

CITY OF WALLER, TEXAS

ANNUAL FINANCIAL REPORT

For the year ended September 30, 2024

CITY OF WALLER, TEXAS
ANNUAL FINANCIAL REPORT
For the year ended September 30, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waller, