows increased by \$5,713,246 during the year and the liabilities and deferred inflows increased by \$5,374,213.
- The City's net position increased by \$339,033 for the year.
- 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: 1) 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., accounts receivable).

City of Wolfforth, Texas Management's Discussion and Analysis

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.

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 activities related to the water, sewer, and sanitation systems 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 balances 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 on page 87.

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

City of Wolfforth, Texas

Management's Discussion and Analysis

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, sewer, 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, sewer, 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 40-84 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 85-99 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 \$8,201,824 at September 30, 2020.

The largest portion of the City's net position (75 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.

\$1,752,431 of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$262,882 balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

City of Wolfforth, Texas Management's Discussion and Analysis

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

September 30,	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 2,829,067	\$ 2,201,572	\$ 5,545,855	\$ 1,769,381	\$ 8,374,922	\$ 3,970,953
Capital assets, net	5,977,245	6,098,368	14,199,180	12,731,887	20,176,425	18,830,255
Total Assets	\$ 8,806,312	\$ 8,299,940	\$ 19,745,035	\$ 14,501,268	\$ 28,551,347	\$ 22,801,208
Deferred outflows of resources						
	\$ 323,505	\$ 327,101	\$ 152,244	\$ 185,541	\$ 475,749	\$ 512,642
Liabilities						
Current liabilities	\$ 700,481	\$ 628,267	\$ 1,453,032	\$ 1,269,894	\$ 2,153,513	\$ 1,898,161
Net pension liability	711,127	839,207	315,882	367,197	1,027,009	1,206,404
Total OPEB liability	39,424	54,935	17,750	23,663	57,174	78,598
Long-term liabilities	2,959,020	2,813,463	14,479,809	9,445,099	17,438,829	12,258,562
Total liabilities	\$ 4,410,052	\$ 4,335,872	\$ 16,266,473	\$ 11,105,853	\$ 20,676,525	\$ 15,441,725
Deferred inflows of resources						
	\$ 110,779	\$ 7,576	\$ 37,968	\$ 1,758	\$ 148,747	\$ 9,334
Net position						
Net investment in capital assets	\$ 3,261,760	\$ 3,291,597	\$ 2,924,751	\$ 2,522,466	\$ 6,186,511	\$ 5,814,063
Restricted	1,377,541	989,787	374,890	-	1,752,431	989,787
Unrestricted (deficit)	(30,315)	2,209	293,197	1,056,732	262,882	1,058,941
Total net position	\$ 4,608,986	\$ 4,283,593	\$ 3,592,838	\$ 3,579,198	\$ 8,201,824	\$ 7,862,791

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.

City of Wolfforth, Texas

Management's Discussion and Analysis

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

For the year ended September 30,	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	472,257	\$ 171,119	\$ 3,217,664	\$ 2,835,200	\$ 3,689,921	\$ 3,006,319
Operating grants and contributions	328,485	83,466	-	-	328,485	83,466
Capital grants and contributions	-	-	8,381	183,309	8,381	183,309
General revenues						
Property taxes	2,890,993	2,620,642	-	-	2,890,993	2,620,642
Sales and use taxes	822,761	694,688	-	-	822,761	694,688
Franchise taxes	267,294	256,543	-	-	267,294	256,543
Investment income	20,833	29,181	18,346	17,879	39,179	47,060
Other	627,867	472,975	118,624	118,984	746,491	591,959
Total revenues	\$ 5,430,490	\$ 4,328,614	\$ 3,363,015	\$ 3,155,372	\$ 8,793,505	\$ 7,483,986
Expenses						
General government	\$ 1,618,493	\$ 1,112,913	\$ -	\$ -	\$ 1,618,493	\$ 1,112,913
Public safety	1,478,307	1,438,437	-	-	1,478,307	1,438,437
Public works	262,927	285,421	-	-	262,927	285,421
Culture and recreation	354,958	337,173	-	-	354,958	337,173
Health and welfare	1,055,680	826,322	-	-	1,055,680	826,322
Interest and other charges	82,740	74,043	-	-	82,740	74,043
Water, sewer, and sanitation	-	-	3,659,590	3,403,629	3,659,590	3,403,629
Total expenses	\$ 4,853,105	\$ 4,074,309	\$ 3,659,590	\$ 3,403,629	\$ 8,512,695	\$ 7,477,938
Change in net position before transfers	\$ 577,385	\$ 254,305	\$ (296,575)	\$ (248,257)	\$ 280,810	\$ 6,048
Transfers in (out)	(251,992)	(287,104)	310,215	345,220	58,223	58,116
Change in net position	325,393	(32,799)	13,640	96,963	339,033	64,164
Net position - beginning, as originally stated	4,283,593	4,131,013	3,579,198	3,498,710	7,862,791	7,629,723
Restatement of net position	-	185,379	-	(16,475)	-	168,904
Net position - beginning, as restated	4,283,593	4,316,392	3,579,198	3,482,235	7,862,791	7,798,627
Net position - ending	\$ 4,608,986	\$ 4,283,593	\$ 3,592,838	\$ 3,579,198	\$ 8,201,824	\$ 7,862,791

City of Wolfforth, Texas

Management's Discussion and Analysis

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 \$1,116,240. 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 26.66 percent of total general fund expenditures.

Other Items. The Debt Service Fund has a total fund balance of \$700,152, all of which is restricted for the payment of debt service. The Capital Projects Fund has a total fund balance of \$681,474, all of which is restricted for spending towards capital projects.

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, Sewer, and Sanitation Fund was \$293,197.

GENERAL FUND BUDGETARY HIGHLIGHTS

It is the practice of the City to budget very conservatively. Revenues in 2019-20 were \$622,115 more than budgeted with sales and use taxes and fines, fees & permits coming in at \$97,731 and \$82,350 more than budgeted. Additionally, the City received relief CARES Act relief funding (federal operating grant revenue) of \$313,885 that was not budgeted for. Actual expenses were \$322,609 less than budgeted primarily due to Capital Outlay expenditures being lower than anticipated by \$769,293. While the City budgeted \$745,508 of appropriated fund balance the City's actual change in fund balance was an increase of \$199,216.

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, 2020 amounts to \$20,176,425 (net of depreciation). This investment in capital assets includes land, buildings, equipment, streets and water/sewer systems, and improvements other than buildings. Additional information on the City's capital assets can be found in note 6 of this report.

Long-term liabilities. The Debt Service Fund and Capital Projects Fund received a general obligation refunding bond and tax note in the amounts of \$1,095,000 and \$481,066, respectively. The Water and Sewer Fund received a certificate of obligation and tax notes in the amounts of \$4,635,000 and \$953,934, respectively, for the year ended September 30, 2020. Additional information on the City's long-term liabilities can be found in note 7 of this report.

