



# **City of Wolfforth, Texas**

## **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**For the Year Ended September 30, 2022**



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## INTRODUCTORY SECTION



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**City of Wolfforth, Texas  
Official Roster  
September 30, 2022**

<u><b>City Council</b></u>	
<u><b>Name</b></u>	<u><b>Title</b></u>
Charles Addington	Mayor
Doug Hutcheson	Mayor-ProTem
Chelsea Salazar	Councilmember
Charlotte McDonald	Councilmember
David Cooper	Councilmember
Gregory Stout	Councilmember
<u><b>Administration</b></u>	
Randy Criswell	City Manager
Rick Scott	Assistant City Manager
Terri Robinette	City Secretary

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## FINANCIAL SECTION



## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Emphasis of Matter***

#### ***Restatement of Fund Balance and Net Position***

As discussed in Note 2 to the basic financial statements, the prior year statements have been restated in the amount of \$2,002,107 in the governmental activities and \$2,089,503 in the business-type activities. Additionally, the Economic Development Corporation, Public Improvement District, and Community Development Corporation were restated in the amounts of \$95,833, \$311,017, and \$485,961, respectively. Our opinions are not modified with respect to this matter.

#### ***Change in Accounting Principle***

As described in Note 2 to the financial statements, the City implemented GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

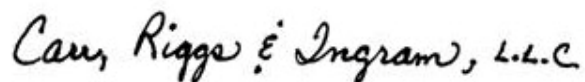
### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 20, the budgetary comparison information on page 95, the GASB required pension schedules on pages 96 through 103, the GASB required other post-employment benefit schedules on 104 through 105, and the notes to the required supplementary information on pages 106 through 108 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

A handwritten signature in black ink that reads "Carr, Riggs & Ingram, L.L.C." in a cursive, slightly stylized font.

Carr, Riggs & Ingram, LLC  
Lubbock, Texas  
May 10, 2023

## **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, 2022. 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, 2022 by \$9,718,742 (net position).
- The City's assets and deferred outflows increased by \$1,772,989 during the year and the liabilities and deferred inflows increased by \$500,621.
- The City's net position increased by \$1,184,972 for current year operations.
- 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.

# City of Wolfforth, Texas

## Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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).

The government-wide financial statements consist of the City (known as the primary government), the Wolfforth Economic Development Corporation (the "EDC"), Public Improvement District (the "PID"), and the Community Development Corporation (the "CDC") for which the City is accountable. The EDC, PID, and CDC are 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 to 27 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.

# City of Wolfforth, Texas

## Management's Discussion and Analysis

### OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The City maintains four 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, the debt service fund, and the capital projects fund which are considered to be major funds. The City has only one non-major governmental fund, the police forfeiture and seizure 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 95.

The basic governmental fund financial statements can be found on pages 28 to 35 of this report.

**Proprietary Funds.** The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, 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 self-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 36 to 41 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 42 to 91 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 95 to 108 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 \$9,718,742 at September 30, 2022.

# City of Wolfforth, Texas

## Management's Discussion and Analysis

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The largest portion of the City's net position (60.15 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 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.

\$537,936 of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$3,335,407 balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

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

	Governmental Activities		Business-Type Activities		Total	
<i>September 30,</i>	2022	2021	2022	2021	2022	2021
<b>Assets</b>						
Current and other assets	\$ 4,788,852	\$ 3,344,809	\$ 8,405,677	\$ 10,048,304	\$ 13,194,529	\$ 13,393,113
Capital assets, net	6,236,464	5,980,774	17,605,846	16,072,917	23,842,310	22,053,691
Total assets	\$ 11,025,316	\$ 9,325,583	\$ 26,011,523	\$ 26,121,221	\$ 37,036,839	\$ 35,446,804
<b>Deferred outflows of resources</b>						
	\$ 463,432	\$ 307,630	\$ 174,667	\$ 147,515	\$ 638,099	\$ 455,145
<b>Liabilities</b>						
Current liabilities and other liabilities	\$ 2,849,133	\$ 1,141,566	\$ 2,021,618	\$ 693,389	\$ 4,870,751	\$ 1,834,955
Net pension liability	661,450	706,375	289,428	312,134	950,878	1,018,509
Total OPEB liability	55,548	48,538	22,584	20,523	78,132	69,061
Long-term liabilities	4,740,619	2,949,477	17,011,313	21,442,779	21,751,932	24,392,256
Total liabilities	\$ 8,306,750	\$ 4,845,956	\$ 19,344,943	\$ 22,468,825	\$ 27,651,693	\$ 27,314,781
<b>Deferred inflows of resources</b>						
	\$ 231,334	\$ 105,438	\$ 73,169	\$ 35,356	\$ 304,503	\$ 140,794
<b>Net position</b>						
Net investment in capital assets	\$ 657,094	\$ 3,387,882	\$ 5,188,305	\$ 2,691,967	\$ 5,845,399	\$ 6,079,849
Restricted	537,936	1,464,486	-	263,164	537,936	1,727,650
Unrestricted (deficit)	1,755,634	(170,549)	1,579,773	809,424	3,335,407	638,875
Total net position	\$ 2,950,664	\$ 4,681,819	\$ 6,768,078	\$ 3,764,555	\$ 9,718,742	\$ 8,446,374

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

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

For the year ended September 30,	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 670,577	\$ 630,817	\$ 4,812,047	\$ 4,101,255	\$ 5,482,624	\$ 4,732,072
Operating grants and contributions	109,817	-	-	-	109,817	-
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	3,722,798	3,261,273	-	-	3,722,798	3,261,273
Sales and use taxes	1,242,333	956,772	-	-	1,242,333	956,772
Franchise taxes	363,819	300,231	-	-	363,819	300,231
Investment income	35,601	25,701	68,186	57,371	103,787	83,072
Other	1,607,908	1,161,808	415,761	186,788	2,023,669	1,348,596
<b>Total revenues</b>	<b>7,752,853</b>	<b>6,336,602</b>	<b>5,295,994</b>	<b>4,345,414</b>	<b>13,048,847</b>	<b>10,682,016</b>
<b>Expenses</b>						
General government	\$ 2,523,905	2,249,408	-	-	2,523,905	2,249,408
Public safety	2,024,780	1,800,711	-	-	2,024,780	1,800,711
Public works	219,867	343,706	-	-	219,867	343,706
Culture and recreation	441,759	375,925	-	-	441,759	375,925
Health and welfare	1,241,732	1,106,884	-	-	1,241,732	1,106,884
Interest and other charges	457,071	102,472	-	-	457,071	102,472
Water, sewer, and sanitation	-	-	5,012,155	4,516,672	5,012,155	4,516,672
<b>Total expenses</b>	<b>6,909,114</b>	<b>5,979,106</b>	<b>5,012,155</b>	<b>4,516,672</b>	<b>11,921,269</b>	<b>10,495,778</b>
Change in net position before transfers	843,739	357,496	283,839	(171,258)	1,127,578	186,238
Transfers in (out)	(572,787)	(284,663)	630,181	342,975	57,394	58,312
<b>Change in net position</b>	<b>270,952</b>	<b>72,833</b>	<b>914,020</b>	<b>171,717</b>	<b>1,184,972</b>	<b>244,550</b>
Net position - beginning	4,681,819	4,608,986	3,764,555	3,592,838	8,446,374	8,201,824
Restatement of net position	(2,002,107)	-	2,089,503	-	87,396	-
<b>Net position - beginning, as restated</b>	<b>2,679,712</b>	<b>4,608,986</b>	<b>5,854,058</b>	<b>3,592,838</b>	<b>8,533,770</b>	<b>8,201,824</b>
<b>Net position - ending</b>	<b>\$ 2,950,664</b>	<b>\$ 4,681,819</b>	<b>\$ 6,768,078</b>	<b>\$ 3,764,555</b>	<b>\$ 9,718,742</b>	<b>\$ 8,446,374</b>

### 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.

## **City of Wolfforth, Texas Management's Discussion and Analysis**

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)**

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 \$2,469,258. 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. General fund unassigned fund balance makes up 43.4 percent of general fund expenditures.

Other Items. The debt service fund has a total fund balance of \$64,335, all of which is restricted for the payment of debt service. The capital projects fund has a total fund balance of \$453,059, all of which is restricted for spending towards capital projects. The police forfeiture and seizure fund has a total fund balance of \$20,542, all of which is restricted for police activity.

**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 \$1,579,773.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

It is the practice of the City to budget very conservatively. Revenues in 2021-22 were \$996,948 more than budgeted with sales and use taxes, charges for service, and fire and EMS revenue coming in at \$342,303, \$76,205, and \$222,820, respectively, more than budgeted. Actual expenses were \$91,793 more than budgeted primarily due to general government, public safety, culture and recreation, and capital outlay expenditures being greater than anticipated by \$343,262. While the City budgeted \$160,792 of appropriated fund balance the City's actual change in fund balance was an increase of \$1,321,096.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The City's net investment in capital assets for its governmental and business-type activities as of September 30, 2022 amounts to \$657,094 and \$5,188,305, respectively (net of depreciation and associated debt). 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 7 of this report.

**Long-term liabilities.** The governmental activities received a tax note (series 2021) in the amount of \$1,445,000, for the year ended September 30, 2022. Additional information on the City's long-term liabilities can be found in note 8 of this report.

