

City of Woodway, Texas
Financial Statements and
Supplementary Information
September 30, 2021
(With Independent Auditor's Report Thereon)

City of Woodway, Texas

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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of City Council
City of Woodway, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodway, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Woodway, Texas as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through xii, the budgetary comparison information on pages 43 and 44, and other required supplementary information on pages 45 through 48 (collectively, "the required supplementary information") be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

April 6, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Woodway, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Woodway, Texas for the fiscal year ended September 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$50,441,595 (*net position*). Of this amount, \$7,769,368 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- For 2020, for business-type activities and the water and sewer fund, the City recognized a special item – a \$7,805,150 loss from the termination of the Waco Metropolitan Area Regional Sewer System ("WMARSS") interlocal cooperative agreement, which resulted in the City no longer recognizing its undivided interest in the facilities and operations of WMARSS. Under this arrangement, previously WMARSS member cities shared in percentages of the operations and maintenance and capital project expenditures, which was funded by the City in prior years. Effective October 1, 2019, the City entered into a wholesale wastewater contract with the City of Waco to become a customer of the City of Waco, Texas' solely-owned wastewater system.
- The government's total net position increased by \$1,484,765 during the year, resulting primarily from (1) decreases in operating and capital grants and contributions of \$2,097,750 due to developer contributions and federal grants received in the prior year that were not received in the current year; (2) increases in property taxes of \$234,461 due to increases in property values; (3) increases in sales taxes of \$435,687 due to an improving economy; and (4) an increase in expenses of \$1,605,362 due to annual raises and an increase in the cost of water purchased and wastewater services.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,896,527, an increase of \$5,324,455 from the prior year. Approximately 15% of the fund balance, \$3,249,557 (unassigned fund balance), is available for spending at the government's discretion.
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$4,147,896 or approximately 39% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City include water and sewer operations.

The government-wide financial statements can be found on pages 1 – 2 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 financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

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

The City maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general capital projects fund, the future capital street improvements fund, and the Family Center improvements fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 3 through 5 of this report.

Proprietary fund. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 6 - 10 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 - 42 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary data for the general fund and information related to the net pension and total OPEB liabilities. Required supplementary information can be found on pages 43 through 48 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Woodway, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$50,441,595 at the close of the most recent fiscal year.

City of Woodway Net Position September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 23,168,102	17,898,216	16,855,880	9,310,492	40,023,982	27,208,708
Capital assets, net	25,573,145	22,955,286	26,303,553	20,654,304	51,876,698	43,609,590
Total assets	<u>48,741,247</u>	<u>40,853,502</u>	<u>43,159,433</u>	<u>29,964,796</u>	<u>91,900,680</u>	<u>70,818,298</u>
Deferred outflows of resources	<u>1,165,463</u>	<u>1,622,710</u>	<u>232,461</u>	<u>310,823</u>	<u>1,397,924</u>	<u>1,933,533</u>
Other current liabilities	1,193,110	1,219,941	2,843,455	693,596	4,036,565	1,913,537
Noncurrent liabilities	<u>11,596,225</u>	<u>4,691,108</u>	<u>26,472,109</u>	<u>15,581,297</u>	<u>38,068,334</u>	<u>20,272,405</u>
Total liabilities	<u>12,789,335</u>	<u>5,911,049</u>	<u>29,315,564</u>	<u>16,274,893</u>	<u>42,104,899</u>	<u>22,185,942</u>

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Deferred inflows of resources	661,857	1,415,972	90,253	193,087	752,110	1,609,059
Net position:						
Net investment in capital assets	24,912,051	22,455,224	12,658,488	12,232,242	37,570,539	34,687,466
Restricted - nonexpendable	908,525	587,030	-	-	908,525	587,030
Restricted - expendable	3,804,067	5,811,867	389,096	384,477	4,193,163	6,196,344
Unrestricted	6,830,875	6,295,070	938,493	1,190,920	7,769,368	7,485,990
Total net position	\$ 36,455,518	35,149,191	13,986,077	13,807,639	50,441,595	48,956,830

By far, the largest portion of the City's net position (74%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (10%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,769,368 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for its separate governmental and business-type activities.

City of Woodway
Changes in Net Position
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	\$ 1,840,762	1,847,092	5,623,510	5,800,972	7,464,272	7,648,064
Operating grants and contributions	24,462	550,002	-	-	24,462	550,002
Capital grants and contributions	308,817	1,016,312	377,444	1,242,159	686,261	2,258,471

City of Woodway
Changes in Net Position
(continued)

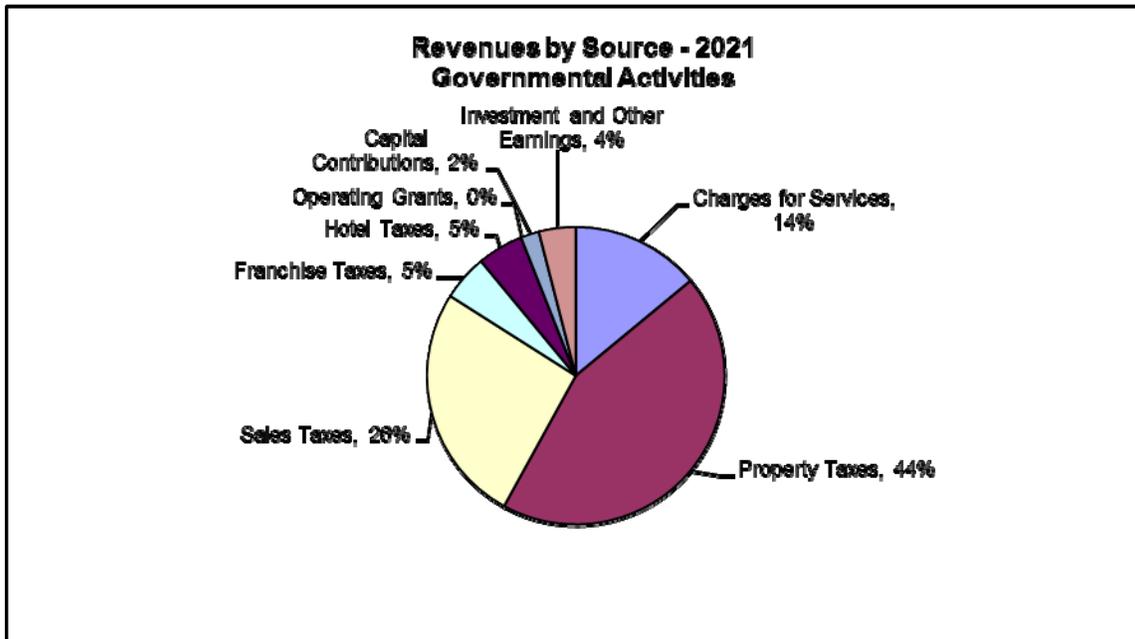
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
General revenues:						
Property taxes	5,872,654	5,638,193	-	-	5,872,654	5,638,193
Sales taxes	3,369,543	2,933,856	-	-	3,369,543	2,933,856
Franchise taxes	684,473	697,208	-	-	684,473	697,208
Hotel occupancy taxes	593,392	463,823	-	-	593,392	463,823
Investment earnings and other general revenues	561,819	298,948	80,856	243,873	642,675	542,821
Total revenues	<u>13,255,922</u>	<u>13,445,434</u>	<u>6,081,810</u>	<u>7,287,004</u>	<u>19,337,732</u>	<u>20,732,438</u>
Expenses:						
General government	1,659,967	1,550,678	-	-	1,659,967	1,550,678
Public safety	5,985,876	6,031,038	-	-	5,985,876	6,031,038
Highways and streets	1,020,794	949,518	-	-	1,020,794	949,518
Sanitation	1,026,400	985,954	-	-	1,026,400	985,954
Economic development	715,161	568,364	-	-	715,161	568,364
Culture and recreation	1,528,574	1,265,399	-	-	1,528,574	1,265,399
Interest on long-term debt	134,213	18,666	-	-	134,213	18,666
Water and sewer	-	-	5,781,982	4,877,988	5,781,982	4,877,988
	<u>12,070,985</u>	<u>11,369,617</u>	<u>5,781,982</u>	<u>4,877,988</u>	<u>17,852,967</u>	<u>16,247,605</u>
Increase in net position before transfers	1,184,937	2,075,817	299,828	2,409,016	1,484,765	4,484,833
Transfers	121,390	123,685	(121,390)	(123,685)	-	-
Increase in net position before special item	1,306,327	2,199,502	178,438	2,285,331	1,484,765	4,484,833
Special item - termination of WMARSS interlocal agreement	-	-	-	(7,805,150)	-	(7,805,150)
Increase (decrease) in net position	1,306,327	2,199,502	178,438	(5,519,819)	1,484,765	(3,320,317)
Net position, beginning of the year,	<u>35,149,191</u>	<u>32,949,689</u>	<u>13,807,639</u>	<u>19,327,458</u>	<u>48,956,830</u>	<u>52,277,147</u>
Net position, end of the year	<u>\$ 36,455,518</u>	<u>35,149,191</u>	<u>13,986,077</u>	<u>13,807,639</u>	<u>50,441,595</u>	<u>48,956,830</u>

The City's net position increased by \$1,484,765 during the current fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental activities. Governmental activities increased the City's net position by \$1,306,327, thereby accounting for approximately 88% of the total growth in the net position of the City.