City of Wolfforth, Texas Management's Discussion and Analysis

Long-Term Liabilities (Continued). At the end of the fiscal year, the City had total outstanding long-term debt of \$18,826,035. Included in the City's long-term debt are capital leases in the amount of \$773,568 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:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Note Payable - Ambulance	\$ 86,199	\$ 126,991	\$ -	\$ -	\$ 86,199	\$ 126,991
Note Payable - Fire Truck	687,369	750,000	-	-	687,369	750,000
Certificate of Obligation Series 2010	-	1,305,000	-	-	-	1,305,000
Certificate of Obligation Series 2013	-	-	4,600,000	4,905,000	4,600,000	4,905,000
Certificate of Obligation Series 2017A	-	-	1,280,000	1,340,000	1,280,000	1,340,000
Certificate of Obligation Series 2020	-	-	4,635,000	-	4,635,000	-
Tax Notes Series 2013	-	38,540	-	8,460	-	47,000
Tax Notes Series 2015	82,356	123,240	76,644	113,760	159,000	237,000
Tax Notes Series 2016	-	-	306,000	404,000	306,000	404,000
Tax Notes Series 2016A	-	-	169,000	224,000	169,000	224,000
Tax Notes Series 2017B	339,200	419,200	190,800	235,800	530,000	655,000
Tax Note Series 2020	-	-	953,934	-	953,934	-
Tax Note Series 2020	481,066	-	-	-	481,066	-
General Obligation Refunding Bonds Series 2015	409,658	442,897	2,715,342	2,937,103	3,125,000	3,380,000
General Obligation Refunding Bonds Series 2020	1,095,000	-	-	-	1,095,000	-
Unamortized bond premiums	228,329	24,438	490,138	107,462	718,467	131,900
Totals	\$ 3,409,177	\$ 3,230,306	\$ 15,416,858	\$ 10,275,585	\$ 18,826,035	\$ 13,505,891

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Wolfforth is about to go into a growth mode never before experienced. Previously the Census Bureau projected growth to be at over 70%. That number may be conservative based on the number of undeveloped lots in new subdivisions.

The 20/21 budget year has proved to be very challenging. Key positions were turned over during the COVID-19 pandemic. The City Secretary, accounting, and all office positions except the Court Clerk turned over at the end of last FY or the beginning of this year. In the up and coming year, strong replacements in these positions should allow the office staff to be prepared for new challenges. Lauren Field, City Secretary, Cindy Lowery, Accounting, and Margarita Hernandez in utility billing all have experience that will greatly benefit the City. The hiring of Terri Robinette as Director of Planning and Community Development will help the office staff better serve the Development and Builder customers.

Challenges still exist in engineering with the Departure of the City Engineer. A new Project Engineer will be hired before the end of the FY and a new City Engineer will need to be hired in next year's budget.

City of Wolfforth, Texas Management's Discussion and Analysis

The City is facing an explosive growth pattern in terms of residential housing. The new Betenbough subdivision, The Harvest, will bring over 2,500 new residential lots online over the next 5 to 10 years. The Overlook subdivision will have over 400 lots, the Ironhorse at 300, Windsor at 90, Frenship Mesa II at 75 and Patterson Pointe at 50, will bring around 915 new homes over the next several years. These are incredible numbers considering the City currently serves around 2,200 water customers, both residential and commercial.

Additional personnel in Fire/EMS and the Police Department will be a high priority in future budget years to provide the safety and security that Wolfforth is known for and a major reason homeowners consider our City for their new home.

The Wolfforth EDC, armed with all of the information about this new growth will be in a strong position to recruit new business to town. Specific targets will be grocery and restaurants to better serve our new residents.

Infrastructure will be a major concern moving forward. Hydrology studies are underway to determine the best possibilities for additional water supplies. The current EDR water plant will be doubled in size to accommodate 3 million gallons of water per day. Plans are under formulation to build a new mechanical sewer plant to treat the sewer effluent created by all of these new homes.

Requests for Information. 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.

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Basic Financial Statements

City of Wolfforth, Texas
Statement of Net Position

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Wolfforth Economic Development Corporation
September 30, 2020				
Assets				
Current assets				
Cash and cash equivalents	\$ 2,151,946	\$ 4,960,458	\$ 7,112,404	\$ 1,072,052
Investments	50	1,528	1,578	-
Receivables, net				
Property taxes	69,629	-	69,629	-
Other taxes	157,989	-	157,989	76,460
Intergovernmental	247,412	-	247,412	-
Accounts receivable	-	398,361	398,361	-
Notes receivable	-	-	-	160,376
EMS fees	179,488	-	179,488	-
Miscellaneous	8,207	-	8,207	-
Prepaid assets	-	16,655	16,655	-
Internal Balances	13,896	(13,896)	-	-
Total current assets	2,828,617	5,363,106	8,191,723	1,308,888
Noncurrent assets				
Restricted cash and cash equivalents	450	182,749	183,199	-
Capital assets not being depreciated	503,636	2,622,930	3,126,566	-
Capital assets being depreciated	15,589,417	21,756,690	37,346,107	-
Less: accumulated depreciation	(10,115,808)	(10,180,440)	(20,296,248)	-
Total noncurrent assets	5,977,695	14,381,929	20,359,624	-
Total assets	8,806,312	19,745,035	28,551,347	1,308,888
Deferred outflows of resources				
Deferred outflows - refunding bonds	66,222	60,650	126,872	-
Deferred outflows - pension	229,205	80,171	309,376	-
Deferred outflows - OPEB	28,078	11,423	39,501	-
Total deferred outflows of resources	323,505	152,244	475,749	-
Total assets and deferred outflows of resources	\$ 9,129,817	\$ 19,897,279	\$ 29,027,096	\$ 1,308,888

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Wolfforth Economic Development Corporation
Liabilities				
Current liabilities				
Accounts payable	\$ 192,437	\$ 274,400	\$ 466,837	\$ -
Accrued payroll	24,736	5,588	30,324	-
Taxes payable	-	4,573	4,573	-
Accrued interest	6,049	36,220	42,269	-
Current portion of notes, bonds, and capital leases payable	459,701	1,120,246	1,579,947	-
Compensated absences	17,558	12,005	29,563	-
Total current liabilities	700,481	1,453,032	2,153,513	-
Noncurrent liabilities				
Claims payable	9,094	448	9,542	-
Customer deposits	450	182,749	183,199	-
Notes, bonds, and capital leases payable, net	2,949,476	14,296,612	17,246,088	-
Net pension liability	711,127	315,882	1,027,009	-
Total OPEB liability	39,424	17,750	57,174	-
Total noncurrent liabilities	3,709,571	14,813,441	18,523,012	-
Total liabilities	4,410,052	16,266,473	20,676,525	-
Deferred inflows of resources				
Deferred inflows - pensions	86,126	28,526	114,652	-
Deferred inflows - OPEB	24,653	9,442	34,095	-
Total deferred inflows of resources	110,779	37,968	148,747	-
Net position				
Net investment in capital assets	3,261,760	2,924,751	6,186,511	-
Restricted for				
Debt service	696,067	374,890	1,070,957	-
Capital projects	681,474	-	681,474	-
Unrestricted (deficit)	(30,315)	293,197	262,882	1,308,888
Total net position	4,608,986	3,592,838	8,201,824	1,308,888
Total liabilities, deferred inflows, and net position	\$ 9,129,817	\$ 19,897,279	\$ 29,027,096	\$ 1,308,888

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

City of Wolfforth, Texas

Statement of Activities

For the Year Ended September 30, 2020

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities			
General government	\$ 1,618,493	\$ 430,374	\$ 313,885
Public safety	1,478,307	7,414	14,600
Public works	262,927	1,522	-
Culture and recreation	354,958	32,676	-
Health and welfare	1,055,680	271	-
Interest and other charges	82,740	-	-
Total governmental activities	4,853,105	472,257	328,485
Business-type activities			
Water	1,902,006	2,001,224	-
Sewer	1,164,845	576,029	-
Sanitation	592,739	640,411	-
Total business-type activities	3,659,590	3,217,664	-
Total primary government	\$ 8,512,695	\$ 3,689,921	\$ 328,485
Component unit			
Economic development	\$ 126,241	\$ -	\$ -