## City of Wolfforth, Texas Management's Discussion and Analysis

### CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

**Long-Term Liabilities (Continued).** At the end of the fiscal year, the City had total outstanding long-term debt of \$23,877,972. Included in the City's long-term debt are leases in the amount of \$554,601 for a fire apparatus. 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	
	2022	2021	2022	2021	2022	2021
Lease - Ambulance	\$ -	\$ 43,887	\$ -	\$ -	\$ -	\$ 43,887
Lease - Fire Apparatus	554,601	622,269	-	-	554,601	622,269
Certificate of Obligation Series 2013	-	-	3,985,000	4,295,000	3,985,000	4,295,000
Certificate of Obligation Series 2017A	-	-	1,160,000	1,220,000	1,160,000	1,220,000
Certificate of Obligation Series 2020	-	-	4,305,000	4,480,000	4,305,000	4,480,000
Certificate of Obligation Series 2021	-	-	6,490,000	6,730,000	6,490,000	6,730,000
Tax Notes Series 2015	-	41,932	-	38,068	-	80,000
Tax Notes Series 2016	-	-	104,000	206,000	104,000	206,000
Tax Notes Series 2016A	-	-	57,000	113,000	57,000	113,000
Tax Notes Series 2017B	163,850	259,200	111,150	145,800	275,000	405,000
Tax Note Series 2020	1,100,000	432,457	-	857,543	1,100,000	1,290,000
Tax Note Series 2021	1,315,000	-	-	-	1,315,000	-
General Obligation Refunding Bonds Series 2015	1,273,158	374,103	1,336,843	2,495,897	2,610,001	2,870,000
General Obligation Refunding Bonds Series 2020	845,000	975,000	-	-	845,000	975,000
Unamortized bond premiums	382,207	200,629	695,163	861,471	1,077,370	1,062,100
<b>Totals</b>	<b>\$ 5,633,816</b>	<b>\$ 2,949,477</b>	<b>\$ 18,244,156</b>	<b>\$ 21,442,779</b>	<b>\$ 23,877,972</b>	<b>\$ 24,392,256</b>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Wolfforth's economy is vibrant and strong. We are a city enjoying tremendous growth and are one of the only cities in West Texas to be able to make that statement. Our population growth rate rivals that of cities along the I-35 corridor, averaging about 7% annually since the 2010 Census. To demonstrate, in 2010 Wolfforth's population was 3600, and today is estimated at nearly 7,000. There are currently over 4,000 residential lots in various stages of development, from platting to infrastructure construction to house construction. In FY 2022, we issued a total of 343 single-family building permits. For the sake of comparison, in FY 2018 we issued 66, then in FY 2021 we issued 195, with a total property value increase of over \$50 million in that one year. There is no sign of slowing. Our local development community tells us to prepare for over 400 new homes per year, and with that growth, we will continue to add somewhere in the range of \$80 to \$100 million (or more) of new home value each year for the next several years. We anticipate our population to reach the 10,000 mark in 2025 or 2026. Wolfforth has an amazingly bright future.

Keeping up with infrastructure needs remains a constant focus. At the end of FY 2022, we have the following projects in the design phase:

## City of Wolfforth, Texas Management's Discussion and Analysis

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (Continued)

- New 1 mg elevated storage tank (\$6 million)
- New 6 mg water treatment plant (\$13 million)
- Loop line distribution system expansion/upgrade (\$6 million)
- Lubbock Water Interconnect south (\$500,000)
- Loop 88 Water Supply east (\$150,000)

We also completed expansion of the existing water treatment plant this year, doubling our capacity from 1.5 to 3.0 million gallons per day.

In order to adequately and appropriately address funding for these long-term improvement projects, we've engaged the services of New Gen Strategies to perform a Rate and Impact Fee Study. We anticipate the finalization of that study sometime in FY 2023, after which we will begin implementation of increased water user fees. We will also thoroughly examine the recommendations in the Study regarding the possible implementation of Impact Fees to provide funding for portions of these needed expansions and improvements.

In addition to the *water* projects listed, we have submitted an application to the Texas Water Development Board for a *wastewater* treatment project. If selected for final funding, we anticipate receipt of a low interest loan through the State Clean Water Revolving Fund. It is anticipated this project may be funded in late FY 2023, but more likely in early FY 2024.

From a staffing perspective, Terri Robinette was appointed as permanent City Secretary this year, taking over supervision of the operations of Human Resources, Municipal Court, Finance, and Utility Billing. In addition, we hired two professional finance consultants this year to assist us with the implementation of Tyler Technologies software and the associated changes that were necessary. In the FY 2022 budget, we provided for an overall increase of 7% for all eligible employees, and we implemented a one-week vacation buy-back policy, with both efforts intended to address recruitment and retention. Even with these very positive efforts, we still struggle (as I believe all cities do) to keep our staffing levels high. Public Service doesn't seem to be the desire of many young folks seeking employment, so we remain in a constant state of recruitment. However, we only have one major executive position unfilled, that of the Director of Planning and Development, for which we are actively recruiting.

Looking to the development of the FY 2024 Budget, we will be addressing the following needs:

- Infrastructure and financing
- Staffing
- Pay equity

Our efforts for budget will center on making every effort to keep our Ad Valorem Tax rate unchanged, and to address user fee increases mainly as defined in the previously mentioned Rate Study.

**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 Randy Criswell at the City of Wolfforth, 302 Main Street, Wolfforth, Texas or at 806-855-4120.



## BASIC FINANCIAL STATEMENTS



**City of Wolfforth, Texas**  
**Statement of Net Position**

September 30, 2022	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 4,103,521	\$ 7,574,560	\$ 11,678,081
Investments	-	1,588	1,588
Receivables, net			
Property taxes	88,535	-	88,535
Other taxes	234,296	-	234,296
Accounts receivable	-	586,869	586,869
EMS fees	352,882	-	352,882
Miscellaneous	9,618	-	9,618
Due from primary government	-	-	-
Prepaid assets	-	13,963	13,963
Total current assets	4,788,852	8,176,980	12,965,832
Noncurrent assets			
Restricted cash and cash equivalents	-	228,697	228,697
Capital assets not being depreciated	515,595	4,273,415	4,789,010
Capital assets being depreciated	17,371,299	25,863,293	43,234,592
Less accumulated depreciation	(11,650,430)	(12,530,862)	(24,181,292)
Total noncurrent assets	6,236,464	17,834,543	24,071,007
Total assets	11,025,316	26,011,523	37,036,839
<b>Deferred outflows of resources</b>			
Deferred outflows - refunding bonds	54,446	49,622	104,068
Deferred outflows - pension	382,573	114,222	496,795
Deferred outflows - OPEB	26,413	10,823	37,236
Total deferred outflows of resources	463,432	174,667	638,099
Total assets and deferred outflows of resources	\$ 11,488,748	\$ 26,186,190	\$ 37,674,938

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

Component Units		
Wolfforth Economic Development Corporation	Public Improvement District	Community Development Corporation
\$ 1,310,226	\$ 201,935	\$ 515,981
-	-	-
-	-	-
117,148	-	-
182,457	-	-
-	-	-
-	-	-
-	-	38,503
-	-	-
1,609,831	201,935	554,484
-	-	-
-	-	-
-	-	-
-	-	-
1,609,831	201,935	554,484
-	-	-
-	-	-
-	-	-
-	-	-
\$ 1,609,831	\$ 201,935	\$ 554,484

(Continued)

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

**City of Wolfforth, Texas**  
**Statement of Net Position**

	Primary Government		
	Governmental	Business-Type	
September 30, 2022	Activities	Activities	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 247,454	\$ 463,992	\$ 711,446
Accrued payroll	46,469	14,638	61,107
Unearned revenue	1,360,697	-	1,360,697
Accrued interest	4,406	49,596	54,002
Due to component unit	38,503	-	38,503
Current portion of notes, bonds, and capital leases payable	893,197	1,232,843	2,126,040
Compensated absences	86,518	31,852	118,370
Total current liabilities	2,677,244	1,792,921	4,470,165
Noncurrent liabilities			
Claims payable	171,889	-	171,889
Customer deposits	-	228,697	228,697
Notes, bonds, and capital leases payable, net	4,740,619	17,011,313	21,751,932
Net pension liability	661,450	289,428	950,878
Total OPEB liability	55,548	22,584	78,132
Total noncurrent liabilities	5,629,506	17,552,022	23,181,528
Total liabilities	8,306,750	19,344,943	27,651,693
<b>Deferred inflows of resources</b>			
Deferred inflows - pensions	213,317	65,704	279,021
Deferred inflows - OPEB	18,017	7,465	25,482
Total deferred inflows of resources	231,334	73,169	304,503
<b>Net position</b>			
Net investment in capital assets	657,094	5,188,305	5,845,399
Restricted for			
Debt service	64,335	-	64,335
Capital projects	453,059	-	453,059
Police	20,542	-	20,542
Unrestricted	1,755,634	1,579,773	3,335,407
Total net position	2,950,664	6,768,078	9,718,742
Total liabilities, deferred inflows, and net position	\$ 11,488,748	\$ 26,186,190	\$ 37,674,938

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



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

# City of Wolfforth, Texas

## Statement of Activities

For the Year Ended September 30, 2022

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
<b>Governmental activities</b>				
General government	\$ 2,523,905	\$ 619,059	\$ -	\$ -
Public safety	2,024,780	9,707	109,817	-
Public works	219,867	5,721	-	-
Culture and recreation	441,759	35,598	-	-
Health and welfare	1,241,732	492	-	-
Interest and other charges	457,071	-	-	-
Total governmental activities	6,909,114	670,577	109,817	-
<b>Business-type activities</b>				
Water	4,220,538	2,759,586	-	-
Sewer	137,075	1,231,882	-	-
Sanitation	654,542	820,579	-	-
Total business-type activities	5,012,155	4,812,047	-	-
Total primary government	\$ 11,921,269	\$ 5,482,624	\$ 109,817	\$ -
<b>Component units</b>				
Economic development	\$ 268,484	\$ -	\$ -	\$ -
Public improvement	827,533	-	-	-
Community development	56,954	-	-	-
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				
Miscellaneous				
Donations				
Insurance recoveries				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning				
Restatement of net position (see note 2)				
Net position, beginning, as restated				
Net position, ending				