- Operating grants and contributions decreased \$525,540 due to grant revenues recognized under the Coronavirus Relief Fund in the prior year.
- Capital grants and contributions decreased \$707,495 due to prior year contributions from developers for infrastructure at the Badger Ranch – Phase Five and Hoyt Addition housing developments that were not recognized in the current year. For 2021, contributions from developers for infrastructure at the Branch Addition amounted to \$308,817.
- Property taxes increased by \$234,461 during the year, which is primarily due to increases in property values and new property being added to the tax roll.
- Sales and hotel occupancy taxes increased by \$565,256 during the year due to an improving economy.
- Investment earnings and other general revenues increased \$262,871 primarily as a result of increases in fair values of marketable securities and proceeds on disposals of assets.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services and included a net pension expense recognized during the year.



Business-type activities. Business-type activities increased the City’s net position by \$178,438, accounting for approximately 12% of the total growth in the government’s net position. Key elements of this increase are as follows.

- Charges for services decreased \$177,462 due to a decrease in gallons sold for water due to more rainfall in the summer than in the prior year.

- Capital grants and contributions decreased \$864,715 due to prior year contributions from developers for water and sewer lines at the Badger Ranch – Phase Five and Hoyt Addition housing developments that were not recognized in the current year. For 2021, contributions from developers for water and sewer lines at the Branch Addition amounted to \$377,444.
- Interest income decreased \$163,017 as a result of the expenditure of bond proceeds in the amount of \$5.6 million for ongoing construction projects.
- Overall, expenses increased \$903,994, which is primarily due to annual raises, an increase in the cost of water purchased and wastewater services of \$306,034; bond issue costs of \$162,877; and additional repairs and maintenance costs on water and sewer lines of \$301,351.
- Transfers out were \$121,390 in 2021 and \$123,685 in 2020. These transfers represent water and sewer payments in lieu of taxes.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,896,527, an increase of \$5,324,455 from the prior year. Approximately 5% of this total amount (\$986,691) constitutes nonspendable fund balance. Nonspendable fund balance represents net resources that are inherently nonspendable because of their form or because they must remain intact. Approximately 47% (\$10,428,247) of the total fund balance is classified as restricted. Restricted fund balance represents balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Another 29% (\$6,333,693) of the fund balance is reported as committed. Committed fund balances represent resources that can only be used for specific purposes pursuant to constraints imposed by the City Council and would require formal action to remove or modify the commitment. Additionally, another 4% (\$898,339) of the fund balance is reported as assigned, which reflects intended uses of resources as determined by management based upon City Council direction. The remaining 15% of the fund balance (\$3,249,557) is reported as unassigned and represents the net residual resources.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,249,557, while total fund balance increased to \$4,166,231. 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 fund expenditures. Unassigned fund balance represents 30% of the total general fund expenditures, while total fund balance represents 39% of that same amount.

The fund balance of the City's general fund increased by \$208,071 during the current fiscal year as compared to an increase of \$95,407 in the prior year. Key factors in this increase are as follows: Revenues, transfers in, and proceeds on sale of capital assets exceeded expenditures by \$1,208,071 during the current fiscal year as compared to an increase of \$973,407 in the prior year, primarily due to the following:

- Property taxes increased \$411,570 during the year, which is primarily due to increased property values and new property being added to the tax roll.
- Sales taxes increased \$435,687 during the year due to an improving economy.
- Intergovernmental revenue decreased \$518,527 due to federal grant revenue in the prior year from the Coronavirus Relief Fund in the prior year. No federal grant revenue was recognized in 2021.
- Expenditures increased \$164,654, approximately 1.6% over the prior year, due to increases in salaries and related employee benefits due to annual raises, which were offset by a decrease in capital outlay of \$367,596 due to a down payment on a new pumper fire truck that was made in the prior year.

The City transfers surplus funds from the general fund to various capital projects funds at year-end for future capital projects. A transfer was made at year-end for \$1,000,000 to the general capital projects fund for various future projects.

Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Total net position of the water and sewer fund at the end of the year amounted to \$13,986,077, an increase from the prior year of \$178,438. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

There are no differences between the original budget and the final amended budget. There were no significant budget overages in the general fund for the year ended September 30, 2021; however, there was a transfer out to the general capital projects fund of \$1,000,000 that was not budgeted. Additionally, the following budgetary highlights are noted:

- Sales taxes were \$569,543 more than budgeted due to a conservative approach to budgeting sales tax revenues.
- Charges for services were \$274,963 less than budgeted due to a reduction in fees from the Woodway Family Center, as the sports programs were canceled due to the pandemic.
- The \$1,039,672 positive variance for public safety expenditures results from amounts budgeted for salaries and benefits for authorized positions that were not filled, as well as amounts budgeted during the year for equipment that was not purchased.

Capital Assets and Debt Administration

Capital assets. The City’s investment in capital assets for its governmental and business type activities as of September 30, 2021, amounts to \$51,876,698 (net of accumulated depreciation), and is an increase of \$8,267,108 from the prior year, primarily due to the City’s ongoing construction projects. This investment in capital assets includes land, intangible assets, land improvements, buildings and improvements, infrastructure, water and sewer facilities, vehicles and equipment, and construction in progress.

City of Woodway Capital Assets September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 737,279	737,279	184,846	184,846	922,125	922,125
Intangible assets	199,900	199,900	-	-	199,900	199,900
Land improvements	596,532	639,637	9,670	10,077	606,202	649,714
Buildings and improvements	5,662,401	5,393,454	141,588	145,363	5,803,989	5,538,817
Infrastructure	12,448,116	12,335,198	-	-	12,448,116	12,335,198
Water system facilities	-	-	12,666,632	12,042,256	12,666,632	12,042,256
Sewer system facilities	-	-	4,941,853	4,875,876	4,941,853	4,875,876
Vehicles and equipment	2,860,816	2,374,781	898,798	859,218	3,759,614	3,233,999
Construction in progress	3,068,101	1,275,037	7,460,166	2,536,668	10,528,267	3,811,705
	<u>\$ 25,573,145</u>	<u>22,955,286</u>	<u>26,303,553</u>	<u>20,654,304</u>	<u>51,876,698</u>	<u>43,609,590</u>

Major capital asset events during the current fiscal year included continued work on the Fairway sewer replacement project of \$5,777,162; continued work on the design and reconstruction of street of \$2,495,514; renovations to the Community Center in the amount of \$313,584; and \$502,499 for the purchase of new vehicles and other heavy equipment. Work was completed on the McGregor water line. Additional information on the City’s capital assets can be found in Note 8 on pages 23 - 26 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$33,410,394, which comprises certificates of obligation and general obligation refunding bonds backed by the full faith and credit of the government. During 2021, the City issued combination tax and revenue certificates of obligation in the amount of \$17.5 million to be used for renovations of the Woodway Family Center and improvements to the City’s waterworks and sewer systems.

City of Woodway
Outstanding Long-Term Liabilities
September 30, 2021 and 2020

	Governmental		Business-type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Certificates of obligation	\$ 6,715,000	465,000	22,585,000	11,850,000	29,300,000	12,315,000
General obligation refunding bonds	-	-	2,115,000	2,545,000	2,115,000	2,545,000
Premiums	519,211	13,668	1,471,434	633,669	1,990,645	647,337
Total bonds	7,234,211	478,668	26,171,434	15,028,669	33,405,645	15,507,337
Compensated absences	510,693	503,809	45,495	46,905	556,188	550,714
Net pension liability	3,604,611	3,513,536	491,538	479,119	4,096,149	3,992,655
Total OPEB liability	246,710	195,095	33,642	26,604	280,352	221,699
	<u>\$ 11,596,225</u>	<u>4,691,108</u>	<u>26,742,109</u>	<u>15,581,297</u>	<u>38,338,334</u>	<u>20,272,405</u>

The City’s total long-term debt increased by approximately \$18.1 million (approximately 89%) during the current fiscal year. This change resulted from the issuance of certificates of obligation in the amount of \$17.5 million and an increase unamortized premiums of approximately \$1.3 million.

The City maintains an “Aa2” rating from Moody’s Investors Service, and the City maintains an “AA+” rating from Standard and Poor’s. Additional information on the City’s long-term debt can be found in Note 9 on pages 26 - 29 of this report.

Economic Factors and Next Year’s Budgets and Rates

At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,249,557. The City has not appropriated any of this amount for spending in the 2022 fiscal year budget. The 2022 fiscal year budget of \$12.0 million for the general fund is a balanced budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Woodway’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Woodway, 922 Estates Drive, Woodway, Texas 76712.

Basic Financial Statements

City of Woodway, Texas

Statement of Net Position

September 30, 2021

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 21,152,245	2,687,945	23,840,190
Accounts receivable, net	1,088,997	913,587	2,002,584
Prepaid expenses and other assets	18,335	-	18,335
Investments	908,525	-	908,525
Restricted cash and cash equivalents	-	13,254,348	13,254,348
Capital assets not being depreciated:			
Land	737,279	184,846	922,125
Intangible assets	199,900	-	199,900
Construction in progress	3,068,101	7,460,166	10,528,267
Capital assets, net of accumulated depreciation:			
Land improvements	596,532	9,670	606,202
Buildings and improvements	5,662,401	141,588	5,803,989
Infrastructure	12,448,116	-	12,448,116
Water and sewer facilities	-	17,608,485	17,608,485
Vehicles and equipment	2,860,816	898,798	3,759,614
Total assets	<u>48,741,247</u>	<u>43,159,433</u>	<u>91,900,680</u>
Deferred Outflows of Resources			
Deferred outflows of resources	<u>1,165,463</u>	<u>232,461</u>	<u>1,397,924</u>
Liabilities			
Accounts payable	688,694	917,660	1,606,354
Accrued liabilities	408,252	422,293	830,545
Customer deposits payable	96,164	115,492	211,656
Unearned revenue	-	1,118,010	1,118,010
Noncurrent liabilities:			
Due within one year	1,005,693	1,140,495	2,146,188
Due in more than one year	10,590,532	25,601,614	36,192,146
Total liabilities	<u>12,789,335</u>	<u>29,315,564</u>	<u>42,104,899</u>
Deferred Inflows of Resources			
Deferred inflows of resources	<u>661,857</u>	<u>90,253</u>	<u>752,110</u>
Net Position			
Net investment in capital assets	24,912,051	12,658,488	37,570,539
Restricted:			
Non-expendable	908,525	-	908,525
Expendable	3,804,067	389,096	4,193,163
Unrestricted	<u>6,830,875</u>	<u>938,493</u>	<u>7,769,368</u>
Total net position	<u>\$ 36,455,518</u>	<u>13,986,077</u>	<u>50,441,595</u>

See accompanying notes to financial statements.