General revenues and transfers

Taxes

Property taxes

Sales and use taxes

Franchise taxes

Fines and penalty revenue

Fines, fees and permits

Fire and EMS revenue

Investment income

Other revenue

Donations

Gain on disposal of assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

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

Net (Expense) Revenue and Changes in Net Position					
Program Revenues		Primary Government			Component Unit
Capital Grants and Contributions		Governmental Activities	Business-Type Activities	Total	Wolfforth Economic Development Corporation
\$ -	\$ (874,234)	\$ -	\$ (874,234)	\$ -	-
-	(1,456,293)	-	(1,456,293)	-	-
-	(261,405)	-	(261,405)	-	-
-	(322,282)	-	(322,282)	-	-
-	(1,055,409)	-	(1,055,409)	-	-
-	(82,740)	-	(82,740)	-	-
-	(4,052,363)	-	(4,052,363)	-	-
8,381	-	107,599	107,599	-	-
-	-	(588,816)	(588,816)	-	-
-	-	47,672	47,672	-	-
8,381	-	(433,545)	(433,545)	-	-
<u>\$ 8,381</u>	<u>(4,052,363)</u>	<u>(433,545)</u>	<u>(4,485,908)</u>	-	-
<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(126,241)</u>	
	2,890,993	-	2,890,993	-	
	822,761	-	822,761	411,381	
	267,294	-	267,294	-	
	-	64,903	64,903	-	
	235,450	-	235,450	-	
	352,026	-	352,026	-	
	20,833	18,346	39,179	6,696	
	39,626	21,143	60,769	17,000	
	765	-	765	-	
	-	32,578	32,578	-	
	(251,992)	310,215	58,223	(58,223)	
	4,377,756	447,185	4,824,941	376,854	
	325,393	13,640	339,033	250,613	
	4,283,593	3,579,198	7,862,791	1,058,275	
<u>\$</u>	<u>4,608,986</u>	<u>\$ 3,592,838</u>	<u>\$ 8,201,824</u>	<u>\$ 1,308,888</u>	

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

City of Wolfforth, Texas
Balance Sheet
Governmental Funds

September 30, 2020	General Fund	Debt Service Fund
Assets		
Cash and cash equivalents	\$ 820,779	\$ 604,292
Investments	50	-
Receivables, net		
Property taxes	49,375	20,254
Other taxes	157,989	-
Intergovernmental	247,412	-
EMS fees	179,488	-
Miscellaneous	8,207	-
Due from other funds	-	95,860
Total assets	\$ 1,463,300	\$ 720,406
Liabilities, deferred inflows of resources, and fund balances		
Liabilities		
Accounts payable	\$ 192,437	\$ -
Accrued payroll	24,736	-
Due to other funds	76,700	-
Customer deposits	450	-
Total liabilities	294,323	-
Deferred inflows of resources		
Unavailable revenue - property taxes	52,737	20,254
Total deferred inflows of resources	52,737	20,254
Fund balances		
Restricted		
Debt service	-	700,152
Capital projects	-	-
Unassigned	1,116,240	-
Total fund balances	1,116,240	700,152
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,463,300	\$ 720,406

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

Capital Projects Fund	Total Governmental Funds
\$ 686,738	\$ 2,111,809
-	50
-	69,629
-	157,989
-	247,412
-	179,488
-	8,207
-	95,860
<u>\$ 686,738</u>	<u>\$ 2,870,444</u>

\$ -	\$ 192,437
-	24,736
5,264	81,964
-	450
<u>5,264</u>	<u>299,587</u>

-	72,991
-	72,991

-	700,152
681,474	681,474
-	1,116,240
<u>681,474</u>	<u>2,497,866</u>
<u>\$ 686,738</u>	<u>\$ 2,870,444</u>

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

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City of Wolfforth, Texas
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position

September 30, 2020

Amounts reported for governmental activities in the statement of net position are different because	
Fund balances - total governmental funds	\$ 2,497,866
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	5,977,245
Certain taxes receivable are not considered "available" revenues and are considered to be unearned revenue in the fund financial statements, but are considered revenue in the statement of activities	
Unavailable revenue - property taxes	72,991
Deferred outflows and inflows of resources are applicable to future periods and therefore, are not reported in funds	
Deferred outflows - refunding bonds	66,222
Deferred outflows - pensions	229,205
Deferred outflows - OPEB	28,078
Deferred inflows - pensions	(86,126)
Deferred inflows - OPEB	(24,653)
Some liabilities, including bonds payable, certificates of obligation, tax notes, accrued compensated absences, net pension liability, total OPEB liability, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued interest	(6,049)
Compensated absences	(17,558)
Notes, bonds, and capital leases payable	(3,409,177)
Net pension liability	(711,127)
Total OPEB liability	(39,424)
The City uses an internal service fund to charge the costs of insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund attributable to the fund are included in the statement of net position	31,493
<hr/>	
Total net position of governmental activities	\$ 4,608,986

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

City of Wolfforth, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended September 30, 2020	General Fund	Debt Service Fund
Revenues		
Taxes		
Property taxes	\$ 2,151,614	\$ 749,271
Sales and use taxes	822,761	-
Franchise taxes	267,294	-
Federal operating grants	313,885	-
State operating grants	14,600	-
Charges for services	176,286	-
Fines, fees and permits	235,450	-
Fire and EMS revenue	352,026	-
Investment income	11,841	4,040
Other revenue	39,626	-
Donations	765	-
Total revenues	4,386,148	753,311
Expenditures		
Current		
General government	1,170,639	-
Public safety	1,122,447	-
Public works	62,224	-
Culture and recreation	329,080	-
Health and welfare	1,055,680	-
Capital outlay	343,439	-
Debt service		
Principal	103,423	322,663
Interest and other charges	-	125,081
Total expenditures	4,186,932	447,744
Excess (deficiency) of revenues over expenditures	199,216	305,567
Other financing sources (uses)		
Loan proceeds	-	-
Payment to refunded bond Escrow	-	(1,177,823)
Proceeds from debt issuance premiums	-	145,040
Proceeds from refunding bonds	-	1,095,000
Transfers (out)	-	(251,992)
Total other financing sources (uses)	-	(189,775)
Net change in fund balances	199,216	115,792
Fund balances, beginning	917,024	584,360
Fund balances, ending	\$ 1,116,240	\$ 700,152

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

Capital Projects Fund		Total Governmental Funds	
\$	-	\$	2,900,885
	-		822,761
	-		267,294
	-		313,885
	-		14,600
	-		176,286
	-		235,450
	-		352,026
	4,625		20,506
	-		39,626
	-		765
	4,625		5,144,084
	10,616		1,181,255
	-		1,122,447
	-		62,224
	-		329,080
	-		1,055,680
	254,929		598,368
	-		426,086
	20,186		145,267
	285,731		4,920,407
	(281,106)		223,677
	481,066		481,066
	-		(1,177,823)
	76,087		221,127
			1,095,000
	-		(251,992)
	557,153		367,378
	276,047		591,055
	405,427		1,906,811
\$	681,474	\$	2,497,866

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

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City of Wolfforth, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2020

Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - total governmental funds	\$	591,055
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		598,368
Depreciation expense		(715,885)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds		
Property taxes		(9,892)
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		(13,640)
OPEB related expense		(4,114)
The issuance of long-term debt (e.g. bonds, notes, 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.		
Loan proceeds		(481,066)
Payment to refunded bond escrow		1,177,823
Proceeds from debt issuance premiums		(221,127)
Proceeds from refunding bonds		(1,095,000)
Debt service principal payments		426,086
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 compensated absences		6,062
Amortization of debt issuance premiums		17,236
Amortization of deferred amount on refunding		(4,428)
Miscellaneous costs on refunding		52,545
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		
		1,370
Change in net position of governmental activities	\$	325,393