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

**Net (Expense) Revenue and Changes in Net Position**

Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Wolfforth Economic Development Corporation	Public Improvement District	Community Development Corporation
\$ (1,904,846)	\$ -	\$ (1,904,846)	\$ -	\$ -	\$ -
(1,905,256)	-	(1,905,256)	-	-	-
(214,146)	-	(214,146)	-	-	-
(406,161)	-	(406,161)	-	-	-
(1,241,240)	-	(1,241,240)	-	-	-
(457,071)	-	(457,071)	-	-	-
(6,128,720)	-	(6,128,720)	-	-	-
-	(1,460,952)	(1,460,952)	-	-	-
-	1,094,807	1,094,807	-	-	-
-	166,037	166,037	-	-	-
-	(200,108)	(200,108)	-	-	-
(6,128,720)	(200,108)	(6,328,828)	-	-	-
-	-	-	(268,484)	-	-
-	-	-	-	(827,533)	-
-	-	-	-	-	(56,954)
3,722,798	-	3,722,798	-	-	-
1,242,333	-	1,242,333	621,166	-	-
363,819	-	363,819	-	-	-
-	148,289	148,289	-	-	-
844,015	-	844,015	-	-	-
560,320	-	560,320	-	-	-
35,601	68,186	103,787	5,989	2,811	124
180,327	256,790	437,117	-	715,640	125,353
13,772	-	13,772	-	-	-
9,474	10,682	20,156	-	-	-
(572,787)	630,181	57,394	(57,394)	-	-
6,399,672	1,114,128	7,513,800	569,761	718,451	125,477
270,952	914,020	1,184,972	301,277	(109,082)	68,523
4,681,819	3,764,555	8,446,374	1,404,387	-	-
(2,002,107)	2,089,503	87,396	(95,833)	311,017	485,961
2,679,712	5,854,058	8,533,770	1,308,554	311,017	485,961
\$ 2,950,664	\$ 6,768,078	\$ 9,718,742	\$ 1,609,831	\$ 201,935	\$ 554,484

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

**City of Wolfforth, Texas**  
**Balance Sheet**  
**Governmental Funds**

<b>September 30, 2022</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,550,585	\$ 64,335	\$ 468,059
Receivables, net			
Property taxes	67,849	20,686	-
Other taxes	234,296	-	-
EMS fees	352,882	-	-
Miscellaneous	9,618	-	-
<b>Total assets</b>	<b>\$ 4,215,230</b>	<b>\$ 85,021</b>	<b>\$ 468,059</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 232,454	\$ -	\$ 15,000
Accrued payroll	46,469	-	-
Unearned revenue	1,360,697	-	-
Due to component unit	38,503	-	-
<b>Total liabilities</b>	<b>1,678,123</b>	<b>-</b>	<b>15,000</b>
<b>Deferred inflows of resources</b>			
Unavailable revenue - property taxes	67,849	20,686	-
<b>Total deferred inflows of resources</b>	<b>67,849</b>	<b>20,686</b>	<b>-</b>
<b>Fund balances</b>			
Restricted			
Debt service	-	64,335	-
Capital projects	-	-	453,059
Police	-	-	-
Unassigned	2,469,258	-	-
<b>Total fund balances</b>	<b>2,469,258</b>	<b>64,335</b>	<b>453,059</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 4,215,230</b>	<b>\$ 85,021</b>	<b>\$ 468,059</b>

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

Nonmajor Governmental Fund		Total	
Police Forfeiture and Seizure Fund		Governmental	
\$	20,542	\$	4,103,521
	-		88,535
	-		234,296
	-		352,882
	-		9,618
\$	20,542	\$	4,788,852
\$	-	\$	247,454
	-		46,469
	-		1,360,697
	-		38,503
	-		1,693,123
	-		88,535
	-		88,535
	-		64,335
	-		453,059
	20,542		20,542
	-		2,469,258
	20,542		3,007,194
\$	20,542	\$	4,788,852

*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, 2022**

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Amounts reported for governmental activities in the statement of net position  
are different because

Fund balances - total governmental funds	\$ 3,007,194
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	6,236,464
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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	88,535
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Deferred outflows and inflows of resources are applicable  
to future periods and therefore, are not reported in funds

Deferred outflows - refunding bonds	54,446
Deferred outflows - pensions	382,573
Deferred outflows - OPEB	26,413
Deferred inflows - pensions	(213,317)
Deferred inflows - OPEB	(18,017)

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	(4,406)
Compensated absences	(86,518)
Notes, bonds, and capital leases payable	(5,633,816)
Net pension liability	(661,450)
Total OPEB liability	(55,548)

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

(171,889)

Total net position of governmental activities	\$ 2,950,664
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*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**

<b>For the Year Ended September 30, 2022</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>
<b>Revenues</b>			
Taxes			
Property taxes	\$ 2,847,991	\$ 867,086	\$ -
Sales and use taxes	1,242,333	-	-
Franchise taxes	363,819	-	-
State operating grants	109,817	-	-
Charges for services	248,009	-	-
Fines, fees and permits	844,015	-	-
Fire and EMS revenue	560,320	-	-
Investment income	22,623	3,035	9,846
Miscellaneous	177,282	-	-
Donations	13,772	-	-
<b>Total revenues</b>	<b>6,429,981</b>	<b>870,121</b>	<b>9,846</b>
<b>Expenditures</b>			
Current			
General government	1,981,393	-	-
Public safety	1,649,737	-	-
Public works	28,437	-	249,650
Culture and recreation	416,852	-	-
Health and welfare	1,192,619	-	-
Capital outlay	278,849	-	800,339
Debt service			
Principal	111,554	701,960	-
Interest and other charges	26,177	171,514	72,646
<b>Total expenditures</b>	<b>5,685,618</b>	<b>873,474</b>	<b>1,122,635</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>744,363</b>	<b>(3,353)</b>	<b>(1,112,789)</b>
<b>Other financing sources (uses)</b>			
Tax note proceeds	-	-	1,445,000
Insurance recoveries	9,474	-	-
Proceeds from debt issuance premiums	-	-	119,551
Transfers in	584,659	297,913	5,264
Transfers (out)	(17,400)	(987,717)	(384,081)
<b>Total other financing sources (uses)</b>	<b>576,733</b>	<b>(689,804)</b>	<b>1,185,734</b>
<b>Net change in fund balances</b>	<b>1,321,096</b>	<b>(693,157)</b>	<b>72,945</b>
<b>Fund balances, beginning</b>	<b>1,148,162</b>	<b>757,492</b>	<b>380,114</b>
<b>Fund balances, ending</b>	<b>\$ 2,469,258</b>	<b>\$ 64,335</b>	<b>\$ 453,059</b>

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



Nonmajor Governmental Funds		Total	
Police Forfeiture and Seizure Fund		Governmental	
\$	-	\$	3,715,077
	-		1,242,333
	-		363,819
	-		109,817
	-		248,009
	-		844,015
	-		560,320
	97		35,601
	3,045		180,327
	-		13,772
	3,142		7,313,090
	-		1,981,393
	-		1,649,737
	-		278,087
	-		416,852
	-		1,192,619
	-		1,079,188
	-		813,514
	-		270,337
	-		7,681,727
	3,142		(368,637)
	-		1,445,000
	-		9,474
	-		119,551
	17,400		905,236
	-		(1,389,198)
	17,400		1,090,063
	20,542		721,426
	-		2,285,768
\$	20,542	\$	3,007,194

*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, 2022**

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Amounts reported for governmental activities in the statement of activities are different because

Net change in fund balances - total governmental funds	\$	721,426
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense

Capital expenditures recorded in capital outlay	1,079,188
Depreciation expense	(816,518)

Governmental funds do not report losses on dispositions. However, in the Statement of Activities, these items are reported as expenses:

Loss of disposition of capital assets	(6,980)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds

Property taxes	7,721
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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 benefit

Pension related items	84,278
OPEB related items	(5,611)

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.