City of Woodway, Texas
Statement of Activities
Year Ended September 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,659,967	-	-	-	(1,659,967)	-	(1,659,967)
Public safety	5,985,876	315,076	-	-	(5,670,800)	-	(5,670,800)
Highways and streets	1,020,794	-	-	308,817	(711,977)	-	(711,977)
Sanitation	1,026,400	1,235,641	-	-	209,241	-	209,241
Economic development	715,161	259,522	-	-	(455,639)	-	(455,639)
Culture and recreation	1,528,574	30,523	24,462	-	(1,473,589)	-	(1,473,589)
Interest and other debt charges	134,213	-	-	-	(134,213)	-	(134,213)
Total governmental activities	<u>12,070,985</u>	<u>1,840,762</u>	<u>24,462</u>	<u>308,817</u>	<u>(9,896,944)</u>	<u>-</u>	<u>(9,896,944)</u>
Business-type activities:							
Water and sewer	5,781,982	5,623,510	-	377,444	-	218,972	218,972
Total business-type activities	<u>5,781,982</u>	<u>5,623,510</u>	<u>-</u>	<u>377,444</u>	<u>-</u>	<u>218,972</u>	<u>218,972</u>
Total	\$ <u>17,852,967</u>	<u>7,464,272</u>	<u>24,462</u>	<u>686,261</u>	<u>(9,896,944)</u>	<u>218,972</u>	<u>(9,677,972)</u>
General revenues:							
Property taxes, levied for general purposes					5,871,524	-	5,871,524
Property taxes, levied for debt service					1,130	-	1,130
Sales taxes					3,369,543	-	3,369,543
Franchise taxes					684,473	-	684,473
Hotel occupancy taxes					593,392	-	593,392
Investment earnings					374,620	80,856	455,476
Miscellaneous					85,140	-	85,140
Gain on disposition of equipment					102,059	-	102,059
Transfers					121,390	(121,390)	-
Total general revenues and transfers					<u>11,203,271</u>	<u>(40,534)</u>	<u>11,162,737</u>
Change in net position					1,306,327	178,438	1,484,765
Net position - beginning of year					<u>35,149,191</u>	<u>13,807,639</u>	<u>48,956,830</u>
Net position - end of year					\$ <u>36,455,518</u>	<u>13,986,077</u>	<u>50,441,595</u>

See accompanying notes to financial statements.

City of Woodway, Texas

**Balance Sheet –
Governmental Funds**

September 30, 2021

	<u>General</u>	<u>General Capital Projects</u>	<u>Future Capital Street Improvements</u>	<u>Family Center Improvements</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and cash equivalents	\$ 4,016,986	5,372,991	1,833,850	7,514,372	2,414,046	21,152,245
Accounts receivable	943,956	-	10,443	-	134,598	1,088,997
Prepaid expenditures and other assets	18,335	-	-	-	-	18,335
Investments	-	-	-	-	908,525	908,525
Total assets	\$ 4,979,277	5,372,991	1,844,293	7,514,372	3,457,169	23,168,102
<u>Liabilities</u>						
Accounts payable	\$ 376,467	41,762	247,705	-	22,760	688,694
Accrued liabilities	252,259	-	128,598	-	-	380,857
Customer deposits	96,164	-	-	-	-	96,164
Total liabilities	724,890	41,762	376,303	-	22,760	1,165,715
<u>Deferred Inflows of Resources</u>						
Unavailable revenue - property taxes	88,156	-	10,443	-	7,261	105,860
<u>Fund Balances</u>						
Nonspendable	18,335	-	-	-	968,356	986,691
Restricted	-	-	1,457,547	6,701,715	2,268,985	10,428,247
Committed	-	5,331,229	-	812,657	189,807	6,333,693
Assigned	898,339	-	-	-	-	898,339
Unassigned	3,249,557	-	-	-	-	3,249,557
Total fund balances	4,166,231	5,331,229	1,457,547	7,514,372	3,427,148	21,896,527
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,979,277	5,372,991	1,844,293	7,514,372	3,457,169	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						25,573,145
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.						105,860
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.						<u>(11,120,014)</u>
Net position of governmental activities						\$ <u>36,455,518</u>

See accompanying notes to financial statements.

City of Woodway, Texas

**Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds**

Year Ended September 30, 2021

	General	General Capital Projects	Future Capital Street Improvements	Family Center Improvements	Other Governmental Funds	Total Governmental Funds
Revenue:						
Taxes:						
Property	\$ 5,284,768	-	587,419	-	3,135	5,875,322
Sales	3,369,543	-	-	-	-	3,369,543
Franchise	684,473	-	-	-	-	684,473
Hotel occupancy	-	-	-	-	593,392	593,392
License and permits	125,612	-	-	-	-	125,612
Charges for services	1,522,829	-	-	-	-	1,522,829
Fines	163,064	-	-	-	29,257	192,321
Investment earnings	9,912	12,962	7,793	2,220	341,733	374,620
Contributions and donations	5,591	-	-	1,650	17,221	24,462
Miscellaneous	81,556	-	-	-	3,584	85,140
Total revenue	<u>11,247,348</u>	<u>12,962</u>	<u>595,212</u>	<u>3,870</u>	<u>988,322</u>	<u>12,847,714</u>
Expenditures:						
Current:						
General government	1,711,087	-	-	-	-	1,711,087
Public safety	5,892,755	-	-	-	14,838	5,907,593
Highways and streets	544,494	-	-	-	-	544,494
Sanitation	1,026,400	-	-	-	-	1,026,400
Economic development	590,523	-	-	-	-	590,523
Cultural and recreation	910,311	133,114	-	-	191,079	1,234,504
Debt service:						
Principal	-	-	-	-	85,000	85,000
Interest	-	-	-	-	18,600	18,600
Bond issuance costs	-	-	-	92,594	-	92,594
Capital outlay	-	766,678	2,456,617	52,155	103,057	3,378,507
Total expenditures	<u>10,675,570</u>	<u>899,792</u>	<u>2,456,617</u>	<u>144,749</u>	<u>412,574</u>	<u>14,589,302</u>
Excess (deficiency) of revenue over (under) expenditures	<u>571,778</u>	<u>(886,830)</u>	<u>(1,861,405)</u>	<u>(140,879)</u>	<u>575,748</u>	<u>(1,741,588)</u>
Other financing sources (uses):						
Proceeds on sale of capital assets	102,059	-	-	-	-	102,059
Issuance of bonds	-	-	-	6,335,000	-	6,335,000
Premiums on bonds	-	-	-	507,594	-	507,594
Transfers in	534,234	1,000,000	-	-	380,000	1,914,234
Transfers out	(1,000,000)	-	-	-	(792,844)	(1,792,844)
Total other financing sources (uses)	<u>(363,707)</u>	<u>1,000,000</u>	<u>-</u>	<u>6,842,594</u>	<u>(412,844)</u>	<u>7,066,043</u>
Net changes in fund balances	208,071	113,170	(1,861,405)	6,701,715	162,904	5,324,455
Fund balances, beginning of year	<u>3,958,160</u>	<u>5,218,059</u>	<u>3,318,952</u>	<u>812,657</u>	<u>3,264,244</u>	<u>16,572,072</u>
Fund balances, at end of year	<u>\$ 4,166,231</u>	<u>5,331,229</u>	<u>1,457,547</u>	<u>7,514,372</u>	<u>3,427,148</u>	<u>21,896,527</u>

See accompanying notes to financial statements.

City of Woodway, Texas

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

Year Ended September 30, 2021

Net change in fund balances - total governmental funds	\$	5,324,455
Amounts reported for governmental activities in the statement of activities are different because:		
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 as depreciation expense. This is the amount by which capital asset additions (\$3,705,615) exceeded depreciation expense (\$1,396,573) in the current period.		2,309,042
Donations of capital assets increase net position in the statement of but do not appear in the governmental funds because they are not financial resources		308,817
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(2,668)
The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(6,755,543)
Accrued interest expense and compensated absences 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.		(31,954)
Governmental funds report contributions to pension/OPEB plans as expenditures, whereas pension/OPEB expense is recognized in the statement of activities. This is the amount by which pension/OPEB contributions to the plans (\$665,345) exceeded pension/OPEB expense (\$511,167) in the current period.		<u>154,178</u>
Change in net position of governmental activities	\$	<u><u>1,306,327</u></u>

See accompanying notes to financial statements.