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

City of Wolfforth, Texas
Statement of Net Position
Proprietary Funds

	Business-Type Activities	Governmental Activities
	Water, Sewer and Sanitation Fund	Self-Insurance Fund
September 30, 2020		
Assets		
Current assets		
Cash and cash equivalents	\$ 4,960,458	\$ 40,587
Investments	1,528	-
Accounts receivable, net	398,361	-
Due from other funds	12,214	-
Prepaid assets	16,655	-
Total current assets	5,389,216	40,587
Noncurrent assets		
Restricted cash and cash equivalents	182,749	-
Capital assets not being depreciated	2,622,930	-
Capital assets being depreciated	21,756,690	-
Less: accumulated depreciation	(10,180,440)	-
Total noncurrent assets	14,381,929	-
Total assets	19,771,145	40,587
Deferred outflows of resources		
Deferred outflows - refunding bonds	60,650	-
Deferred outflows - pension	80,171	-
Deferred outflows - OPEB	11,423	-
Total deferred outflows of resources	152,244	-
Total assets and deferred outflows of resources	\$ 19,923,389	\$ 40,587

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

	Business-Type Activities	Governmental Activities
	Water, Sewer and Sanitation Fund	Self-Insurance Fund
Liabilities		
Current liabilities		
Accounts payable	\$ 274,400	\$ -
Accrued payroll	5,588	-
Taxes payable	4,573	-
Accrued interest payable	36,220	-
Due to other funds	26,110	-
Current portion of notes and bonds payable	1,120,246	-
Compensated absences	12,005	-
Total current liabilities	1,479,142	-
Noncurrent liabilities		
Claims payable	448	9,094
Customer deposits	182,749	-
Notes and bonds payable, net	14,296,612	-
Net pension liability	315,882	-
Total OPEB liability	17,750	-
Total noncurrent liabilities	14,813,441	9,094
Total liabilities	16,292,583	9,094
Deferred inflows of resources		
Deferred inflows - pension	28,526	-
Deferred inflows - OPEB	9,442	-
Total deferred inflows of resources	37,968	-
Net position		
Net investment in capital assets	2,924,751	-
Restricted for debt service	374,890	-
Unrestricted	293,197	31,493
Total net position	3,592,838	31,493
Total liabilities, deferred inflows of resources, and net position	\$ 19,923,389	\$ 40,587

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

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City of Wolfforth, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

	Business-Type Activities	Governmental Activities
	Water, Sewer and Sanitation Fund	Self-Insurance Fund
For the Year Ended September 30, 2020		
Operating revenues		
Water sales	\$ 1,942,843	\$ -
Sewer	489,014	-
Sanitation	640,411	-
Contributions	-	295,971
Fines and penalty revenue	64,903	-
Water and sewer taps	87,015	-
Rentals	58,381	-
Other Revenue	21,143	-
Total operating revenues	3,303,710	295,971
Operating expenses		
Personnel services	727,675	-
Supplies	240,698	-
Contractual	499,524	-
Depreciation	1,092,205	-
Landfill fees	592,739	-
Claims expense	-	58,491
Premiums	-	236,437
Other operating costs	101,724	-
Total operating expenses	3,254,565	294,928
Operating income (loss)	49,145	1,043
Non-operating revenues (expenses)		
Grant revenue	8,381	-
Gain on disposal of assets	32,578	-
Interest expense	(239,886)	-
Interest income	18,346	327
Debt issuance costs	(165,139)	-
Total non-operating revenues (expenses)	(345,720)	327
Income (loss) before contributions and transfers	(296,575)	1,370
Transfers in	310,215	-
Change in net position	13,640	1,370
Net position, beginning	3,579,198	30,123
Net position, end of year	\$ 3,592,838	\$ 31,493

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

City of Wolfforth, Texas
Statement of Cash Flows
Proprietary Funds

	Business-type Activities	Governmental Activities
	Water, Sewer and Sanitation Fund	Self-Insurance Fund
For the Year Ended September 30, 2020		
Cash flows from operating activities		
Cash received from customers	\$ 3,264,571	\$ -
Cash received for premiums and claims	-	295,971
Cash payments to suppliers	(1,387,260)	(294,928)
Cash payments to employees	(725,221)	-
Net cash provided by operating activities	1,152,090	1,043
Cash flows from noncapital financing activities		
Transfers and interfund activity	340,118	-
Net cash provided by noncapital financing activities	340,118	-
Cash flows from investing activities		
Interest on investments	18,346	327
Net cash (used) provided by investing activities	18,346	327
Cash flows from capital and related financing activities		
Acquisition of capital assets	(2,587,916)	-
Capital grants	8,381	-
Interest paid	(224,559)	-
Debt issuance cost	(165,139)	-
Proceeds from sale of capital assets	60,996	-
Proceeds from issuance of long-term debt	5,995,760	-
Principal payments on bonds, loans, and notes payable	(854,487)	-
Net cash provided by capital and related financing activities	2,233,036	-
Net increase in cash and cash equivalents	3,743,590	1,370
Cash and cash equivalents - beginning of year	1,399,617	39,217
Cash and cash equivalents - end of year	\$ 5,143,207	\$ 40,587
Cash and cash equivalents		
Cash	\$ 4,960,458	\$ 40,587
Restricted cash	182,749	-
Total cash and cash equivalents	\$ 5,143,207	\$ 40,587

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

City of Wolfforth, Texas
Statement of Cash Flows
Proprietary Funds

	Business-type Activities	Governmental Activities
For the Year Ended September 30, 2020	Water, Sewer and Sanitation Fund	Self-Insurance Fund
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 49,145	\$ 1,043
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,092,205	-
Noncash pension and OPEB expense	3,640	-
Changes in assets, liabilities and deferred outflows of resources		
Accounts receivable, net	(55,494)	-
Prepaid assets	1,346	-
Accounts payable	45,631	-
Accrued payroll expenses	(2,391)	-
Taxes payable	1,383	-
Accrued compensated absences	(178)	-
Claims payable	448	-
Customer deposits	16,355	-
Net cash provided (used) by operating activities	\$ 1,152,090	\$ 1,043

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

City of Wolfforth, Texas

Notes to Financial Statements

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 its 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.

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.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The 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.

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

Property taxes, 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, subject to the availability criterion. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As discussed earlier, the City has one discretely presented component unit. While the EDC is considered to be a major component unit, it is nevertheless shown in separate column in the government-wide financial statements.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

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.

The City reports the following nonmajor governmental fund:

The *Capital Projects Fund* is used to account for funds received which have been restricted for use in acquiring, constructing, and equipping improvements to City facilities; acquiring vehicles and equipment; and other costs associated with such capital purchases.

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 City reports the following internal service fund:

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.

During the course of operations, the City has activity between funds for various purposes. 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 at year end are reported as due from/to other funds and advances to/from other funds.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Deposits and Investments

The City's cash, cash equivalents, and investments 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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, property taxes are recorded as revenue when levied net of estimated refunds and uncollectable amounts. 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.

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.

Interfund Activities and Transactions

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses.

Reimbursements are when one fund incurs a cost, charges the appropriate benefiting funds and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Prepaid Assets

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

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments.

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 historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition 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.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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	3 - 15 years
Water and sewer system	5 - 50 years
Vehicles, equipment, and machinery	5 - 15 years
Library books and equipment	5 - 15 years

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 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 total 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 total 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.

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.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In addition, the City has 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 total 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 total OPEB liability are further detailed in notes 9 and 10, respectively.

Accrued Payroll

Accrued payroll is comprised of the payroll expenditures based on amounts earned by the employees through September 30, 2020, along with accruals for applicable fringe benefits.

Liability for Incurred Claims (claims payable)

The liability for incurred claims represents estimated claims incurred but unpaid for the employee's group medical insurance at September 30, 2020. 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.