Proceeds from the issuance of bonds	(1,445,000)
Proceeds from debt issuance premiums	(119,551)
Lease principal payments	111,554
Debt service principal payments	701,960

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	(58,265)
Amortization of debt issuance premiums	68,804
Amortization of deferred amount on refunding	(5,888)

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

	(41,208)
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Change in net position of governmental activities	\$	275,910
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*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
<b>September 30, 2022</b>		
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 7,574,560	\$ -
Investments	1,588	-
Accounts receivable, net	586,869	-
Prepaid assets	13,963	-
<b>Total current assets</b>	<b>8,176,980</b>	<b>-</b>
Noncurrent assets		
Restricted cash and cash equivalents	228,697	-
Capital assets not being depreciated	4,273,415	-
Capital assets being depreciated	25,863,293	-
Less accumulated depreciation	(12,530,862)	-
<b>Total noncurrent assets</b>	<b>17,834,543</b>	<b>-</b>
<b>Total assets</b>	<b>26,011,523</b>	<b>-</b>
<b>Deferred outflows of resources</b>		
Deferred outflows - refunding bonds	49,622	-
Deferred outflows - pension	114,222	-
Deferred outflows - OPEB	10,823	-
<b>Total deferred outflows of resources</b>	<b>174,667</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 26,186,190</b>	<b>\$ -</b>

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

	Business-Type Activities	Governmental Activities
September 30, 2022	Water, Sewer and Sanitation Fund	Self-Insurance Fund
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 463,992	\$ -
Accrued payroll	14,638	-
Accrued interest	49,596	-
Current portion of notes and bonds payable	1,232,843	-
Compensated absences	31,852	-
Total current liabilities	1,792,921	-
Noncurrent liabilities		
Claims payable	-	171,889
Customer deposits	228,697	-
Notes and bonds payable, net	17,011,313	-
Net pension liability	289,428	-
Total OPEB liability	22,584	-
Total noncurrent liabilities	17,552,022	171,889
Total liabilities	19,344,943	171,889
<b>Deferred inflows of resources</b>		
Deferred inflows - pension	65,704	-
Deferred inflows - OPEB	7,465	-
Total deferred inflows of resources	73,169	-
<b>Net position</b>		
Net investment in capital assets	5,188,305	-
Unrestricted (deficit)	1,579,773	(171,889)
Total net position	6,768,078	(171,889)
Total liabilities, deferred inflows of resources, and net position	\$ 26,186,190	\$ -

*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
For the Year Ended September 30, 2022	Water, Sewer and Sanitation Fund	Self-Insurance Fund
<b>Operating revenues</b>		
Water sales	\$ 2,759,586	\$ -
Sewer	935,127	-
Sanitation	820,579	-
Water and sewer taps	296,755	-
Contributions	-	422,568
Fines and penalty revenue	148,289	-
Rentals	56,638	-
Miscellaneous	198,392	-
Total operating revenues	5,215,366	422,568
<b>Operating expenses</b>		
Personnel services	776,865	-
Supplies	367,731	-
Contractual	1,292,113	-
Depreciation	1,225,091	-
Landfill fees	654,542	-
Claims expense	-	1,876
Premiums	-	373,075
Other operating costs	236,310	-
Total operating expenses	4,552,652	374,951
Operating income	662,714	47,617
<b>Non-operating revenues (expenses)</b>		
Interest expense	(457,743)	-
Interest income	68,186	-
Insurance recoveries	10,682	-
Total non-operating revenues (expenses)	(378,875)	-
Income (loss) before contributions and transfers	283,839	47,617
Transfers in	642,395	-
Transfers (out)	(12,214)	(88,825)
Change in net position	914,020	(41,208)
Net position, beginning	3,764,555	(130,681)
Net position, restatement (note 2)	2,089,503	-
Net position, beginning, as restated	5,854,058	(130,681)
Net position, end of year	\$ 6,768,078	\$ (171,889)

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

**City of Wolfforth, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
<b>For the Year Ended September 30, 2022</b>	<b>Water, Sewer and Sanitation Fund</b>	<b>Self-Insurance Fund</b>
Cash flows from operating activities		
Cash received from customers	\$ 5,154,165	\$ -
Cash received for premiums and claims	-	422,568
Cash payments to suppliers	(2,509,160)	(376,379)
Cash payments to employees	(756,737)	-
Net cash provided by operating activities	1,888,268	46,189
Cash flows from noncapital financing activities		
Insurance recoveries	10,682	-
Transfers and interfund activity	618,208	(88,825)
Net cash provided (used) by noncapital financing activities	628,890	(88,825)
Cash flows from investing activities		
Reclassification from cash to investments	(60)	-
Interest on investments	68,186	-
Net cash provided by investing activities	68,126	-
Cash flows from capital and related financing activities		
Acquisition of capital assets	(2,662,186)	-
Interest paid	(457,743)	-
Principal payments on bonds, loans, and notes payable	(1,204,953)	-
Net cash used by capital and related financing activities	(4,324,882)	-
Net decrease in cash and cash equivalents	(1,739,598)	(42,636)
Cash and cash equivalents - beginning of year	9,542,855	42,636
Cash and cash equivalents - end of year	\$ 7,803,257	\$ -
Cash and cash equivalents		
Cash	\$ 7,574,560	\$ -
Restricted cash	228,697	-
Total cash and cash equivalents	\$ 7,803,257	\$ -

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



	Business-type Activities	Governmental Activities
For the Year Ended September 30, 2022	Water, Sewer and Sanitation Fund	Self-Insurance Fund
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 662,714	\$ 47,617
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,225,091	-
Noncash pension and OPEB expense	(8,780)	-
Changes in assets, liabilities and deferred outflows of resources		
Accounts receivable, net	(87,489)	-
Prepaid assets	1,346	-
Accounts payable	40,638	-
Accrued payroll expenses	14,638	-
Taxes payable	(5,923)	-
Accrued compensated absences	20,193	-
Claims payable	(448)	(1,428)
Customer deposits	26,288	-
Net cash provided by operating activities	\$ 1,888,268	\$ 46,189

*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 is a Type B General-Law Municipality as defined under Title 2(A), Chapter 7, of the Texas Local Government Code. 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, GASB Statement No. 80, and GASB Statement No. 90. 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, No. 80, and No. 90.

##### ***Discretely Presented Component Units***

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.

The Wolfforth Public Improvement District (the “PID”) was formed under Chapter 372 of the Texas Local Government Code to provide for improvements and maintenance benefitting a defined area, Preston Manor recreational facilities. The City has authorized Preston Manor Management, LLC to manage the PID. The PID is financed by assessments against all property owners of benefitted property within the defined district area. The PID is reported as a discretely presented component unit in the statement of net position and statement of activities.

The Wolfforth Community Development Corporation (the “CDC”) was formed to provide economic growth in the City. The governing board of the CDC is appointed by the City Council. The City has assigned hotel occupancy tax levies to the CDC for future economic development. The CDC 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*.

## City of Wolfforth, Texas

### Notes to Financial Statements

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***Government-wide and Fund Financial Statements (Continued)***

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.

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 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.

## 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)*

As discussed earlier, the City has three discretely presented component units. While the EDC, PID, and CDC are considered to be major component units, they are 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.

##### *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 *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 nonmajor governmental fund:

The *Police Forfeiture and Seizure Fund* is used to account for the proceeds of forfeiture and to pay the costs associated with such forfeitures. The fund may also be used to finance certain general investigative operations.

## **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 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.

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.

## **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)***

###### *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.

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.

## 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)*

###### *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 \$5,000 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.

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

###### *Right-to-Use Lease Assets*

The City has recorded right-to-use lease assets as a result of implementing GASB Statement No. 87. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use lease assets are amortized on a straight-line basis over the life of the related lease.



## 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)***

###### *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 10 and 11, respectively. Additionally, the City has one type of item related to the refunding general obligation bond described in Note 8.

###### *Deferred Inflows of Resources*

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

In addition, the City has 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 10 and 11, respectively.

###### *Accrued Payroll*

Accrued payroll is comprised of the payroll expenditures based on amounts earned by the employees through September 30, 2022, along with accruals for applicable fringe benefits.

**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)***

*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:

<b>Length of Service</b>	<b>Annual Vacation Leave Earned</b>
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.

*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.

## **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)***

###### *Lease Liability*

The City has entered into agreements to lease certain vehicles. Lease liabilities qualify as other than short-term leases under GASB Statement No. 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at October 1, 2021.

###### *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.

###### *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.

## 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)***

*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, 2022, 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, 2022, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$537,936 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.

##### ***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 \$5,776,993 of unspent bond and note proceeds as of September 30, 2022 related to the water, sewer, and sanitation fund, which are included as a component of net investment in capital assets.

## 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)***

*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 10, 2023. See Note 15 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

##### ***Recently Issued and Implemented Accounting Pronouncements***

During the fiscal year ended September 30, 2022, the City adopted GASB Statement No. 87, *Leases*, GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, GASB Statement No. 93, *Replacement of Interbank Offered Rates*, and GASB Statement No. 98, *The Annual Comprehensive Financial Report*.

The implementation of GASB Statement No. 87 had a significant impact on the Entity. See Note 2 regarding the restatement of balances. The implementation of GASB Statement No. 89, 92, 93, and 98 did not affect the City in a material manner.

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

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.)

## City of Wolfforth, Texas

### Notes to Financial Statements

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Recently Issued and Implemented Accounting Pronouncements (Continued)*

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 15, 2022. Earlier application is encouraged.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective for varying dates depending on the requirement.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The requirements of this Statement will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The requirements of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

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

# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 2: RESTATEMENT, RECLASSIFICATION OF FUND BALANCE AND CHANGE IN ACCOUNTING PRINCIPLE

#### *Restatements*

In fiscal year 2022, the City had a prior period restatement of \$2,002,107, which was required to properly state a change in management's estimate for the allocation of long-term debt and amortization in the governmental activities and \$1,993,670 to properly state a change in management's estimate for the allocation of long-term debt and amortization in the business-type activities. Additionally, a prior period restatement of \$95,833 was required to correct the balance for capital assets which were incorrectly included in the Wolfforth Economic Development Corporation in the prior fiscal year and should have been included in the sewer and sanitation fund in the prior fiscal year. Further, there was a restatement in the Public Improvement District (\$311,017) and the Community Development Corporation (\$485,961) as the component units' balances were not previously reported.