City of Woodway, Texas

Statement of Net Position -
Proprietary Fund

September 30, 2021

	<u>Business-type Activities- Enterprise Fund</u>
	<u>Water and Sewer</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 2,687,945
Accounts receivable	913,587
Total current assets	<u>3,601,532</u>
Noncurrent assets:	
Restricted cash and cash equivalents	13,254,348
Capital assets:	
Land	184,846
Land improvements	16,261
Buildings and improvements	355,627
Water system facilities	25,082,328
Sewer system facilities	8,444,943
Equipment	2,395,336
Construction in progress	7,460,166
Total capital assets	<u>43,939,507</u>
Less: accumulated depreciation	<u>(17,635,954)</u>
Total capital assets, net	<u>26,303,553</u>
Total noncurrent assets	<u>39,557,901</u>
Total assets	<u>43,159,433</u>
Deferred Outflows of Resources	
Deferred charge on refundings of debt	73,534
Deferred outflows on net pension liability	150,067
Deferred outflows on OPEB liability	8,860
	<u>232,461</u>

(continued)

	<u>Business-type Activities- Enterprise Fund</u>
	<u>Water and Sewer</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 917,660
Accrued liabilities	422,293
Unearned revenue	1,118,010
Payable from restricted assets:	
Customer deposits	115,492
Compensated absences, current portion	45,495
Revenue bonds, current portion	1,095,000
Total current liabilities	<u>3,713,950</u>
Noncurrent liabilities:	
Revenue bonds	25,076,434
Net pension liability	491,538
OPEB liability	33,642
Total noncurrent liabilities	<u>25,601,614</u>
Total liabilities	<u>29,315,564</u>
Deferred Inflows of Resources	
Deferred inflows on net pension liability	88,812
Deferred inflows on OPEB liability	1,441
	<u>90,253</u>
Net Position	
Net investment in capital assets	12,658,488
Restricted for debt service	389,096
Unrestricted	938,493
Total net position	<u>\$ 13,986,077</u>

See accompanying notes to financial statements.

City of Woodway, Texas

Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Fund

Year Ended September 30, 2021

	Business-type activities - Enterprise Fund
	Water and Sewer
Operating revenue:	
Charges for services	\$ 5,506,551
Miscellaneous	116,959
	5,623,510
Operating expenses:	
Water services	2,979,448
Sewer services	939,583
Customer services	389,442
Depreciation	896,273
	5,204,746
Operating income	418,764
Nonoperating revenue (expenses):	
Interest and other income	80,856
Interest and other charges	(577,236)
	(496,380)
Loss before contributions and transfers	(77,616)
Capital contributions	377,444
Transfers out	(121,390)
Change in net position	178,438
Net position, at beginning of year	13,807,639
Net position, at end of year	\$ 13,986,077

See accompanying notes to financial statements.

City of Woodway, Texas
Statement of Cash Flows -
Proprietary Fund
Year Ended September 30, 2021

	Business-type activities- Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Receipts from customers and users	\$ 5,529,946
Payments to suppliers	(1,795,122)
Payments to employees	(697,775)
Net cash provided by operating activities	3,037,049
Cash flows from noncapital and related financing activities:	
Transfers to other funds	(121,390)
Net cash used in noncapital and related financing activities	(121,390)
Cash flows from capital and related financing activities:	
Proceeds from issuance of bonds	12,012,877
Principal paid on bonds and note payable	(815,000)
Interest paid on bonds and note payable	(574,490)
Proceeds from disposition of capital assets	70,570
Acquisition of capital assets	(6,168,078)
Net cash provided by capital and related financing activities	4,525,879
Cash flows from investing activities:	
Earnings on investments	10,286
Net cash provided by investing activities	10,286
Net increase in cash and cash equivalents	7,451,824
Cash and cash equivalents, at beginning of year	8,490,469
Cash and cash equivalents, at end of year	\$ 15,942,293

(continued)

City of Woodway, Texas

Statement of Cash Flows -
Proprietary Fund
(Continued)

	Business-type activities- Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Operating income	\$ 418,764
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	896,273
Change in assets, liabilities, and deferred outflows / inflows:	
Decrease (increase) in assets and deferred outflows:	
Accounts receivable	(93,564)
Net pension/OPEB related deferred outflows	62,352
Increase (decrease) in liabilities and deferred inflows:	
Accounts payable	433,041
Accrued liabilities	301,211
Unearned revenue	1,118,010
Customer deposits	(14,251)
Compensated absences	(1,410)
Net pension/OPEB liabilities	19,457
Net pension/OPEB related deferred inflows	<u>(102,834)</u>
Net cash provided by operating activities	<u>\$ 3,037,049</u>
 Contribution of capital assets	 <u>\$ 377,444</u>

See accompanying notes to financial statements.

City of Woodway, Texas

Notes to Financial Statements

September 30, 2021

(1) Nature of Operations and Reporting Entity

The City of Woodway, Texas (the “City”) is a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City and any of its component units, entities for which the government is considered financially accountable. The City did not identify any entities for which it is financially accountable.

(2) Summary of Significant Accounting Policies(a) Government-wide and fund financial statements

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Woodway, TexasNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies (continued)(a) Government-wide and fund financial statements (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

(b) 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

City of Woodway, TexasNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies (continued)(b) Measurement focus, basis of accounting
and financial statement presentation (continued)

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fines and miscellaneous revenues are considered to be measurable and available only when cash is received by the City.

The proprietary fund is reported using the *economic resources measurement focus*, and the *accrual basis of accounting*.

The City reports the following major governmental funds:

General Fund - The general fund is the City's primary operating fund. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

General Capital Projects Fund – The general capital projects fund provides funding for non-routine general City projects. These projects are typically significant in cost. The projects are funded through year-end excess transfers from the general fund.

Future Capital Street Improvements Fund – The future capital street improvements fund accounts for property taxes specifically levied for street improvements.

Family Center Improvements Fund – the Family Center improvements fund accounts for renovations and improvements to the Woodway Family Center, which are being funded from bond proceeds from the \$6.3 million Series 2021 Tax and Revenue Certificates of Obligation.

The City reports the following major proprietary fund:

Water and Sewer Fund - The water and sewer fund accounts for the activities of the water distribution system, the sewage treatment plant, sewage pumping stations and collection systems.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

City of Woodway, TexasNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies (continued)(b) Measurement focus, basis of accounting
and financial statement presentation (continued)

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

(c) Deposits and investments

The City's cash and cash equivalents for purposes of reporting cash flows of the proprietary fund consist of cash on hand, demand deposits, and deposits in the City's internal cash and public funds investment pools.

State statutes authorize the City to invest in U.S. Treasury and agency securities, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The City's local investment policy limits the City to invest in U.S. Treasury and agency securities, certificates of deposit, fully collateralized repurchase agreements secured by U.S. Treasury and agency securities, and public funds investment pools.

Investments are reported at fair value, except for public funds investment pools. The public funds investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the amortized cost of the pool shares.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

City of Woodway, TexasNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies (continued)(d) Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” or “advances to/from other funds.” All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles.

(e) Inventories and prepaid expenses

All inventories are valued at the lower of cost (first-in, first-out) or market. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(f) Restricted assets

Restricted cash accounts in the water and sewer fund are used to report (1) unspent bond proceeds, (2) customer deposits, and (3) bond reserve funds.

(g) Capital assets

Capital assets, which include land, land improvements, buildings and improvements, infrastructure, water and sewer facilities, equipment, and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has elected to report general infrastructure assets prospectively from October 1, 2003 as permitted by Governmental Accounting Standards Board Statement No. 34. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(g) Capital assets (continued)

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	5 - 40
Buildings and improvements	5 - 40
Water and sewer systems	5 - 30
Infrastructure	40
Equipment	3 - 40

(h) Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(i) 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 the benefit terms. Investments are reported at fair value.

(j) Other Post-Employment Benefits ("OPEB")

The fiduciary net position of the City's defined benefit life insurance plan (OPEB Plan) has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities, and additions to/deductions from the OPEB Plan's net position. Benefit payments are recognized when due and payable in accordance with benefit terms. There are no investments as this is a pay-as-you-go plan.

City of Woodway, TexasNotes to Financial Statements
(Continued)(2) Summary of Significant Accounting Policies (continued)(k) Deferred outflows and inflows of resources

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

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

(l) Long-term obligations

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

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

(m) Fund balance

In the fund financial statements, governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based upon City Council direction. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(m) Fund balance (continued)

The following detail of fund balances by classification is shown for governmental funds:

	<u>General</u>	<u>General Capital Projects</u>	<u>Future Capital Street Improvements</u>	<u>Family Center Improvements</u>	<u>Other Governmental</u>	<u>Total</u>
Fund balances:						
Nonspendable:						
Prepaid expenditures and other assets	\$ 18,335	-	-	-	-	18,335
Arboretum endowment	-	-	-	-	968,356	968,356
Restricted for:						
Public safety	-	-	-	-	214,966	214,966
Highways and streets	-	-	1,457,547	-	-	1,457,547
Economic development	-	-	-	-	2,009,575	2,009,575
Culture and recreation	-	-	-	6,701,715	-	6,701,715
Debt service	-	-	-	-	44,444	44,444
Committed to:						
Economic development	-	-	-	-	134,368	134,368
Culture and recreation	-	-	-	812,657	55,439	868,096
Capital projects	-	5,331,229	-	-	-	5,331,229
Assigned to:						
Capital improvements	898,339	-	-	-	-	898,339
Unassigned	<u>3,249,557</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,249,557</u>
	<u>\$ 4,166,231</u>	<u>5,331,229</u>	<u>1,457,547</u>	<u>7,514,372</u>	<u>3,427,148</u>	<u>21,896,527</u>

(n) Net position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent bond proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. 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 Woodway, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(n) Net position (continued)

Restricted net position for governmental activities at September 30, 2021 consists of \$968,356 restricted for endowment; \$214,966 restricted for public safety; \$1,467,990 restricted for highway and streets; \$2,011,237 restricted for economic development; and \$50,043 restricted for debt service. Restricted net position for business-type activities at September 30, 2021 consists of \$389,096 restricted for debt service.