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.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Classification Policies and Procedures

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

Committed Fund Balance - The City's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is the City Council action through ordinance or resolution.

Assigned Fund Balance - The City Council or an official or body to which the City Council delegates the authority is authorized to assign amounts to a specific purpose. The City Council has authorized the City Manager as the City Official responsible for the assignment of fund balance. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Nonspendable Fund Balance - Includes amounts that are not in a spendable form or are required to be maintained intact. At September 30, 2020, the City had no nonspendable fund balance categorized in the governmental funds.

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, 2020, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$1,381,626 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.

Unassigned Fund Balance - All amounts not included in other spendable classifications.

For the classification of fund balances, the City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used. When expenditures are incurred for purposes for which amounts in any of the spendable fund balance classification could be used, it is the City's policy to use committed amounts first, followed by assigned amounts and then unassigned amounts.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position

Equity is classified as net position and displayed in three components:

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 \$627,470 of unspent bond and note proceeds as of September 30, 2020 related to the capital project fund and \$4,081,779 related to the water, sewer, and sanitation fund, which are included as components of net investment in capital assets.

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.

Unrestricted Net Position - Net position that does not meet the definition of “net investment in capital assets” or “restricted.”

Revenues and Expenditures/Expenses

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 include 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 and federal 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.

The City reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and 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.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred, all other grant requirements have been met and the availability criterion have been met.

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.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of 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, total OPEB liability, and related pension and OPEB amounts.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 21, 2021. See Note 13 for relevant disclosure(s). No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

The City has implemented GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* which became effective immediately upon issuance by GASB in May 2020. This Statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of Statements No. 84, 89, 90, 91, 92, and 93 by twelve months and Statement No. 87 by eighteen months.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In January 2017, GASB Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 will be effective for the fiscal year beginning after December 15, 2019. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. (This new effective date reflects the immediate implementation of GASB Statement No. 95.) The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In January 2020, GASB Statement No. 92, *Omnibus 2020*, was issued. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

More comparable reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this statement are effective periods beginning after June 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.) Earlier application is encouraged and is permitted by topic.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. (This new effective date reflects the immediate implementation of GASB Statement No. 95.)

In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this Statement will provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 14, 2022. Earlier application is encouraged.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (Continued)

The requirements of this Statement will exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged.

The City is evaluating the requirements of the above statements and the impact on reporting.

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.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

Budget Variance

At fiscal year-end, the City did not exceed its budget in the following funds:

	Final Budget	Actual Expenditures	Under- Expenditure Variance
General Fund	\$ 4,509,541	\$ 4,186,932	\$ 322,609

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

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, 2020.

Reconciliation of Cash and Cash Equivalents

City of Wolfforth

Cash and cash equivalents	\$ 7,112,404
Restricted cash and cash equivalents	183,199
Total cash and cash equivalents	7,295,603

Plus: outstanding checks	65,399
Less: outstanding deposits	(22,684)
Less: petty cash	(350)
Bank balance of deposits	\$ 7,337,968

Economic Development Corporation:

Cash and cash equivalents	\$ 1,072,052
Total cash and cash equivalents	1,072,052

Plus: outstanding checks	-
Bank balance of deposits	\$ 1,072,052

City of Wolfforth, Texas **Notes to Financial Statements**

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments

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.

The City’s investments at September 30, 2020 include the following:

Investment	Credit Rating	Average Maturities	Balance at September 30, 2020	
City of Wolfforth				
Tex-Pool	AAAm	60 days	\$	1,578
Total investments			\$	1,578

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.

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 4: RECEIVABLES

Receivables as of September 30, 2020, are as follows:

Governmental Activities

	General Fund	Debt Service Fund	Total
Property taxes	\$ 59,021	\$ 20,254	\$ 79,275
Other taxes			
Sales taxes	157,989	-	157,989
Intergovernmental			
Federal operating grants	247,412	-	247,412
EMS fees	179,488	-	179,488
Miscellaneous	32,750	-	32,750
Less allowance for doubtful accounts:			
Property taxes	(9,646)	-	(9,646)
Miscellaneous	(24,543)	-	(24,543)
Totals	\$ 642,471	\$ 20,254	\$ 662,725

Business-Type Activities

	Water, Sewer and Sanitation Fund
Water, sewer and sanitation sales	\$ 853,890
Less: Allowance for doubtful accounts	(444,564)
Totals	\$ 409,326

Economic Development Corporation

	Wolfforth Economic Development Corporation
Sales taxes	\$ 76,460
Notes receivable	160,376
Totals	\$ 236,836

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 4: RECEIVABLES (Continued)

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, 2020 were \$7,907.

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, 2020, is as follows:

Due from	Due to	Amount
General	Debt Service	\$ 64,486
Water, Sewer and Sanitation	Debt Service	26,110
General	Water, Sewer and Sanitation	12,214
Capital Projects	Debt Service	5,264
	Total	\$ 108,074

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2020, is as follows:

Transfer In	Transfer Out	Amount
Water, Sewer and Sanitation	Debt Service	\$ 251,992
Water, Sewer and Sanitation	Economic Development Corp.	58,223
Total		\$ 310,215

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 6: CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended September 30, 2020. Land and Construction in Progress are not subject to depreciation.

Governmental Activities

	Beginning Balance September 30, 2019	Additions	Deletions	Ending Balance September 30, 2020
Capital assets not being depreciated				
Land	\$ 403,537	\$ 100,099	\$ -	\$ 503,636
Total non-depreciable assets	403,537	100,099	-	503,636
Capital assets being depreciated	-			
Buildings and improvements	4,086,311	9,515	-	4,095,826
Streets and infrastructure	4,982,869	147,598	-	5,130,467
Office furniture and equipment	234,305	8,083	-	242,388
Vehicles, equipment, and machinery	5,468,333	329,031	-	5,797,364
Library books and equipment	336,253	4,042	(16,923)	323,372
Total capital assets being depreciated	15,108,071	498,269	(16,923)	15,589,417
Total capital assets	15,511,608	598,368	(16,923)	16,093,053
Accumulated depreciation				
Buildings and improvements	1,665,333	100,781	-	1,766,114
Streets and infrastructure	3,972,448	183,237	-	4,155,685
Office furniture and equipment	209,797	10,142	-	219,939
Vehicles, equipment, and machinery	3,335,204	397,016	-	3,732,220
Library books and equipment	230,458	24,709	(13,317)	241,850
Total accumulated depreciation	9,413,240	715,885	(13,317)	10,115,808
Governmental activities capital assets, net	\$ 6,098,368	\$ (117,517)	\$ (3,606)	\$ 5,977,245

Depreciation expense for the year ended September 30, 2020 was charged to the functions of the governmental activities as follows:

Governmental activities	
General government	\$ 111,949
Public safety	343,520
Public works	200,703
Health and Welfare	35,004
Culture and recreation	24,709
Total depreciation expense - governmental activities	\$ 715,885

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 6: CAPITAL ASSETS (Continued)

Business-type Activities

	Beginning Balance September 30, 2019	Additions	Deletions	Ending Balance September 30, 2020
Capital assets not being depreciated				
Land	\$ 496,270	\$ 1,690,602	\$ -	\$ 2,186,872
Construction in Progress	21,400	414,658	-	436,058
Total capital assets not being depreciated	517,670	2,105,260	-	2,622,930
Capital assets being depreciated				
Buildings and improvements	257,903	3,702	-	261,605
Water and sewer system	20,058,853	293,754	-	20,352,607
Vehicles, equipment, and machinery	1,042,528	185,200	(85,250)	1,142,478
Total capital assets being depreciated	21,359,284	482,656	(85,250)	21,756,690
Total capital assets	21,876,954	2,587,916	(85,250)	24,379,620
Accumulated depreciation				
Buildings and improvements	212,207	7,137	-	219,344
Improvements other than buildings	8,230,437	992,539	-	9,222,976
Infrastructure	702,423	92,529	(56,832)	738,120
Total accumulated depreciation	9,145,067	1,092,205	(56,832)	10,180,440
Business-type activities capital assets, net	\$ 12,731,887	\$ 1,495,711	\$ (28,418)	\$ 14,199,180