	<b>Governmental Activities Net Position</b>	<b>Business-Type Activities - Water, Sewer and Sanitation Fund Net Position</b>
Balances at September 30, 2021, as previously reported	\$ 4,681,819	\$ 3,764,555
Correction of an error - debt allocations	(1,871,276)	1,871,276
Correction of an error - unamortized premium	(130,831)	122,394
Correction of an error - capital assets	-	95,833
<b>Balances at September 30, 2021, as restated</b>	<b>\$ 2,679,712</b>	<b>\$ 5,854,058</b>

<b>Component Units</b>	<b>Wolfforth Economic Development Corporation Net Position</b>	<b>Public Improvement District Net Position</b>	<b>Community Development Corporation Net Position</b>
Balances at September 30, 2021, as previously reported	\$ 1,404,387	\$ -	\$ -
Correction of an error - capital assets	(95,833)	-	-
Correction of an error - component units	-	311,017	485,961
<b>Balances at September 30, 2021, as restated</b>	<b>\$ 1,308,554</b>	<b>\$ 311,017</b>	<b>\$ 485,961</b>



# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 2: RESTATEMENT, RECLASSIFICATION OF FUND BALANCE AND CHANGE IN ACCOUNTING PRINCIPLE (Continued)

#### *Restatements (Continued)*

#### *Change in Accounting Principle*

During fiscal year 2022, the City implemented GASB Statement No. 87, Leases. The City was required to reclassify all leases as right-to-use lease assets and lease liabilities as of October 1, 2021. The only effect on the lease liability was a name change related to the presentation in the note disclosure.

Governmental Activities	Vehicles, Equipment and Machinery	Accumulated Depreciation - Vehicles, Equipment and Machinery	Right-to-Use Lease Assets	Accumulated Amortization - Right-to-Use Lease Assets
Balances at September 30, 2021, as previously reported	\$ 6,253,572	\$ (4,176,925)	\$ -	\$ -
GASB 87 Implementation	(1,061,840)	344,231	1,061,840	(344,231)
<b>Balances at September 30, 2021, as restated</b>	<b>\$ 5,191,732</b>	<b>\$ (3,832,694)</b>	<b>\$ 1,061,840</b>	<b>\$ (344,231)</b>

### NOTE 3: 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.

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

## **NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

### ***Budgetary Information (Continued)***

The accompanying schedule 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.

#### *Budget Variance*

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

	Final Budget	Actual Expenditures	Under- Expenditure Variance
General Fund	\$ 5,593,825	\$ 5,685,618	\$ (91,793)
Debt Service Fund	832,507	873,474	(40,967)
Capital Projects Fund	834,636	1,122,635	(287,999)
Self-insurance	-	372,499	(372,499)

The accompanying Schedule 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 4: 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, Economic Development Corporation's, and Public Improvement District's deposits were fully secured at the balance sheet date by FDIC coverage and pledged securities as of September 30, 2022 for the City Bank accounts.

At September 30, 2022, \$265,981 of the Community Development Corporation's bank balance of \$515,981 was subject to custodial credit risk. Of this amount, \$265,981 was uninsured and uncollateralized at September 30, 2022 for the First Bank and Trust accounts.

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

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

	<b>City Bank</b>	<b>First Bank and Trust</b>	<b>Total</b>
Amount of Deposits	\$ 13,520,682	\$ 515,981	\$ 14,036,663
FDIC Coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	<u>13,270,682</u>	<u>265,981</u>	<u>13,536,663</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>13,270,682</u>	-	<u>13,270,682</u>
Uninsured and uncollateralized	<u>-</u>	<u>265,981</u>	<u>265,981</u>
Collateral requirement (100%)	13,270,682	265,981	13,536,663
Pledged Securities	<u>14,506,750</u>	-	<u>14,506,750</u>
Over (under) collateralized	<u>\$ 1,236,068</u>	<u>\$ (265,981)</u>	<u>\$ 970,087</u>

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

**NOTE 4: DEPOSITS AND INVESTMENTS (Continued)**

***Reconciliation of Cash and Cash Equivalents***

**City of Wolfforth**

Cash and cash equivalents	\$ 11,685,581
Restricted cash and cash equivalents	221,197

<b>Total cash and cash equivalents</b>	<b>11,906,778</b>
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Plus outstanding checks	111,841
Less outstanding deposits	(9,604)
Less petty cash	844

<b>Bank balance of deposits</b>	<b>\$ 12,009,859</b>
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**Economic Development Corporation**

Cash and cash equivalents	\$ 1,310,226
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<b>Total cash and cash equivalents</b>	<b>1,310,226</b>
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Less outstanding checks	(1,105)
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<b>Bank balance of deposits</b>	<b>\$ 1,309,121</b>
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**Public Improvement District**

Cash and cash equivalents	\$ 201,935
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<b>Total cash and cash equivalents</b>	<b>201,935</b>
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Less outstanding checks	(233)
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<b>Bank balance of deposits</b>	<b>\$ 201,702</b>
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**Community Development Corporation**

Cash and cash equivalents	\$ 515,981
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<b>Total cash and cash equivalents</b>	<b>515,981</b>
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<b>Bank balance of deposits</b>	<b>\$ 515,981</b>
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# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

#### *Investments*

*Custodial Credit Risk – Investments* - 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, 2022 include the following:

<b>Investment</b>	<b>Credit Rating</b>	<b>Average Maturities</b>	<b>Balance at September 30, 2022</b>	
City of Wolfforth				
Tex-Pool	AAAm	60 days	\$	1,588
Total investments			\$	1,588

#### *Fair Value Measurement*

All of the City's investments are 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 5: RECEIVABLES**

Receivables as of September 30, 2022, are as follows:

***Governmental Activities***

	General Fund	Debt Service Fund	Total
Property taxes	\$ 67,849	\$ 20,686	\$ 88,535
Other taxes			
Sales taxes	234,296	-	234,296
Miscellaneous	9,618	-	9,618
EMS fees	563,503	-	563,503
Less allowance for doubtful accounts	(210,621)	-	(210,621)
Totals	\$ 664,645	\$ 20,686	\$ 685,331

***Business-Type Activities***

	Water, Sewer and Sanitation Fund
Water, sewer and sanitation sales	\$ 1,077,071
Less allowance for doubtful accounts	(490,202)
Totals	\$ 586,869

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

**NOTE 5: RECEIVABLES (Continued)**

***Economic Development Corporation***

Sales taxes	\$ 117,148
Notes receivable	182,457
	<hr/>
Totals	\$ 299,605
	<hr/> <hr/>

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, 2022 were \$29,471.

**NOTE 6: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund transfers for the City's individual major funds and component unit at September 30, 2022, is as follows:

Transfer In	Transfer Out	Amount
Water, Sewer and Sanitation	Capital Projects	\$ 86,168
Water, Sewer and Sanitation	Self-insurance	22,206
Water, Sewer and Sanitation	Debt Service	476,627
Water, Sewer and Sanitation	Economic Development Corp	57,394
General	Water, Sewer and Sanitation	12,214
General	Self-insurance	66,619
General	Debt Service	505,826
Police Forfeiture and Seizure	General	17,400
Capital Projects	Debt Service	5,264
Debt Service	Capital Projects	297,913
		<hr/>
Total		\$ 1,547,631
		<hr/> <hr/>

# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 6: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

The City had the following activity between the primary government and the component unit at September 30, 2022:

Due from	Due to	Amount
General	Community Development Corp	\$ 38,503
	Total	\$ 38,503

### NOTE 7: CAPITAL ASSETS

The following is a summary of capital assets and changes occurring during the year ended September 30, 2022. Land and Construction in Progress are not subject to depreciation.

#### *Governmental Activities*

	Balance September 30, 2021 As restated*	Additions	Deletions	Ending Balance September 30, 2022
Capital assets not being depreciated				
Land	\$ 503,636	\$ 11,959	\$ -	\$ 515,595
Total non-depreciable assets	503,636	11,959	-	515,595
Capital assets being depreciated				
Buildings and improvements	4,136,721	511,841	-	4,648,562
Streets and infrastructure	5,272,941	-	-	5,272,941
Office furniture and equipment	326,319	90,144	-	416,463
Vehicles, equipment, and machinery	5,191,732	436,947	46,533	5,582,146
Library books and equipment	362,559	28,297	1,509	389,347
Right-to-Use Lease Assets	1,061,840	-	-	1,061,840
Total capital assets being depreciated	16,352,112	1,067,229	48,042	17,371,299
Total capital assets	16,855,748	1,079,188	48,042	17,886,894
Accumulated depreciation				
Buildings and improvements	(1,867,781)	(109,238)	-	(1,977,019)
Streets and infrastructure	(4,327,688)	(173,075)	-	(4,500,763)
Office furniture and equipment	(233,443)	(25,853)	-	(259,296)
Vehicles, equipment, and machinery	(3,832,694)	(364,791)	39,553	(4,157,932)
Library books and equipment	(269,137)	(28,298)	1,509	(295,926)
Right-to-Use Lease Assets	(344,231)	(115,263)	-	(459,494)
Total accumulated depreciation	(10,874,974)	(816,518)	41,062	(11,650,430)
Governmental activities capital assets, net	\$ 5,980,774	\$ 262,670	\$ 6,980	\$ 6,236,464



# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 7: CAPITAL ASSETS (Continued)

#### *Governmental Activities (Continued)*

Depreciation expense for the year ended September 30, 2022 was charged to the functions of the governmental activities as follows:

Governmental activities	
General government	\$ 136,743
Public safety	410,934
Public works	191,430
Health and welfare	49,113
Culture and recreation	28,298
	<hr/>
Total depreciation expense - governmental activities	\$ 816,518
	<hr/>