(3) Reconciliation of Government-wide and Fund Financial Statements

(a) Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, “long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$11,120,014 difference are as follows:

Certificates of obligation	\$ (6,715,000)
Plus: issuance premiums	(519,211)
Accrued interest payable	(27,395)
Compensated absences	(510,693)
Net pension liability, and related deferred inflows of \$651,289 and deferred outflows of \$1,100,489	(3,155,411)
Total OPEB liability, and related deferred inflows of \$10,568 and deferred outflows of \$64,974	<u>(192,304)</u>
Net adjustment to reduce <i>fund balance - total government funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$ (11,120,014)</u>

(b) Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental funds’ statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, “The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(3) Reconciliation of Government-wide and Fund Financial Statements (continued)

(b) Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities (continued)

principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$6,755,543 difference are as follows:

Issuance of certificates of obligation	\$ (6,335,000)
Premiums on certificates of obligation issued	(507,594)
Principal repayments on certificates of obligation	85,000
Amortization of bond premiums	<u>2,051</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (6,755,543)</u></u>

(4) Budgets and Budgetary Accounting

The City prepares its budget on a basis of accounting that differs from generally accepted accounting principles. Expenditures under the budgetary basis of accounting include all purchase orders and contracts executed during the year and liquidated within 90 days of the end of the fiscal year.

The following procedures are implemented by the City in establishing budgetary data:

- Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.
- Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
- The budgets are then legally enacted by the City Council. Formal budgetary integration is employed for the general fund and debt service fund.

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(4) Budgets and Budgetary Accounting (continued)

- Budget revisions are made during the year.
- Actual expenditures and operating transfers out may not legally exceed budget appropriations at the individual function level. However, budgetary control is maintained at the department level.

Transfers out exceeded appropriations for the general fund for the year ended September 30, 2021 by \$1.0 million. This over-expenditure was funded by lower than anticipated expenditures in other functions within the general fund.

(5) Deposits and Investments

A summary of the City's cash and cash equivalents at September 30, 2021 follows:

Cash in bank and certificates of deposit	\$ 15,371,030
Public funds investments pools:	
Texas Local Government Investment Pool ("TexPool")	2,223,613
Texas Short Term Asset Reserve Fund ("TexStar")	<u>19,499,895</u>
Total cash and cash equivalents	<u>\$ 37,094,538</u>

In January 2016, the City received a bequest in the amount of \$465,488 to establish an endowment fund for the Arboretum, with the stipulation that the corpus remain intact and that 10% of the annual income be added to the corpus to guard against inflation. At September 30, 2021, the City's investments for the endowment fund consisted of the following, all of which are valued using quoted market prices (Level 1):

Money market mutual funds	\$ 61,439
Equity mutual funds	57,746
Common stocks	444,284
Fixed mutual funds	<u>345,056</u>
Total investments	<u>\$ 908,525</u>

The public funds investment pools have been created pursuant to the Interlocal Corporation Act of the State of Texas. The City has delegated the authority to hold legal title to TexPool and TexStar, as custodians and to make investment purchases with the City's funds.

City of Woodway, TexasNotes to Financial Statements
(Continued)(5) Deposits and Investments (continued)

TexPool. The State Comptroller of Public Accounts (the “Comptroller”) is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (the “Trust Company”) which is authorized to operate TexPool. Additionally, the Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. There are no maximum transaction amounts and withdrawals from TexPool may be made daily. TexPool uses amortized cost rather than fair value to report net assets share prices.

TexStar. TexStar is a Texas public funds investment pool that is co-administered by J.P. Morgan Chase and First Southwest Asset Management, Inc. TexStar is managed by a five-member board comprised of three representatives of eligible governmental entities and one member designated by each of the co-administrators. There are no maximum transaction amounts and withdrawals from TexStar may be made daily. TexStar uses amortized cost rather than fair value to report net assets share prices

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City policy requires all deposits to be fully secured in accordance with the Texas Government Code, Chapter 2257, by either surety bonds, letters of credit of the United States or its agencies and instrumentalities, or by eligible securities held by an independent third-party custodian.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City would not be able to recover the value of its investment or collateralized securities that are in the possession of an outside third party. The City’s investment policy requires that the purchase of investment securities be settled on a delivery basis and that ownership of all securities be perfected in the name of the City.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by: (a) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, (b) investing operating funds primarily in shorter-term securities, (c) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time. It is the City’s policy not to invest in securities maturing more than one year from the date of purchase. For repurchase agreements, the maximum maturity is 90 days. At September 30, 2021, the weighted average maturity of TexPool and TexStar is 37 days and 43 days, respectively.

City of Woodway, Texas

Notes to Financial Statements (Continued)

(5) Deposits and Investments (continued)

Credit risk. The City's investment policy limits investments in government investment pools and money market mutual funds to those that are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. At September 30, 2021, TexPool and TexStar are rated AAAM by Standard & Poor's.

(6) Receivables

Receivables as of September 30, 2021 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Future Capital Street Improvements</u>	<u>Other Governmental</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 88,156	10,443	7,261	-	105,860
Sales and franchise taxes	704,421	-	-	-	704,421
Hotel occupancy taxes	-	-	127,119	-	127,119
Accounts	181,687	-	-	1,029,989	1,211,676
Other	891	-	218	40,340	41,449
	<u>975,155</u>	<u>10,443</u>	<u>134,598</u>	<u>1,070,329</u>	<u>2,190,525</u>
Gross receivables					
Less: allowance for uncollectibles	<u>31,199</u>	<u>-</u>	<u>-</u>	<u>156,742</u>	<u>187,941</u>
	<u>\$ 943,956</u>	<u>10,443</u>	<u>134,598</u>	<u>913,587</u>	<u>2,002,584</u>

(7) Property Taxes

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The net assessed value upon which the 2020 levy was based was \$1,298,883,003.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2021 were 99.4% of the tax levy.

City of Woodway, Texas
Notes to Financial Statements
(Continued)

(8) Capital Assets

Capital asset activity for the year ended September 30, 2021 was as follows:

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021
<u>Governmental activities:</u>				
Capital assets, not depreciated:				
Land	\$ 737,279	-	-	737,279
Intangible assets	199,900	-	-	199,900
Construction in progress	1,275,037	2,633,362	(840,298)	3,068,101
Total capital assets not being depreciated	<u>2,212,216</u>	<u>2,633,362</u>	<u>(840,298)</u>	<u>4,005,280</u>
Capital assets, being depreciated:				
Land improvements	1,218,974	-	-	1,218,974
Buildings and improvements	9,977,240	653,882	-	10,631,122
Infrastructure	15,968,608	564,987	-	16,533,595
Vehicles and equipment	9,411,797	1,002,499	(261,171)	10,153,125
Total capital assets being depreciated	<u>36,576,619</u>	<u>2,221,368</u>	<u>(261,171)</u>	<u>38,536,816</u>
Less: accumulated depreciation for:				
Land improvements	(579,337)	(43,105)	-	(622,442)
Buildings and improvements	(4,583,786)	(384,935)	-	(4,968,721)
Infrastructure	(3,633,410)	(452,069)	-	(4,085,479)
Vehicles and equipment	(7,037,016)	(516,464)	261,171	(7,292,309)
Total accumulated depreciation	<u>\$ (15,833,549)</u>	<u>(1,396,573)</u>	<u>261,171</u>	<u>(16,968,951)</u>
Total capital assets, being depreciated, net	<u>20,743,070</u>	<u>824,795</u>	<u>-</u>	<u>21,567,865</u>
Governmental activities capital assets, net	<u>\$ 22,955,286</u>	<u>3,458,157</u>	<u>(840,298)</u>	<u>25,573,145</u>

City of Woodway, Texas
Notes to Financial Statements
(Continued)

(8) Capital Assets (continued)

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Business-type activities:</u>				
Capital assets, not depreciated:				
Land	184,846	-	-	184,846
Construction in progress	2,536,668	5,973,254	(1,049,756)	7,460,166
Total capital assets not being depreciated	<u>2,721,514</u>	<u>5,973,254</u>	<u>(1,049,756)</u>	<u>7,645,012</u>
Capital assets, being depreciated:				
Land improvements	16,261	-	-	16,261
Buildings and improvements	350,640	4,987	-	355,627
Water system facilities	23,914,190	1,168,138	-	25,082,328
Sewer system facilities	8,182,221	262,722	-	8,444,943
Vehicles and equipment	2,354,108	186,177	(144,949)	2,395,336
Total capital assets being depreciated	<u>34,817,420</u>	<u>1,622,024</u>	<u>(144,949)</u>	<u>36,294,495</u>
Less accumulated depreciation for:				
Land improvements	(6,184)	(407)	-	(6,591)
Buildings and improvements	(205,277)	(8,762)	-	(214,039)
Water system facilities	(11,871,934)	(543,762)	-	(12,415,696)
Sewer system facilities	(3,306,345)	(196,745)	-	(3,503,090)
Vehicles and equipment	(1,494,890)	(146,597)	144,949	(1,496,538)
Total accumulated depreciation	<u>(16,884,630)</u>	<u>(896,273)</u>	<u>144,949</u>	<u>(17,635,954)</u>
Total capital assets, being depreciated, net	<u>17,932,790</u>	<u>725,751</u>	<u>-</u>	<u>18,658,541</u>
Business-type activities capital assets, net	<u>\$ 20,654,304</u>	<u>6,699,005</u>	<u>(1,049,756)</u>	<u>26,303,553</u>

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(8) Capital Assets (continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 19,472
Public safety	427,414
Highways and streets	481,490
Economic and physical development	158,489
Culture and recreation	<u>309,708</u>
Total depreciation expense - governmental activities	<u>\$ 1,396,573</u>
Business-type activities:	
Water and sewer	<u>\$ 896,273</u>

Construction Commitments

The City has active construction projects as of September 30, 2021. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitments</u>
Governmental activities:		
Design and reconstruction of streets	\$ 2,930,254	729,565
Bryce Drive Improvements	20,300	56,260
Bush Drive Improvements	47,142	24,458
Woodway Family Center	<u>70,405</u>	<u>408,625</u>
Total	<u>\$ 3,068,101</u>	<u>1,218,908</u>
Business-type activities:		
Fairway Sewer Interceptor Replacement	\$ 7,189,118	1,479,352
Water pump house improvements	224,705	600,516
Other water and sewer projects	<u>46,343</u>	<u>44,618</u>
	<u>\$ 7,460,166</u>	<u>2,124,486</u>

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(8) Capital Assets (continued)

The governmental activities commitments will be financed with available resources. The Fairway Sewer Interception Replacement and other water and sewer projects with be funded with bond proceeds.