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	\$ 1,092,205
Total depreciation expense -business-type activities	\$ 1,092,205

City of Wolfforth, Texas

Notes to Financial Statements

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, 2020, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance September 30, 2019			Balance September 30, 2020			Due Within One Year
		Additions	Retirements				
Certificates of obligation	\$ 1,305,000	\$ -	\$ 1,305,000	\$ -	\$ -	\$ -	-
Refunding bonds	442,897	1,095,000	33,239	1,504,658			155,555
Bond premiums	24,438	221,127	17,236	228,329			27,700
Tax notes	580,980	481,066	159,424	902,622			169,033
Capital leases	876,991	-	103,423	773,568			107,413
Compensated absences	23,620	47,168	53,230	17,558			17,558
Total	\$ 3,253,926	\$ 1,844,361	\$ 1,671,552	\$ 3,426,735	\$	\$	477,259

Bond premiums are presented net of amortization of \$28,380.

GO Refunding Bond

At September 30, 2020, the City had two general obligation refunding bond as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance September 30, 2020
GO Refunding Bond Series 2015	10/15/15	02/15/31	2.00-3.00%	\$ 4,190,000	\$ 409,658
GO Refunding Bond Series 2020	02/01/20	02/15/32	4.000%	1,095,000	1,095,000
Total					\$ 1,504,658

On February 1, 2020, the City issued \$1,095,000 in GO refunding bonds with an interest rate of 4.00%. The City issued the bonds to advance refund \$1,305,000 of the outstanding series 2010 Tax & Water & Sewer System Revenue Certificates of Obligation with an interest rate of between 2.30% and 4.15%. The net proceeds were deposited in an escrow account to provide for all future debt service on the refunded 2010 series obligation. As a result, that portion of the 2010 series obligation is considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$1,175,000 at September 30, 2020.

The advance refunding reduced total debt service payments over the next 12 years by nearly \$89,582. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$80,000.

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 7: LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

The annual requirements to amortize the general obligation refunding bonds as of September 30, 2020, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2021	\$ 155,555	\$ 51,181	\$ 206,736
2022	163,891	45,509	209,400
2023	170,194	39,519	209,713
2024	180,846	33,209	214,055
2025	120,194	27,854	148,048
2026-2030	411,614	95,489	507,103
2031-2032	302,364	14,035	316,399
	\$ 1,504,658	\$ 306,796	\$ 1,811,454

Tax Notes

At September 30, 2020, the City had four tax notes as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance September 30, 2020
Tax Note Series 2013	09/15/13	02/15/20	1.69%	\$ 580,000	\$ -
Tax Note Series 2015	09/15/15	02/15/22	1.80%	711,000	82,356
Tax Note Series 2017B	08/01/17	02/15/24	3.00%	1,020,000	339,200
Tax Note Series 2020	03/04/20	02/15/27	5.00%	481,066	481,066
Total					\$ 902,622

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 7: LONG-TERM LIABILITIES (Continued)

Governmental Activities (Continued)

The annual requirements to amortize the tax notes as of September 30, 2020, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2021	\$ 169,033	\$ 43,698	\$ 212,731
2022	188,827	26,935	215,762
2023	153,447	20,746	174,193
2024	160,000	14,670	174,670
2025	73,752	9,722	83,474
2026-2027	157,563	7,961	165,524
	<u>\$ 902,622</u>	<u>\$ 123,732</u>	<u>\$ 1,026,354</u>

Capital Leases

At September 30, 2020, the City had two capital leases as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance September 30, 2020
Ambulance Lease 62368	04/25/18	04/25/22	3.72%	\$ 211,840	\$ 86,199
Fire Truck Lease WOLTX2018-11PB	11/30/18	11/30/28	2.25%	750,000	687,369
Total					<u>\$ 773,568</u>

The annual requirements to amortize the capital leases as of September 30, 2020, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
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	75,995	16,216	92,211
2026-2029	335,157	33,686	368,843
	<u>\$ 773,568</u>	<u>\$ 147,371</u>	<u>\$ 920,939</u>

City of Wolfforth, Texas
Notes to Financial Statements

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, 2020, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance September 30, 2019			Balance September 30, 2020		Due Within One Year
		Additions	Retirements			
Certificates of obligation	\$ 6,245,000	\$ 4,635,000	\$ 365,000	\$ 10,515,000	\$ 520,000	
Refunding bonds	2,937,103	-	221,761	2,715,342	219,445	
Bond premiums	107,462	406,826	24,150	490,138	44,834	
Tax notes	986,020	953,934	243,576	1,696,378	335,967	
Compensated absences	12,183	21,319	21,497	12,005	12,005	
Total	\$ 10,287,768	\$ 6,017,079	\$ 875,984	\$ 15,428,863	\$ 1,132,251	

Bond premiums are presented net of amortization of \$69,859.

Certificates of Obligation

At September 30, 2020, the City had three certificates of obligation as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance September 30, 2020
Certificate of Obligation Series 2013	05/01/13	02/15/33	1.50-3.00%	\$ 6,625,000	\$ 4,600,000
Certificate of Obligation Series 2017A	08/01/17	02/15/37	2.00-3.00%	1,445,000	1,280,000
Certificate of Obligation Series 2020	06/30/20	02/15/40	2.25-4.00%	4,635,000	4,635,000
Total					\$ 10,515,000

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 7: LONG-TERM LIABILITIES (Continued)

Business Type Activities (Continued)

The annual requirements to amortize the certificate of obligation as of September 30, 2020, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2021	\$ 520,000	\$ 287,506	\$ 807,506
2022	545,000	263,913	808,913
2023	565,000	250,038	815,038
2024	580,000	234,888	814,888
2025	590,000	218,513	808,513
2026-2030	3,250,000	815,390	4,065,390
2031-2035	2,880,000	330,765	3,210,765
2036-2040	1,585,000	82,383	1,667,383
	<u>\$ 10,515,000</u>	<u>\$ 2,483,396</u>	<u>\$ 12,998,396</u>

General Obligation Refunding Bonds

At September 30, 2020, the City had one general obligation refunding bond as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance September 30, 2020
GO Refunding Bond Series 2015	10/15/15	02/15/31	2.00-3.00%	\$ 4,190,000	\$ 2,715,342
Total					<u>\$ 2,715,342</u>

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 7: LONG-TERM LIABILITIES (Continued)

Business Type Activities (Continued)

The annual requirements to amortize the general obligation refunding bond as of September 30, 2020, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2021	\$ 219,445	\$ 62,256	\$ 281,701
2022	226,109	60,778	286,887
2023	234,806	56,169	290,975
2024	239,154	51,429	290,583
2025	234,806	46,396	281,202
2026-2030	1,278,386	136,694	1,415,080
2031	282,636	4,240	286,876
	\$ 2,715,342	\$ 417,962	\$ 3,133,304

Tax Notes

At September 30, 2020, the City had five tax notes as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance September 30, 2020
Tax Note Series 2015	09/15/15	02/15/22	1.80%	\$ 711,000	\$ 76,644
Tax Note Series 2016	01/15/16	02/15/23	1.90%	680,000	306,000
Tax Note Series 2016A	02/15/16	02/15/23	1.64%	380,000	169,000
Tax Note Series 2017B	08/01/17	02/15/24	3.00%	1,020,000	190,800
Tax Note Series 2020	03/04/20	02/15/27	5.00%	953,934	953,934
Total					\$ 1,696,378

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 7: LONG-TERM LIABILITIES (Continued)

Business Type Activities (Continued)

The annual requirements to amortize the tax notes as of September 30, 2020, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2021	\$ 335,967	\$ 79,869	\$ 415,836
2022	369,173	48,074	417,247
2023	342,553	36,934	379,487
2024	190,000	27,180	217,180
2025	146,248	19,278	165,526
2026-2027	312,437	15,789	328,226
	<u>\$ 1,696,378</u>	<u>\$ 227,124</u>	<u>\$ 1,923,502</u>

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, 2020, compensated absences decreased by \$6,062 and \$178 for the governmental and business-type activities, respectively. Compensated absences are liquidated by the respective funds in which they are accrued.