#### *Business-type Activities*

	Balance September 30, 2021 As restated*	Additions	Deletions	Transfers/ Adjustments	Ending Balance September 30, 2022
Capital assets not being depreciated					
Land	\$ 2,238,372	\$ 117,325	\$ -	\$ -	\$ 2,355,697
Construction in Progress	2,986,246	487,949	-	(1,556,477)	1,917,718
					<hr/>
Total capital assets not being depreciated	5,224,618	605,274	-	(1,556,477)	4,273,415
					<hr/>
Capital assets being depreciated					
Buildings and improvements	261,605	-	-	-	261,605
Water and sewer system	20,735,690	1,894,221	-	1,556,477	24,186,388
Vehicles, equipment, and machinery	1,252,609	162,691	-	-	1,415,300
					<hr/>
Total capital assets being depreciated	22,249,904	2,056,912	-	1,556,477	25,863,293
					<hr/>
Total capital assets	27,474,522	2,662,186	-	-	30,136,708
					<hr/>
Accumulated depreciation					
Buildings and improvements	(227,010)	(7,666)	-	-	(234,676)
Water and sewer system	(10,237,756)	(1,110,355)	-	-	(11,348,111)
Vehicles, equipment, and machinery	(841,005)	(107,070)	-	-	(948,075)
					<hr/>
Total accumulated depreciation	(11,305,771)	(1,225,091)	-	-	(12,530,862)
					<hr/>
Business-type activities capital assets, net	\$ 16,168,751	\$ 1,437,095	\$ -	\$ -	\$ 17,605,846
					<hr/>

# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 7: CAPITAL ASSETS (Continued)

#### *Business-type Activities (Continued)*

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

Business-type activities	
Water, sewer and sanitation	\$ 1,225,091
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Total depreciation expense -business-type activities	\$ 1,225,091
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### NOTE 8: 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, 2022, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance September 30, 2021 As restated*	Additions	Retirements	Balance September 30, 2022	Due Within One Year
Refunding bonds	\$ 2,374,986	\$ -	\$ 256,828	\$ 2,118,158	\$ 266,706
Bond premiums	331,460	119,551	68,804	382,207	68,804
Tax notes	1,578,982	1,445,000	445,132	2,578,850	487,350
Leases	666,156	-	111,555	554,601	70,337
Compensated absences	28,253	78,230	19,965	86,518	86,518
<hr/>					
Total	\$ 4,979,837	\$ 1,642,781	\$ 902,284	\$ 5,720,334	\$ 979,715
<hr/>					

Bond premiums are presented net of amortization of \$68,804.

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

## **NOTE 8: LONG-TERM LIABILITIES (Continued)**

### ***Governmental Activities (Continued)***

#### *GO Refunding Bond*

At September 30, 2022, 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, 2022
GO Refunding Bond Series 2015	10/15/15	02/15/31	2.00-3.00%	\$ 4,190,000	\$ 1,273,158
GO Refunding Bond Series 2020	02/01/20	02/15/32	4.000%	1,095,000	845,000
Total					\$ 2,118,158

The annual requirements to amortize the general obligation refunding bonds as of September 30, 2022, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2023	\$ 266,706	\$ 62,606	\$ 329,312
2024	279,145	54,348	333,493
2025	216,706	46,924	263,630
2026	174,145	41,266	215,411
2027	179,023	36,252	215,275
2028-2032	1,002,433	89,935	1,092,368
Total	\$ 2,118,158	\$ 331,331	\$ 2,449,489

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

## **NOTE 8: LONG-TERM LIABILITIES (Continued)**

### ***Governmental Activities (Continued)***

#### *Tax Notes*

At September 30, 2022, the City had three tax notes as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance September 30, 2022
Tax Note Series 2017B	08/01/17	02/15/24	3.00%	\$ 1,020,000	\$ 163,850
Tax Note Series 2020	03/04/20	02/15/27	5.00%	1,435,000	1,100,000
Tax Note Series 2021	10/20/21	02/18/28	3.00%	1,445,000	1,315,000
Total					\$ 2,578,850

The annual requirements to amortize the tax notes as of September 30, 2022, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2023	\$ 487,350	\$ 90,172	\$ 577,522
2024	501,500	71,181	572,681
2025	435,000	52,775	487,775
2026	450,000	35,000	485,000
2027	470,000	16,500	486,500
2028	235,000	3,525	238,525
Total	\$ 2,578,850	\$ 269,153	\$ 2,848,003

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

## **NOTE 8: LONG-TERM LIABILITIES (Continued)**

### ***Governmental Activities (Continued)***

#### *Leases*

At September 30, 2022, the City had one lease as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance September 30, 2022
Fire Apparatus Lease WOLTX2018-11PB	11/30/18	11/30/28	2.25%	\$ 750,000	\$ 554,601
Total					\$ 554,601

The annual requirements to amortize the lease as of September 30, 2022, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2023	\$ 70,337	\$ 21,873	\$ 92,210
2024	73,111	19,099	92,210
2025	75,995	16,216	92,211
2026	78,992	13,219	92,211
2027	82,107	10,103	92,210
2028-2029	174,059	10,364	184,423
Total	\$ 554,601	\$ 90,874	\$ 645,475

# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 8: 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, 2022, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance September 30, 2021 As restated*	Additions	Retirements	Balance September 30, 2022	Due Within One Year
Certificates of obligation	\$ 16,725,000	\$ -	\$ 785,000	\$ 15,940,000	\$ 815,000
Refunding bonds	1,470,014	-	133,171	1,336,843	138,294
Bond premiums	739,077	-	43,914	695,163	65,899
Tax notes	515,018	-	242,868	272,150	213,650
Compensated absences	11,659	27,662	7,469	31,852	31,852
Total	\$ 19,460,768	\$ 27,662	\$ 1,212,422	\$ 18,276,008	\$ 1,264,695

Bond premiums are presented net of amortization of \$65,899.

#### *Certificates of Obligation*

At September 30, 2022, the City had four certificates of obligation as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance September 30, 2022
Certificate of Obligation Series 2013	05/01/13	02/15/33	1.50-3.00%	\$ 6,625,000	\$ 3,985,000
Certificate of Obligation Series 2017A	08/01/17	02/15/37	2.00-3.00%	1,445,000	1,160,000
Certificate of Obligation Series 2020	06/30/20	02/15/40	2.25-4.00%	4,635,000	4,305,000
Certificate of Obligation Series 2021	11/15/20	02/15/41	0.34-1.27%	6,730,000	6,490,000
Total					\$ 15,940,000

# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 8: LONG-TERM LIABILITIES (Continued)

#### *Business Type Activities (Continued)*

The annual requirements to amortize the certificate of obligation as of September 30, 2022, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2023	\$ 815,000	\$ 429,207	\$ 1,244,207
2024	840,000	403,857	1,243,857
2025	860,000	376,882	1,236,882
2026	895,000	347,807	1,242,807
2027	925,000	347,807	1,272,807
2028-2032	5,085,000	1,122,610	6,207,610
2033-2037	4,025,000	530,692	4,555,692
2038-2041	2,495,000	107,079	2,602,079
Total	\$ 15,940,000	\$ 3,665,941	\$ 19,605,941

#### *General Obligation Refunding Bonds*

At September 30, 2022, 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, 2022
GO Refunding Bond Series 2015	10/15/15	02/15/31	2.00-3.00%	\$ 4,190,000	\$ 1,336,843
Total					\$ 1,336,843

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

## **NOTE 8: LONG-TERM LIABILITIES (Continued)**

### ***Business Type Activities (Continued)***

The annual requirements to amortize the general obligation refunding bond as of September 30, 2022, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2023	\$ 138,294	\$ 33,082	\$ 171,376
2024	140,855	30,290	171,145
2025	138,294	27,326	165,620
2026	140,855	24,009	164,864
2027	145,977	20,424	166,401
2028-2031	632,568	38,572	671,140
<b>Total</b>	<b>\$ 1,336,843</b>	<b>\$ 173,703</b>	<b>\$ 1,510,546</b>

### ***Tax Notes***

At September 30, 2022, the City had four tax notes as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Amount of Issue</b>	<b>Remaining Balance September 30, 2022</b>
Tax Note Series 2016	01/15/16	02/15/23	1.90%	\$ 680,000	\$ 104,000
Tax Note Series 2016A	02/15/16	02/15/23	1.64%	380,000	57,000
Tax Note Series 2017B	08/01/17	02/15/24	3.00%	1,020,000	111,150
<b>Total</b>					<b>\$ 272,150</b>



# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 8: LONG-TERM LIABILITIES (Continued)

#### *Business Type Activities (Continued)*

The annual requirements to amortize the tax notes as of September 30, 2022, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2023	\$ 213,650	\$ 3,883	\$ 217,533
2024	58,500	819	59,319
Total	\$ 272,150	\$ 4,702	\$ 276,852

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, 2022, compensated absences increased in the governmental activities by \$58,265 and increased by \$20,193 in the business-type activities. Compensated absences are liquidated by the respective funds in which they are accrued.

## **City of Wolfforth, Texas**

### **Notes to Financial Statements**

#### **NOTE 9: 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, 2022 and the amount of settlements during the past three years has not exceeded the insurance coverage.

During fiscal year 2021, the City participated 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 had 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 provided coverage up to a maximum of \$50 thousand for each claim. The Fund purchased commercial insurance for claims in excess of this coverage. Settled claims have not exceeded commercial coverage in any of the last three fiscal years. The self-insurance fund was closed as of October 1, 2021 due to the City's change to a Blue Cross Blue Shield health insurance plan.

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 9: RISK MANAGEMENT (Continued)

There is uncertainty surrounding the self-insurance claims liability as administrator, Medova Healthcare Financial Group is in litigation with the US Department of Labor. The US district court has appointed an independent fiduciary, Receivership Management, Inc to resolve and oversee claims. Unpaid medical claims may be processed until the complaint is resolved of the fiduciary's services are found to be longer necessary.