(9) Long-Term Liabilities

Long-term liabilities consist of bonded indebtedness, compensated absences, a net pension liability, and a total OPEB liability. The City issues certificates of obligation bonds to provide funds for the acquisition and construction of major capital facilities and pledges income derived from the acquired or constructed assets to pay debt service. Compensated absences, the net pension liability, and total OPEB liability are generally liquidated by the general fund and the enterprise fund.

Long-term liability activity for the year ended September 30, 2021, was as follows:

	October 1, 2020	Additions	Retirements	September 30, 2021	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 465,000	6,335,000	(85,000)	6,715,000	495,000
Plus: deferred premiums	13,668	507,594	(2,051)	519,211	-
Total bonds payable	<u>478,668</u>	<u>6,842,594</u>	<u>(87,051)</u>	<u>7,234,211</u>	<u>495,000</u>
Compensated absences	503,809	460,155	(453,271)	510,693	510,693
Net pension liability	3,513,536	91,075	-	3,604,611	-
Total OPEB liability	<u>195,095</u>	<u>51,615</u>	<u>-</u>	<u>246,710</u>	<u>-</u>
	<u>\$ 4,691,108</u>	<u>7,445,439</u>	<u>(540,322)</u>	<u>11,596,225</u>	<u>1,005,693</u>
Business-type activities:					
Bonds payable:					
Certificates of obligation	\$ 11,850,000	11,120,000	(385,000)	22,585,000	530,000
Refunding bonds	2,545,000	-	(430,000)	2,115,000	565,000
Plus: deferred premiums	633,669	892,877	(55,112)	1,471,434	-
Total bonds payable	<u>15,028,669</u>	<u>12,012,877</u>	<u>(870,112)</u>	<u>26,171,434</u>	<u>1,095,000</u>
Compensated absences	46,905	37,397	(38,807)	45,495	45,495
Net pension liability	479,119	12,419	-	491,538	-
Total OPEB liability	<u>26,604</u>	<u>7,038</u>	<u>-</u>	<u>33,642</u>	<u>-</u>
	<u>\$ 15,581,297</u>	<u>12,069,731</u>	<u>(908,919)</u>	<u>26,742,109</u>	<u>1,140,495</u>

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(9) Long-Term Liabilities (continued)

General obligation bonds payable for governmental activities at September 30, 2021, are comprised of the following individual issues:

\$1,815,000 - 2011 combination tax and revenue certificates of obligation due in annual installments of \$80,000 to \$100,000 through August 15, 2025, interest at 4.00%	\$ 380,000
\$6,335,000 - 2021 combination tax and revenue certificates of obligation due in annual installments of \$150,000 to \$340,000 through August 15, 2046, interest at 2.00% to 5.00%	<u>6,335,000</u>
	<u>\$ 6,715,000</u>

Annual debt service requirements to maturity for governmental activities are as follows:

Year Ended September 30,	Principal	Interest
2022	\$ 240,000	213,792
2023	255,000	197,325
2024	265,000	185,525
2025	280,000	173,225
2026	185,000	160,225
2027-2031	1,080,000	652,375
2032-2036	1,320,000	415,475
2037-2041	1,465,000	270,075
2042-2046	<u>1,625,000</u>	<u>110,876</u>
	<u>\$ 6,715,000</u>	<u>2,378,893</u>

For business-type activities, bonds outstanding at September 30, 2021 are comprised of the following individual issues:

\$3,670,000 - 2016 combination tax and revenue certificate of obligation due in annual installments of \$90,000 to \$430,000 through September 30, 2031, interest at 2% to 2.25%	\$ 2,580,000
\$9,200,000 - 2017 combination tax and revenue certificate of obligation due in annual installments of \$155,000 to \$545,000 through August 15, 2042, interest at 3% to 4%	8,885,000

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(9) Long-Term Liabilities (continued)

\$11,120,000 - 2021 combination tax and revenue certificate of obligation due in annual installments of \$260,000 to \$595,000 through August 15, 2046, interest at 2.00% to 5.00%	<u>\$ 11,120,000</u>
Total certificates of obligation	<u>22,585,000</u>
\$3,400,000 - 2016 general obligation refunding bond due in annual installments of \$35,000 to \$375,000 through September 30, 2027, interest at 2% to 3%	<u>2,115,000</u>
Total refunding bonds	<u>2,115,000</u>
	<u><u>\$ 24,700,000</u></u>

Annual debt service requirements to maturity for business-type activities are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,095,000	735,626
2023	1,145,000	690,566
2024	1,180,000	650,056
2025	1,215,000	614,706
2026	1,255,000	575,106
2027-2031	5,940,000	2,280,730
2032-2036	4,435,000	1,426,933
2037-2041	5,040,000	824,971
2042-2046	<u>3,395,000</u>	<u>213,695</u>
	<u><u>\$ 24,700,000</u></u>	<u><u>8,012,389</u></u>

The City is required under provisions of certain bond ordinances to maintain interest and sinking funds adequate for payments of principal and interest and has pledged certain net operating revenues (after the payment of operation and maintenance expenses) of the water and sewer fund to repay \$29.3 million in revenue bonds issued from 2011 to 2021.

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(9) Long-Term Liabilities (continued)

Proceeds from the bonds provided financing for the construction of water and sewer system facilities and improvements to the Woodway Family Center. The total principal and interest remaining to be paid on the bonds is \$39.4 million. Principal and interest paid for the current year and total of pledged net operating revenues of the water and sewer fund were \$835,913 and \$418,764 respectively. The City is in compliance with all significant financial limitations and restrictions mentioned above.

(10) Deferred Outflows/Inflows of Resources

The statement of financial position and the balance sheet includes the following deferred outflows/inflows of resources at September 30, 2021:

	Statement of Net Position		Balance Sheet		
	Governmental Activities	Business- Type Activities	General	Future Capital Street Improve- ments	Other Govern- mental
Deferred outflows of resources:					
Deferred charge on refunding	\$ -	73,534	-	-	-
Pension related:					
Contributions subsequent to measurement date	658,482	89,793	-	-	-
Differences between expected and actual experience	416,817	56,839	-	-	-
Change in assumptions	25,190	3,435	-	-	-
OPEB related:					
Contributions subsequent to measurement date	6,863	936	-	-	-
Differences between expected and actual experience	439	60	-	-	-
Change in assumptions	57,672	7,864	-	-	-
	\$ 1,165,463	232,461	-	-	-

City of Woodway, Texas
Notes to Financial Statements
(Continued)

(10) Deferred Outflows/Inflows of Resources (continued)

	Statement of Net Position		Balance Sheet		
	Governmental Activities	Business- Type Activities	General	Future Capital Street Improve- ments	Other Govern- mental
Deferred inflows of resources:					
Unavailable property					
tax revenues	\$ -	-	88,156	10,443	7,261
Pension related:					
Differences between expected					
and actual experience	22,241	3,033	-	-	-
Net differences between projected					
and actual investment earnings	629,048	85,779	-	-	-
OPEB related:					
Differences between expected					
and actual experience	3,969	541	-	-	-
Change in assumptions	6,599	900	-	-	-
	<u>\$ 661,857</u>	<u>90,253</u>	<u>88,156</u>	<u>10,443</u>	<u>7,261</u>

Deferred Outflows of Resources: The deferred charge on refunding, resulting from the difference in the carrying value of refunded debt and its reacquisition price, is amortized as interest expense over the shorter of the life of the refunded debt or refunding debt. Post-measurement date contributions will be recognized as a reduction of the net pension/OPEB liability in the following fiscal year. The pension/OPEB related deferred amounts will be amortized into pension/OPEB expense.

Deferred Inflows of Resources: The governmental funds, under the modified accrual basis of accounting, report unavailable revenues from property taxes, which is deferred and recognized as an inflow of resources in the period that the amounts become available. The pension/OPEB amounts will be amortized into pension/OPEB expense.

(11) Defined Benefit Pension Plan

Plan Description - The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (“TMRS”). TMRS is a statewide public retirement plan 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 employees of Texas

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(11) Defined Benefit Pension Plan (continued)

participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (“ACFR”) that can be obtained at www.tMrs.com.

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

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

At retirement, the member’s benefit is calculated based on the sum of the member’s contributions, with interest, and the City-financed monetary credits, with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s contributions and interest.

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

Inactive employees or beneficiaries current receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	67
Active employees	84
	197

Contributions – Member contribution rates in TMRS are either 5%, 6%, or 7% of the member’s total compensation, 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 actuarial cost method. The City’s contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 16.77% and 17.27% in calendar years 2020 and 2021, respectively. The City’s contributions to TMRS for the year ended September 30, 2021 were \$1,037,836 and were equal to the required contributions.