City of Wolfforth, Texas

Notes to Financial Statements

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.

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, 2020 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 exceeded 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.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 8: RISK MANAGEMENT (Continued)

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

	September 30, 2020	September 30, 2019
Unpaid claims and claim adjustment expenses, beginning	\$ 9,094	\$ 9,094
Incurring claims and claim adjustment	58,492	81,918
Claims and claim adjustment expenses	(58,044)	(81,918)
Unpaid claims and claim adjustment expenses, ending	\$ 9,542	\$ 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.

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	17
Active employees	37
Total	62

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 11.32% and 11.37% in calendar years 2019 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$220,691, and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

City of Wolfforth, Texas

Notes to Financial Statements

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 2019 Municipal Retirees of Texas Mortality Tables. These rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. Based on the size of the City, rates are multiplied by an additional factor of 100.0%.

For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with this change first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund as applicable. 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:

Asset Class	Target Allocation	Long-term expected rate of return (Arithmetic)
Global equities	35.00%	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%	

City of Wolfforth, Texas
Notes to Financial Statements

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)		
	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 4,315,581	\$ 3,159,623	\$ 1,155,958
Changes for the year:			
Service cost	202,328	-	202,328
Interest	293,592	-	293,592
Difference between expected/actual experience	37,247	-	37,247
Changes of assumptions	42,484	-	42,484
Contributions - employer	-	190,005	(190,005)
Contributions - employee	-	85,599	(85,599)
Net investment income	-	488,813	(488,813)
Benefit payments, including refunds of employee contributions	(134,473)	(134,473)	-
Administrative expense	-	(2,760)	2,760
Other changes	-	(83)	83
Net changes	441,178	627,101	(185,923)
Balance at 12/31/2019	\$ 4,756,759	\$ 3,786,724	\$ 970,035

City of Wolfforth, Texas **Notes to Financial Statements**

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% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 1,678,107	\$ 970,035	\$ 392,813

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.

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

For the year ended September 30, 2020, the City recognized pension expense of \$249,169.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 92,162	\$ -
Changes in actuarial assumptions	34,558	1,677
Difference between projected and actual investment earnings	-	112,906
Contributions subsequent to the measurement date	163,367	-
Total TMRS	\$ 290,087	\$ 114,583

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

\$163,367 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	TMRS
Year ending September 30:	
2020	\$ 6,205
2021	321
2022	35,001
2023	(34,746)
2024	5,356
Thereafter	-
Total	<u>\$ 12,137</u>

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, 6th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 791st 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.

City of Wolfforth, Texas

Notes to Financial Statements

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 effective 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 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.

City of Wolfforth, Texas **Notes to Financial Statements**

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, 2020, total contributions (dues, prior service, and interest on prior service financing) of \$11,952 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, 2020 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 \$675,000 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2019.

	System 100.00%	City 0.201%
Total pension liability	\$ 143,501,039	\$ 288,437
Plan fiduciary net position	115,155,476	231,463
Net pension liability	\$ 28,345,563	\$ 56,974
Plan fiduciary net position as a percentage of the total pension liability		80.2%

City of Wolfforth, Texas

Notes to Financial Statements

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS) (Continued)

Actuarial Assumptions

The total pension liability in the August 31, 2019 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:

Asset Class	Target allocation	Long-term expected rate of 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%

City of Wolfforth, Texas **Notes to Financial Statements**

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-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease in Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
City's proportional share of the net pension liability	\$ 101,263	\$ 56,974	\$ 27,328

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2018, the City reported a liability of \$56,974 for its proportionate share of the TESRS's net pension liability. The net pension liability was measured as of August 31, 2019. 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 (0.201%) 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, 2018 through August 31, 2019.

For the year ended September 30, 2020, the City recognized pension expense of \$5,528.

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)

Texas Emergency Services Retirement System (TESRS) (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
experience	\$ -	\$ 69
Net difference between projected and actual investment earnings on pension plan investments	7,337	-
Contributions subsequent to the measurement date	11,952	-
Total TESRS	\$ 19,289	\$ 69

\$11,952 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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:	
2020	1,547
2021	811
2022	1,803
2023	3,107
Total	7,268

City of Wolfforth, Texas

Notes to Financial Statements

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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	2
Active employees	37
<u>Total</u>	<u>46</u>

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 0.03% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.19% and 0.21% in calendar 2019 and 2020, respectively. The City's contributions to SBDF for the year ended September 30, 2019 were \$3,967 and were equal to the required contributions.

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Liability

Actuarial Assumptions

Inflation	2.50%
Salary increases	3.5% to 11.5% including inflation
Discount rate*	2.75%
Retirees' share of benefit-related costs	\$ -
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on fully general basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

Changes in the Net OPEB Liability

	Total OPEB Liability (a)
Balance at 12/31/2018	\$ 78,598
Changes for the year:	
Service cost	2,881
Interest	2,963
Difference between expected/actual experience	(36,352)
Changes of assumptions	9,423
Benefit payments, including refunds of employee contributions	(339)
Net changes	(21,424)
Balance at 12/31/2019	\$ 57,174

City of Wolfforth, Texas **Notes to Financial Statements**

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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 2.75%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's total OPEB liability	\$ 69,467	\$ 57,174	\$ 47,610

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 www.tmr.com.

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

For the year ended September 30, 2020 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ - 26,282	\$ 31,697 -
Changes in actuarial assumptions	10,233	2,398
Contributions subsequent to the measurement date	2,986	-
Total OPEBs	\$ 39,501	\$ 34,095

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

\$2,986 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 total 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:	
2020	\$ 892
2021	892
2022	892
2023	892
2024	892
Thereafter	(2,040)
Total	\$ 2,420

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 2020 was \$3,967, 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 \$1,752,431 of restricted net position, all of which is restricted by enabling legislation or other methods.

City of Wolfforth, Texas
Notes to Financial Statements

NOTE 13: SUBSEQUENT EVENTS

Subsequent events were evaluated through May 21, 2021, which is the date the financial statements were available to be issued.

The City issued a tax and waterworks and sewer system revenue certificates of obligation, series 2021 on January 5, 2021 in the amount of \$6,730,000 with an interest rate of 1.99% and maturity at February 15, 2041.

NOTE 14: COMMITMENTS

The City has an outstanding construction project related to improvements and expansion of its EDR water treatment system. The total remaining cost to complete the project was approximately \$1.4 million as of September 30, 2020.