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

	September 30, 2022	September 30, 2021
Unpaid claims and claim adjustment expenses	\$ 173,765	\$ 9,542
Incurred claims and claim adjustment	-	217,851
Claim payments	(1,876)	(53,628)
Unpaid claims and claim adjustment expenses, ending	\$ 171,889	\$ 173,765

### NOTE 10: 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.tmr.com](http://www.tmr.com).

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

## City of Wolfforth, Texas

### Notes to Financial Statements

#### NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

##### *Texas Municipal Retirement System (TMRS) (Continued)*

###### *Benefits Provided*

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

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

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	22
Active employees	46
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Total	77
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###### *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 11.17% and 11.08% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$236,922, and were equal to the required contributions.

###### *Net Pension Liability*

The City's Net Pension Liability (NPL) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

## City of Wolfforth, Texas Notes to Financial Statements

### NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

#### *Texas Municipal Retirement System (TMRS) (Continued)*

##### *Actuarial Assumptions*

The Total Pension Liability in the December 31, 2021 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

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 a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. 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.

# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

#### *Texas Municipal Retirement System (TMRS) (Continued)*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term expected rate of return (Arithmetic)</b>
Global equities	35.00%	6.35%
Core fixed income	6.00%	1.00%
Non-core fixed income	20.00%	4.15%
Real return	12.00%	4.15%
Real estate	12.00%	4.75%
Absolute return	5.00%	4.00%
Private equity	10.00%	7.75%
<b>Total</b>	<b>100.00%</b>	

#### *Discount Rate*

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

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

**NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Municipal Retirement System (TMRS) (Continued)***

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total pension liability	Plan fiduciary net position	Net pension liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2020	\$ 5,123,545	\$ 4,169,576	\$ 953,969
Changes for the year:			
Service cost	256,846	-	256,846
Interest	347,073	-	347,073
Difference between expected/actual experience	181,674	-	181,674
Changes of assumptions	-	-	-
Contributions - employer	-	236,922	(236,922)
Contributions - employee	-	107,377	(107,377)
Net investment income	-	543,714	(543,714)
Benefit payments, including refunds of employee contributions	(220,297)	(220,297)	-
Administrative expense	-	(2,514)	2,514
Other changes	-	16	(16)
Net changes	565,296	665,218	(99,922)
Balance at 12/31/2021	\$ 5,688,841	\$ 4,834,794	\$ 854,047

*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	\$ 1,708,177	\$ 854,047	\$ 157,284

# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

#### *Texas Municipal Retirement System (TMRS) (Continued)*

##### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2022, the City recognized pension expense of \$208,559.

At September 30, 2022, 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	\$ 211,374	\$ -
Changes in actuarial assumptions	18,706	-
Difference between projected and actual investment earnings	-	278,534
Contributions subsequent to the measurement date	209,787	-
<b>Total TMRS</b>	<b>\$ 439,867</b>	<b>\$ 278,534</b>

\$209,787 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, 2022. 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:	
2022	\$ 12,977
2023	(56,770)
2024	(16,670)
2025	(16,480)
2026	28,489
<b>Total</b>	<b>\$ (48,454)</b>



## **City of Wolfforth, Texas**

### **Notes to Financial Statements**

#### **NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

##### ***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](http://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.

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.

## **City of Wolfforth, Texas**

### **Notes to Financial Statements**

#### **NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

##### ***Texas Emergency Services Retirement System (TESRS) (Continued)***

###### *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, 2022 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.

###### *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, 2022, total contributions (dues, prior service, and interest on prior service financing) of \$11,556 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.

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

## **NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

### ***Texas Emergency Services Retirement System (TESRS) (Continued)***

The most recent completed biennial actuarial valuation as of August 31, 2022 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2022.

	<b>System 100.00%</b>	<b>City 0.2360%</b>
Total pension liability	\$ 165,375,669	\$ 390,287
Plan fiduciary net position	124,345,593	293,456
Net pension liability	\$ 41,030,076	\$ 96,831
Plan fiduciary net position as a percentage of the total pension liability		75.2%

### ***Actuarial Assumptions***

The total pension liability in the August 31, 2022 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	7.5% net of pension plan investment expense, including inflation

Mortality rates were based on the PubS-2010 (public safety) below-median income mortality tables for employees and for retirees, projected for mortality improvement generationally using projection scale MP-2019.

# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

#### *Texas Emergency Services Retirement System (TESRS) (Continued)*

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 4.61%) and by adding expected inflation (3.00%). In addition, the final 7.50% 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:

<b>Asset Class</b>	<b>Target allocation</b>	<b>Long-term expected rate of return (arithmetic)</b>
Equities		
Large cap domestic	20%	5.83%
Small/mid cap domestic	10%	5.94%
Developed international	15%	6.17%
Emerging markets	5%	7.36%
Global infrastructure	5%	6.61%
Real Estate	10%	4.48%
Multi asset income	5%	3.86%
Fixed income	30%	1.95%
Cash	0%	0.00%
<b>Total / Weighted Average</b>	<b>100%</b>	<b>4.61%</b>

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. No projection of cash flows was used to determine the discount rate because the August 31, 2022 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.

# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

#### *Texas Emergency Services Retirement System (TESRS) (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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportional share of the net pension liability	\$ 151,902	\$ 96,831	\$ 52,236

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

At August 31, 2022, the City reported a liability of \$96,831 for its proportionate share of the TESRS's net pension liability. The net pension liability was measured as of August 31, 2022. 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 (0.236%) was based on the City's contributions to the pension plan relative to the contribution of all employers to the plan for the period September 1, 2021 through August 31, 2022.

For the year ended September 30, 2022, the City recognized a pension benefit of \$3,472.

At September 30, 2022, 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
Changes in actuarial assumptions	\$ -	\$ 487
Difference between projected and actual experience	3,686	-
Net difference between projected and actual investment earnings on pension plan investments	35,710	-
Contributions subsequent to the measurement date	17,532	-
Total TESRS	\$ 56,928	\$ 487

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

**NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS) (Continued)***

\$17,532 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, 2022. 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:	
2023	\$ 11,227
2024	6,969
20235	7,277
2026	13,436
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Total	\$ 38,909

**NOTE 11: 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).

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

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Plan Description and Benefits (Continued)***

*Employees covered by benefit terms*

At the December 31, 2021 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	2
Active employees	46
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Total	56
<hr/>	

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 0.21% and 0.14% in calendar 2021 and 2022, respectively. The City's contributions to SBDF for the year ended September 30, 2021 were \$3,174 and were equal to the required contributions.

# City of Wolfforth, Texas

## Notes to Financial Statements

### NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

#### *Plan Description and Benefits (Continued)*

#### OPEB Liability

#### *Actuarial Assumptions*

Inflation	2.50%
Salary increases	3.5% to 11.5% including inflation
Discount rate*	1.84%
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 setforward 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.



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

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Plan Description and Benefits (Continued)***

*Changes in the Net OPEB Liability*

	<b>Total OPEB Liability (a)</b>
Balance at 12/31/2020	\$ 69,061
Changes for the year:	
Service cost	5,798
Interest	1,424
Difference between expected/actual experience	1,060
Changes of assumptions	2,292
Benefit payments, including refunds of employee contributions	(1,503)
Net changes	9,071
Balance at 12/31/2021	\$ 78,132

*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 2.00%, 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 (1.00%) or 1 percentage point higher (3.00%) than the current rate:

	<b>1% Decrease in Discount Rate (1.00%)</b>	<b>Discount Rate (2.00%)</b>	<b>1% Increase in Discount Rate (3.00%)</b>
City's total OPEB liability	\$ 96,006	\$ 78,132	\$ 64,632

*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.tmrs.com](http://www.tmrs.com).

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

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Plan Description and Benefits (Continued)***

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

For the year ended September 30, 2022 the City recognized OPEB expense of \$8,764.

At September 30, 2022, 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	\$ 18,539	\$ 23,876
Changes in actuarial assumptions	15,818	1,606
Contributions subsequent to the measurement date	2,879	-
<b>Total OPEBs</b>	<b>\$ 37,236</b>	<b>\$ 25,482</b>

\$2,879 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

	<b>OPEB</b>
Year ending September 30:	
2022	\$ 2,195
2023	2,195
2024	2,195
2025	1,818
2026	(1,252)
Thereafter	1,724
<b>Total</b>	<b>\$ 8,875</b>

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.

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

**NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Plan Description and Benefits (Continued)***

The City's contributions to the TMRS SDBF for the year ended 2021 was \$3,174, which equaled the required contributions each year.

**NOTE 12: 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 13: RESTRICTED COMPONENTS OF NET POSITION**

The government-wide statement of net position reports \$537,936 of restricted net position, all of which is restricted by enabling legislation or other methods.

**NOTE 14: COMMITMENTS**

The City's commitments as of June 30, 2022 are as follows:

<b>Project</b>	<b>Amount</b>
WWTP LAGOONS EXPANSION DESIGN	\$ 1,200,000
1 MILLION GALLON STORAGE TANK	424,700
WATER DISTRIBUTION LOOP LINES DESIGN	250,000
IMPACT FEE AND RATE STUDY	70,000
Total Commitments	\$ 1,944,700

**NOTE 15: SUBSEQUENT EVENTS**

On April 27, 2023, the City closed on a tax anticipation note in the amount of \$2,405,000.

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## REQUIRED SUPPLEMENTARY INFORMATION



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

For the Year Ended September 30, 2022	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
Revenues				
Taxes				
Property taxes	\$ 2,775,141	\$ 2,775,141	\$ 2,847,991	\$ 72,850
Sales and use taxes	900,030	900,030	1,242,333	342,303
Franchise taxes	300,000	300,000	363,819	63,819
Federal operating grants	-	-	1,343	1,343
State operating grants	-	-	109,817	109,817
Charges for services	171,804	171,804	248,009	76,205
Fines, fees, and permits	869,655	869,655	844,015	(25,640)
Fire and EMS revenue	337,500	337,500	560,320	222,820
Investment income	5,005	5,005	22,623	17,618
Other revenue	71,898	71,898	175,939	104,041
Donations	2,000	2,000	13,772	11,772
Total revenues	5,433,033	5,433,033	6,429,981	996,948
Expenditures				
Current				
General government	1,853,636	1,853,636	1,981,393	(127,757)
Public safety	1,455,723	1,455,723	1,649,737	(194,014)
Public works	57,600	57,600	28,437	29,163
Culture and recreation	402,518	402,518	416,852	(14,334)
Health and welfare	1,414,924	1,414,924	1,192,619	222,305
Capital outlay	271,692	271,692	278,849	(7,157)
Debt service				
Principal	107,412	107,412	111,554	(4,142)
Interest	30,320	30,320	26,177	4,143
Total expenditures	5,593,825	5,593,825	5,685,618	(91,793)
Excess (deficiency) of revenues over expenditures	(160,792)	(160,792)	744,363	905,155
Other financing sources (uses)				
Insurance recoveries	-	-	9,474	9,474
Transfers in	-	-	584,659	584,659
Transfers (out)	-	-	(17,400)	(17,400)
Total other financing sources (uses)	-	-	576,733	576,733
Net change in fund balance	\$ (160,792)	\$ (160,792)	1,321,096	\$ 1,481,888
Fund balance, beginning			1,148,162	
Fund balance, ending			\$ 2,469,258	

*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,		
	2021	2020	2019
<b>Total Pension Liability</b>			
Service cost	\$ 256,846	\$ 220,812	\$ 202,328
Interest (on the total pension liability)	347,073	321,386	293,592
Changes of benefit terms	-	-	-
Difference between expected and actual experience	181,674	36,360	37,247
Change of assumptions	-	-	42,484
Benefit payments, including refunds of employee contributions	(220,297)	(211,772)	(134,473)
<b>Net Change in Total Pension Liability</b>	565,296	366,786	441,178
<b>Total Pension Liability - Beginning</b>	5,123,545	4,756,759	4,315,581
<b>Total Pension Liability - Ending</b>	\$ 5,688,841	\$ 5,123,545	\$ 4,756,759
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 236,922	\$ 215,247	\$ 190,005
Contributions - employee	107,377	93,644	85,599
Net investment income	543,714	287,665	488,813
Benefit payments, including refunds of employee contributions	(220,297)	(211,772)	(134,473)
Administrative expense	(2,514)	(1,860)	(2,760)
Other	16	(72)	(83)
<b>Net Change in Plan Fiduciary Net Position</b>	665,218	382,852	627,101
<b>Plan Fiduciary Net Position - Beginning</b>	4,169,576	3,786,724	3,159,623
<b>Plan Fiduciary Net Position - Ending</b>	\$ 4,834,794	\$ 4,169,576	\$ 3,786,724
<b>Net Pension Liability - Ending</b>	\$ 854,047	\$ 953,969	\$ 970,035
Plan Fiduciary Net Position as a Percentage of Total	84.99%	81.38%	79.61%
Covered Payroll	\$ 2,147,544	\$ 1,872,877	\$ 1,694,537
Net Pension Liability as a Percentage of Covered Payroll	39.77%	50.94%	57.24%

\* 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,**

<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
\$ 166,199	\$ 161,933	\$ 147,467	\$ 126,524	\$ 100,375
266,386	243,771	224,057	211,984	195,013
-	-	-	-	302,903
62,641	21,340	14,922	42,068	15,598
-	-	-	(11,327)	-
(86,005)	(102,272)	(100,975)	(76,433)	(86,803)
409,221	324,772	285,471	292,816	527,086
3,906,360	3,581,588	3,296,117	3,003,301	2,476,215
<u>\$ 4,315,581</u>	<u>\$ 3,906,360</u>	<u>\$ 3,581,588</u>	<u>\$ 3,296,117</u>	<u>\$ 3,003,301</u>
\$ 155,885	\$ 162,852	\$ 135,793	\$ 119,684	\$ 82,934
69,539	69,280	61,445	55,154	52,490
(93,367)	363,708	160,109	3,350	120,269
(86,005)	(102,272)	(100,975)	(76,433)	(86,803)
(1,804)	(1,885)	(1,808)	(2,040)	(1,256)
(94)	(96)	(97)	(101)	(103)
44,154	491,587	254,467	99,614	167,531
3,115,469	2,623,882	2,369,415	2,269,801	2,102,270
<u>\$ 3,159,623</u>	<u>\$ 3,115,469</u>	<u>\$ 2,623,882</u>	<u>\$ 2,369,415</u>	<u>\$ 2,269,801</u>
\$ 1,155,958	\$ 790,891	\$ 957,706	\$ 926,702	\$ 733,500
73.21%	79.75%	73.26%	71.89%	75.58%
\$ 1,390,787	\$ 1,372,312	\$ 1,228,894	\$ 1,103,083	\$ 1,049,803
83.12%	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\***

<b>As of and for the Year Ended September 30,</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Actuarially determined contribution</b>	\$ 209,787	\$ 230,391	\$ 224,658	\$ 180,774
Contributions in relation to the actuarially	(209,787)	(230,391)	(224,658)	(180,774)
<b>Contribution deficiency (excess)</b>	\$ -	\$ -	\$ -	\$ -
<b>Covered payroll</b>	\$ 2,477,724	\$ 2,041,172	\$ 1,938,254	\$ 1,597,627
<b>Contributions as a percentage of covered payroll</b>	8.47%	11.29%	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\***

<b>Measurement Date</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
City's proportion of the net pension liability	0.2360%	0.2500%	0.2560%
City's proportionate share of the net pension liability	\$ 96,831	\$ 26,785	\$ 64,540
City's covered payroll	\$ 606,914	\$ 546,803	\$ 545,417
City's proportionate share of the net pension liability as a percentage of its covered payroll	16.0%	4.9%	11.8%
Plan fiduciary net position as a percentage of the total pension liability	75%	93%	83%

\* The amounts presented were determined as of August 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.*

2019	2018	2017	2016	2015
0.2010%	0.2330%	0.2590%	0.2950%	0.2350%
\$ 56,975	\$ 50,446	\$ 62,164	\$ 85,928	\$ 62,727
\$ 458,960	\$ 394,796	\$ 626,400	\$ 518,400	\$ 554,400
12.4%	12.8%	9.9%	16.6%	11.3%
80%	84%	79%	85%	68%

*See notes to required supplementary information.*

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

	2022	2021	2020
Contractually required contribution	\$ 3,472	\$ 5,976	\$ 11,952
Contributions in relation to the contractually required contribution	(3,472)	(5,976)	(11,952)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
City's covered payroll	\$ 606,914	\$ 546,803	\$ 545,417
Contributions as a percentage of covered payroll	1%	1%	2%

\* The amounts presented were determined as of August 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.*

2019	2018	2017	2016	2015
\$ 8,997	\$ 14,295	\$ 12,528	\$ 10,368	\$ 11,088
(8,997)	(14,295)	(12,528)	(10,368)	(11,088)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 458,960	\$ 394,796	\$ 626,400	\$ 518,400	\$ 554,400
2%	4%	2%	2%	2%

*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,		
	2021	2020	2019
<b>Total OPEB Liability</b>			
Service cost	\$ 5,798	\$ 3,746	\$ 2,881
Interest (on the total OPEB liability)	1,424	1,616	2,963
Changes of benefit terms	-	-	-
Difference between expected and actual experience	1,060	(1,995)	(36,352)
Change of assumptions	2,292	9,082	9,423
Benefit payments, including refunds of employee contributions	(1,503)	(562)	(339)
<b>Net Change in Total OPEB Liability</b>	9,071	11,887	(21,424)
<b>Total OPEB Liability - Beginning</b>	69,061	57,174	78,598
<b>Total OPEB Liability - Ending</b>	\$ 78,132	\$ 69,061	\$ 57,174
Covered Payroll	\$ 1,872,877	\$ 1,872,877	\$ 1,694,537
Total OPEB Liability as a Percentage of Covered Payroll	3.69%	3.69%	3.37%

\* 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,			
2018		2017	
\$	2,921	\$	2,470
	1,458		1,399
	-		-
	34,956		-
	(3,190)		3,214
	(278)		(274)
	35,867		6,809
	42,731		35,922
\$	78,598	\$	42,731
\$	1,390,787	\$	1,372,312
	5.65%		3.11%

*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	24 years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
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	<p>Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.</p> <p>Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.</p>
Other Information:	There were no benefit changes during the year.

#### **NOTE 3: SCHEDULE OF CONTRIBUTIONS – TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM**

**Valuation Date:** August 31, 2021

##### **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	PubS-2010 (public safety) below-median income mortality tables for employees and retirees, projected for mortality improvement generationally using projection scale MP-2019
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	<p>Service retirees: 2019 Municipal Retirees of Texas Mortality Tables, The rates are projected on a fully generational basis with scale UMP.</p> <p>Disabled retirees: 2019Municipal 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.</p>
Other Information:	There were no benefit changes during the year.