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(11) Defined Benefit Pension Plan (continued)

Net Pension Liability - The City's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(11) Defined Benefit Pension Plan (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 arithmetic real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
Totals	<u>100.0%</u>	

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 Woodway, Texas

Notes to Financial Statements
(Continued)

(11) Defined Benefit Pension Plan (continued)

Changes in the Net Pension Liability

		Increase (Decrease)		
		Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2019	\$	29,787,505	25,794,850	3,992,655
Changes for the year:				
Service cost		976,478	-	976,478
Interest		2,006,315	-	2,006,315
Difference between expected and actual experience		460,153	-	460,153
Change in assumptions		-	-	-
Contributions - employer		-	983,199	(983,199)
Contributions - employee		-	410,400	(410,400)
Net investment income		-	1,959,017	(1,959,017)
Benefit payments, including refunds of employee contributions		(1,105,121)	(1,105,121)	-
Administrative expense		-	(12,670)	12,670
Other changes		-	(494)	494
Net changes		2,337,825	2,234,331	103,494
Balance at December 31, 2020	\$	32,125,330	28,029,181	4,096,149

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 one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

		1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$	9,100,697	4,096,149	32,937

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 at www.tmrs.com.

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(11) Defined Benefit Pension Plan (continued)

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

For the year ended September 30, 2021, the City recognized pension expense of \$843,897. At September 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 748,276	-
Differences between expected and actual experience	473,656	25,274
Change in assumptions	28,625	-
Difference between projected and actual earnings on pension plan investments, net	<u>-</u>	<u>714,827</u>
Total	<u>\$ 1,250,557</u>	<u>740,101</u>

The \$748,276 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:

<u>Year Ended December 31:</u>	
2021	\$ (83,610)
2022	184,348
2023	(312,682)
2024	<u>(25,876)</u>
	<u>\$ (237,820)</u>

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(12) Other Post-Employment Benefits (“OPEB”)

Plan Description - The City also participates in the defined benefit group-term life insurance plan administered by the Texas Municipal Retirement System (“TMRS”) known as the Supplemental Death Benefits Fund (“SDBF”). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The 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. As the SDBF covers both active and retired members, with no segregation of assets, the SDBF does not meet the definition of a trust under paragraph 4 of Governmental Accounting Standards Board (“GASB”) No 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (i.e. no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the City’s yearly contribution for retirees.

Benefits Provided - The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.

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

Inactive employees current receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>83</u>
	<u>126</u>

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

The City’s contributions to the SDBF for the year ended September 30, 2021 were \$10,562, respectively, which equaled the required contribution for the year.

Total OPEB Liability - The City’s total OPEB liability was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(12) Other Post-Employment Benefits (“OPEB”) (continued)

Actuarial assumptions: The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 11.5%, including inflation
Discount rate	2.00% (based on the Fidelity Index’s “20-Year Municipal GO AA index” rate as of December 31, 2020)
Administrative expenses	All administrative expenses are paid through the TMRS Pension Trust

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. For disabled retirees, the 2019 Municipal Retirees of Texas Mortality Tables were used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

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

The changes in the total OPEB liability for the measurement period ending December 31, 2020 was as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2019	\$ <u>221,699</u>
Changes for the year:	
Service cost	15,825
Interest	6,290
Differences between expected and actual experience	(766)
Changes in assumptions or other inputs	39,062
Benefit payments **	<u>(1,758)</u>
Net changes	<u>58,653</u>
Balance at December 31, 2020	\$ <u><u>280,352</u></u>

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(12) Other Post-Employment Benefits (“OPEB”) (continued)

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

Sensitivity of the Total 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 be if it were calculated using a discount rate that is one percentage point lower (1.00%) or one percentage point higher (3.00%) than the current rate:

		1% Decrease in Discount Rate <u>(1.00%)</u>	Current Discount Rate (2.00%) <u>Rate (2.00%)</u>	1% Increase in Discount Rate <u>(3.00%)</u>
City's total OPEB liability	\$	<u>346,447</u>	<u>280,352</u>	<u>229,583</u>

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$32,959. At September 30, 2021, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

		<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$	7,799	-
Differences between expected and actual experience		499	4,510
Change in assumptions		<u>65,536</u>	<u>7,499</u>
Total	\$	<u>73,834</u>	<u>12,009</u>

The \$7,799 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

City of Woodway, Texas

Notes to Financial Statements
(Continued)

(12) Other Post-Employment Benefits (“OPEB”) (continued)

<u>Year Ended December 31:</u>	
2021	\$ 10,844
2022	10,844
2023	10,280
2024	9,158
2025	9,104
Thereafter	<u>3,796</u>
	<u>\$ 54,026</u>

(13) 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 to employees, and natural disasters. The City has joined together with other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen’s compensation coverages. The City pays a quarterly contribution to the pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754.

(14) Interfund Transfers

Following is a summary of transfers for the year ended September 30, 2021.

	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>General Capital Projects</u>	<u>Nonmajor Govern- mental</u>	
Transfers out:				
General	\$ -	1,000,000	-	1,000,000
Nonmajor governmental	412,844	-	380,000	792,844
Water and sewer	<u>121,390</u>	<u>-</u>	<u>-</u>	<u>121,390</u>
Total transfers	<u>\$ 534,234</u>	<u>1,000,000</u>	<u>380,000</u>	<u>1,914,234</u>

City of Woodway, TexasNotes to Financial Statements
(Continued)(14) Interfund Transfers (continued)

Transfers are used to (1) move revenues from the fund responsible for collecting them to the fund responsible for expending them as required by statute or budget, and (2) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Also, the City made payments from the water and sewer fund to the general fund in lieu of taxes. The City reported these payments as transfers.

(15) Commitments and Contingencies

The City has contracted with private companies for the collection and disposal of refuse. The City negotiated a collection contract, with an effective date of June 1, 2017, for a term of five years, with the option to renew and extend the contract for two successive 2-year terms. Under the terms of the contract, the City will be responsible for billing and collection of all waste collection fees and will pay collection fees to the companies on a monthly basis as authorized in the contract regardless of the amount collected from residents.

In order to provide a long-term, reliable water supply, the City has become a member of the Bluebonnet Water Supply Corporation (“Bluebonnet”). As a member of Bluebonnet, the City will be able to provide input into the operations as one of eight members of the Board. Under the agreement, the City will be required to purchase a proportional amount of water processed by Bluebonnet. In addition, an agreement has been entered into with the City of Waco requiring Waco to purchase Woodway’s share of water purchased from Bluebonnet and requiring Woodway to purchase an equal amount of water from Waco. All transactions will be at the rates established by the Board of Bluebonnet.

There are currently several claims and lawsuits pending against the City. It is the opinion of City management that there is no pending litigation against the City that, if decided against the City, would have a material adverse effect upon the operations of the City.

(16) Tax Abatements

The City of Woodway negotiates property tax abatements on an individual basis. All abatements are governed by Section 312 of the Texas Tax Code and the City of Woodway Code of Ordinances which are revised and adopted every two years in accordance with state law. These guidelines permit the City to abate property taxes for a variety of economic development purposes such as business relocation, retention, and expansion and include abatements for real and personal property improvements.

The City of Woodway had not granted any tax abatements as of September 30, 2021.

City of Woodway, TexasNotes to Financial Statements
(Continued)(17) Unearned Revenue

Governmental and proprietary funds report unearned revenue in connection with resources that have been received, but not yet earned. Unearned revenue at September 30, 2021 consisted of \$1,118,010 for grant funds received from the Coronavirus Local Fiscal Recovery Fund (“CLFRF”) under the American Rescue Plan Act of 2021 prior to meeting all eligibility requirements.

(18) Authoritative Pronouncements Not Yet Effective

A summary of pronouncements issued by the Governmental Accounting Standards Board (GASB) which may impact the City but are not yet effective follows. The City has not yet determined the effects of the adoption of these pronouncements on the financial statements.

GASB Statement No. 87, *Leases* (issued June 2017) – The objective of this statement is to increase the usefulness of governments’ financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The statement will also require notes to financial statements related to the timing, significance, and purpose of a government’s leasing arrangements. The requirements of this statement are effective for the City’s financial statements beginning October 1, 2021.

GASB Statement No. 91, *Conduit Debt Obligations* (issued May 2019) – The objective of this statement is 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. The requirements of this statement are effective for the City’s financial statements beginning October 1, 2021.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (issued May 2020) – The objective of this statement is to provide guidance for subscription based information technology arrangements (“SBITA”). It will define SBITA contracts, provide guidance on the accounting for the SBITAs, and require disclosures regarding the SBITAs. The requirements of this statement are effective for the City’s financial statements beginning October 1, 2022.

City of Woodway, TexasNotes to Financial Statements
(Continued)(18) Authoritative Pronouncements Not Yet Effective (continued)

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code ("IRC") Section 457 Deferred Compensation Plans (issued June 2020) – The objective of this statement are to (1) increase consistency and comparability of the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board; (2) mitigate costs associated with the reporting of certain defined benefit and contribution plans as fiduciary component units, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for IRC section 457 plans. Certain provisions relating to component unit criteria are effective upon issuance. The remaining requirements of this statement are effective for the City's financial statements beginning October 1, 2021.