Required Supplementary Information

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City of Wolfforth, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Budgetary Basis) and Actual- General Fund

For the Year Ended September 30, 2020	Budgeted Amounts			Variances Favorable (Unfavorable)
	Original	Final	Actual	Final to Actual
Revenues				
Taxes				
Property taxes	\$ 2,116,500	\$ 2,116,500	\$ 2,151,614	\$ 35,114
Sales and use taxes	725,030	725,030	822,761	97,731
Franchise taxes	270,000	270,000	267,294	(2,706)
Federal operating grants	-	-	313,885	313,885
State operating grants	-	-	14,600	14,600
Charges for services	183,254	183,254	176,286	(6,968)
Fines, fees, and permits	153,100	153,100	235,450	82,350
Fire and EMS revenue	286,000	286,000	352,026	66,026
Investment income	21,005	21,005	11,841	(9,164)
Other revenue	7,144	7,144	39,626	32,482
Donations	2,000	2,000	765	(1,235)
Total revenues	3,764,033	3,764,033	4,386,148	622,115
Expenditures				
Current				
General government	859,297	859,297	1,170,639	(311,342)
Public safety	1,146,892	1,146,892	1,122,447	24,445
Public works	105,394	105,394	62,224	43,170
Culture and recreation	289,518	289,518	329,080	(39,562)
Health and welfare	995,708	995,708	1,055,680	(59,972)
Capital outlay	1,112,732	1,112,732	343,439	769,293
Total expenditures	4,509,541	4,509,541	4,186,932	322,609
Excess (deficiency) of revenues over expenditures				
	(745,508)	(745,508)	199,216	944,724
Net change in fund balance	\$ (745,508)	\$ (745,508)	199,216	\$ 944,724
Fund balance, beginning			917,024	
Fund balance, ending			\$ 1,116,240	

See notes to required supplementary information

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,	
	2019	2018
Total Pension Liability		
Service cost	\$ 202,328	\$ 166,199
Interest (on the total pension liability)	293,592	266,386
Changes of benefit terms	-	-
Difference between expected and actual experience	37,247	62,641
Change of assumptions	42,484	-
Benefit payments, including refunds of employee contributions	(134,473)	(86,005)
Net Change in Total Pension Liability	441,178	409,221
Total Pension Liability - Beginning	4,315,581	3,906,360
Total Pension Liability - Ending	\$ 4,756,759	\$ 4,315,581
Plan Fiduciary Net Position		
Contributions - employer	\$ 190,005	\$ 155,885
Contributions - employee	85,599	69,539
Net investment income	488,813	(93,367)
Benefit payments, including refunds of employee contributions	(134,473)	(86,005)
Administrative expense	(2,760)	(1,804)
Other	(83)	(94)
Net Change in Plan Fiduciary Net Position	627,101	44,154
Plan Fiduciary Net Position - Beginning	3,159,623	3,115,469
Plan Fiduciary Net Position - Ending	\$ 3,786,724	\$ 3,159,623
Net Pension Liability - Ending	\$ 970,035	\$ 1,155,958
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	79.61%	73.21%
Covered Payroll	\$ 1,694,537	\$ 1,390,787
Net Pension Liability as a Percentage of Covered Payroll	57.24%	83.12%

* 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, the City will present information for those years for which information is available.

See notes to required supplementary information.

Plan Year Ended December 31,

2017	2016	2015	2014
\$ 161,933	\$ 147,467	\$ 126,524	\$ 100,375
243,771	224,057	211,984	195,013
-	-	-	302,903
21,340	14,922	42,068	15,598
-	-	(11,327)	-
(102,272)	(100,975)	(76,433)	(86,803)
324,772	285,471	292,816	527,086
3,581,588	3,296,117	3,003,301	2,476,215
<u>\$ 3,906,360</u>	<u>\$ 3,581,588</u>	<u>\$ 3,296,117</u>	<u>\$ 3,003,301</u>
\$ 162,852	\$ 135,793	\$ 119,684	\$ 82,934
69,280	61,445	55,154	52,490
363,708	160,109	3,350	120,269
(102,272)	(100,975)	(76,433)	(86,803)
(1,885)	(1,808)	(2,040)	(1,256)
(96)	(97)	(101)	(103)
491,587	254,467	99,614	167,531
2,623,882	2,369,415	2,269,801	2,102,270
<u>\$ 3,115,469</u>	<u>\$ 2,623,882</u>	<u>\$ 2,369,415</u>	<u>\$ 2,269,801</u>
\$ 790,891	\$ 957,706	\$ 926,702	\$ 733,500
79.75%	73.26%	71.89%	75.58%
\$ 1,372,312	\$ 1,228,894	\$ 1,103,083	\$ 1,049,803
57.63%	77.93%	84.01%	69.87%

See notes to required supplementary information.

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

As of and for the Year Ended September 30,	2020	2019
Actuarially determined contribution	\$ 224,658	\$ 180,774
Contributions in relation to the actuarially determined contribution	(224,658)	(180,774)
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 1,938,254	\$ 1,597,627
Contributions as a percentage of covered payroll	11.59%	11.32%

* 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, the City will present information for those years for which information is available.

See notes to required supplementary information.

2018		2017		2016		2015	
\$	158,132	\$	156,682	\$	129,826	\$	109,271
	(158,132)		(156,682)		(129,826)		(109,271)
\$	-	\$	-	\$	-	\$	-
\$	1,390,901	\$	1,355,605	\$	1,180,765	\$	1,092,288
	11.37%		11.56%		11.00%		10.00%

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*

	2019	2018	2017
Proportion of the net pension liability	0.00201	0.00233	0.00259
Proportionate share of the net pension liability	\$ 56,975	\$ 50,446	\$ 62,164
State's proportionate share of the net pension liability associated with the City	8,408,144	6,008,866	7,860,070
Total	\$ 8,465,119	\$ 6,059,312	\$ 7,922,234
Plan fiduciary net position as a percentage of the total pension liability	80%	84%	79%

* 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, the City will present information for those years for which information is available.

See notes to required supplementary information.

2016	2015	2014
0.00295	0.00235	0.00260
\$ 85,928	\$ 62,727	\$ 47,246
10,069,876	9,252,432	6,140,560
\$ 10,155,804	\$ 9,315,159	\$ 6,187,806
85%	68%	77%

See notes to required supplementary information.

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

	2020	2019	2018
Actuarially determined contribution	\$ 11,952	\$ 8,997	\$ 14,295
Contributions in relation to the actuarially determined contribution	(11,952)	(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, the City will present information for those years for which information is available.

See notes to required supplementary information.

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

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,		
	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 2,881	\$ 2,921	\$ 2,470
Interest (on the total OPEB liability)	2,963	1,458	1,399
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(36,352)	34,956	-
Change of assumptions	9,423	(3,190)	3,214
Benefit payments, including refunds of employee contributions	(339)	(278)	(274)
Net Change in Total OPEB Liability	(21,424)	35,867	6,809
Total OPEB Liability - Beginning	78,598	42,731	35,922
Total OPEB Liability - Ending	\$ 57,174	\$ 78,598	\$ 42,731
Covered Payroll	\$ 1,694,537	\$ 1,390,787	\$ 1,372,312
Total OPEB Liability as a Percentage of Covered Payroll	3.37%	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, the City will present information for those years for which information is available.

See notes to required supplementary information.

City of Wolfforth, Texas

Notes to Required Supplementary Information

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 11.5% including inflation
Investment Rate of Return	6.75%

City of Wolfforth, Texas
Notes to Required Supplementary Information

**NOTE 2: SCHEDULE OF CONTRIBUTIONS – TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN
(Continued)**

Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
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	3.0%
Salary Increases	n/a
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation
Mortality	RP2000 Combined Mortality Health Lives Mortality Tables for males 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

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 11.5% 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 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Other Information:	There were no benefit changes during the year.