Required Supplementary Information

City of Woodway, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund – Budget Basis

Year Ended September 30, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue:				
Taxes:				
Property	\$ 5,158,266	5,158,266	5,284,768	126,502
Sales	2,800,000	2,800,000	3,369,543	569,543
Franchise	698,000	698,000	684,473	(13,527)
License and permits	148,000	148,000	125,612	(22,388)
Charges for services	1,797,792	1,797,792	1,522,829	(274,963)
Fines	157,500	157,500	163,064	5,564
Investment earnings	35,000	35,000	9,912	(25,088)
Contributions and donations	-	-	5,591	5,591
Miscellaneous	65,500	65,500	81,556	16,056
Total revenue	<u>10,860,058</u>	<u>10,860,058</u>	<u>11,247,348</u>	<u>387,290</u>
Expenditures:				
Current:				
General government	1,812,728	1,812,728	1,711,087	101,641
Public safety	6,932,427	6,932,427	5,892,755	1,039,672
Highways and streets	594,127	594,127	544,494	49,633
Sanitation	1,023,200	1,023,200	1,026,400	(3,200)
Economic development	630,672	630,672	590,523	40,149
Cultural and recreation	921,191	921,191	910,311	10,880
Total expenditures	<u>11,914,345</u>	<u>11,914,345</u>	<u>10,675,570</u>	<u>1,238,775</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,054,287)</u>	<u>(1,054,287)</u>	<u>571,778</u>	<u>1,626,065</u>
Other financing sources (uses):				
Proceeds on sale of capital assets	-	-	102,059	102,059
Transfers in	497,187	497,187	534,234	37,047
Transfers out	-	-	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Total other financing sources (uses)	<u>497,187</u>	<u>497,187</u>	<u>(363,707)</u>	<u>(860,894)</u>
Change in fund balance	(557,100)	(557,100)	208,071	765,171
Fund balance, at beginning of year	<u>3,958,160</u>	<u>3,958,160</u>	<u>3,958,160</u>	<u>-</u>
Fund balance, at end of year	\$ <u>3,401,060</u>	<u>3,401,060</u>	<u>4,166,231</u>	<u>765,171</u>

See accompanying independent auditor's report.

City of Woodway, Texas**Note to Schedule of Revenues, Expenditures and
Changes in Fund Balance – Budget and Actual –
General Fund****Year Ended September 30, 2021****(1) Budgetary Basis**

The City prepares its budget on a basis of accounting that differs from generally accepted accounting principles (“GAAP”). The actual results of operations are presented in the statement of revenue, expenses and changes in fund equity – budget and actual – general fund on the budgetary basis to provide a meaningful comparison of actual results.

The budgetary basis of accounting includes reporting as expenditures all purchase orders and contracts executed during the year and liquidated within 90 days of the end of the fiscal year. There were no adjustments necessary to convert the results of operations at the end of the year from the GAAP basis of accounting to the budgetary basis of accounting.

Transfers out exceeded appropriations for the general fund for the year ended September 30, 2021 by \$1.0 million. This over-expenditure was funded by lower than anticipated expenditures in other functions within the general fund.

City of Woodway, Texas

Schedule of Changes in Net Pension Liability and Related Ratios

Last Seven Measurement Dates

	December 31,			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability				
Service cost	\$ 976,478	879,656	809,551	804,076
Interest (on the Total Pension Liability)	2,006,315	1,875,511	1,789,433	1,663,016
Difference between expected and actual experience	460,153	178,467	(88,985)	432,982
Change of assumptions	-	55,501	-	-
Benefit payments, including refunds of employee contributions	<u>(1,105,121)</u>	<u>(1,094,312)</u>	<u>(1,445,329)</u>	<u>(614,593)</u>
Net change in Total Pension Liability	2,337,825	1,894,823	1,064,670	2,285,481
Total Pension Liability - beginning	<u>29,787,505</u>	<u>27,892,682</u>	<u>26,828,012</u>	<u>24,542,531</u>
Total Pension Liability - ending (a)	<u>\$ 32,125,330</u>	<u>29,787,505</u>	<u>27,892,682</u>	<u>26,828,012</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 983,199	893,773	827,205	821,922
Contributions - employee	410,400	380,098	353,075	347,012
Net investment income	1,959,017	3,434,038	(694,608)	2,756,034
Benefit payments, including refunds of employee contributions	(1,105,121)	(1,094,312)	(1,445,329)	(614,593)
Administrative expense	(12,670)	(19,394)	(13,417)	(14,279)
Other	<u>(494)</u>	<u>(583)</u>	<u>(700)</u>	<u>(723)</u>
Net change in Plan Fiduciary Net Position	2,234,331	3,593,620	(973,774)	3,295,373
Plan Fiduciary Net Position - beginning	<u>25,794,850</u>	<u>22,201,230</u>	<u>23,175,004</u>	<u>19,879,631</u>
Plan Fiduciary Net Position - ending (b)	<u>\$ 28,029,181</u>	<u>25,794,850</u>	<u>22,201,230</u>	<u>23,175,004</u>
Net Pension Liability - ending (a) - (b)	<u>\$ 4,096,149</u>	<u>3,992,655</u>	<u>5,691,452</u>	<u>3,653,008</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	87.25%	86.60%	79.60%	86.38%
Covered payroll	\$ 5,861,215	5,429,973	5,043,934	4,957,313
Net Pension Liability as a percentage of covered payroll	69.89%	73.53%	112.84%	73.69%

Note: Effective October 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68. Information for years prior to 2014 is not available.

See accompanying independent auditor's report.

<u>2016</u>	<u>2015</u>	<u>2014</u>
747,227	671,680	603,865
1,538,966	1,481,245	1,391,288
151,146	242,961	25,877
-	(29,774)	-
<u>(641,392)</u>	<u>(888,668)</u>	<u>(650,991)</u>
1,795,947	1,477,444	1,370,039
<u>22,746,584</u>	<u>21,269,140</u>	<u>19,899,101</u>
<u><u>24,542,531</u></u>	<u><u>22,746,584</u></u>	<u><u>21,269,140</u></u>
718,365	692,941	656,758
320,698	303,731	281,525
1,234,383	26,775	967,001
(641,392)	(888,668)	(650,991)
(13,939)	(16,308)	(10,094)
<u>(751)</u>	<u>(805)</u>	<u>(830)</u>
1,617,364	117,666	1,243,369
<u>18,262,267</u>	<u>18,144,601</u>	<u>16,901,232</u>
<u><u>19,879,631</u></u>	<u><u>18,262,267</u></u>	<u><u>18,144,601</u></u>
<u><u>4,662,900</u></u>	<u><u>4,484,317</u></u>	<u><u>3,124,539</u></u>
81.00%	80.29%	85.31%
4,581,406	4,339,019	4,021,790
101.78%	103.35%	77.69%

City of Woodway, Texas
Schedule of Pension Contributions

Fiscal Years Ended

	September 30,						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,037,836	951,400	876,867	821,922	802,217	710,979	657,199
Contributions in relation to the actuarially determined contribution	<u>1,037,836</u>	<u>951,400</u>	<u>876,867</u>	<u>821,922</u>	<u>802,217</u>	<u>710,979</u>	<u>657,199</u>
Contribution deficiency (excess)	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ <u>6,059,466</u>	<u>5,702,790</u>	<u>5,332,738</u>	<u>4,997,194</u>	<u>4,864,181</u>	<u>4,468,451</u>	<u>4,132,337</u>
Contributions as a percentage of covered payroll	<u>17.13%</u>	<u>16.68%</u>	<u>16.44%</u>	<u>16.45%</u>	<u>16.49%</u>	<u>15.91%</u>	<u>15.90%</u>

Notes to Schedule of Pension Contributions

Valuation Date:

Note 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	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other	There were no benefit changes during the year.

Note: The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27*, effective October 1, 2014. Information for years prior to 2015 is not available.

See accompanying independent auditor's report.

City of Woodway, Texas

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Four Measurement Dates

	December 31,			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 15,825	12,489	8,575	6,940
Interest (on the Total OPEB Liability)	6,290	6,578	5,781	5,591
Differences between expected and actual experience	(766)	(5,501)	901	-
Change of assumptions	39,062	37,625	(13,514)	14,626
Benefit payments **	<u>(1,758)</u>	<u>(1,086)</u>	<u>(1,009)</u>	<u>(1,487)</u>
Net change in Total OPEB Liability	58,653	50,105	734	25,670
Total OPEB Liability - beginning	<u>221,699</u>	<u>171,594</u>	<u>170,860</u>	<u>145,190</u>
Total OPEB Liability - ending	<u>\$ 280,352</u>	<u>221,699</u>	<u>171,594</u>	<u>170,860</u>
Covered payroll	<u>\$ 5,861,215</u>	<u>5,429,973</u>	<u>5,043,934</u>	<u>4,957,313</u>
Total OPEB Liability as a percentage of covered payroll	4.78%	4.08%	3.40%	3.45%

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

Note: The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions* (OPEB) effective October 1, 2017. Information for years prior to 2017 is not available.

See accompanying independent auditor's report.

City of Woodway, Texas

Schedule of OPEB Contributions

Fiscal Years Ended

	September 30,			
	2021	2020	2019	2018
Actuarially determined contributions	\$ 10,562	8,965	8,149	7,996
Contributions in relation to the actuarially determined contributions	10,562	8,965	8,149	7,996
Contribution deficiency (excess)	\$ -	-	-	-
Covered payroll	\$ 6,059,466	5,702,790	5,332,738	4,997,194
Contributions as a percentage of covered payroll	0.17%	0.16%	0.15%	0.16%

Notes to Schedule of OPEB Contributions

Valuation Date:

Note 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:

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discount Rate	2.00%
Retirees' share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust of TMRS and are accounted for under reporting requirements under GASB Statement No. 68.
Mortality – service retirees	2019 Municipal Retirees of Texas Mortality Tables. These rates are Projected on a fully generational basis with scale UMP.
Mortality – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year Set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.
Other	There were no benefit changes during the year.

Note: The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions (OPEB)* effective October 1, 2017. Information for years prior to 2018 is not available.

See accompanying independent auditor's report.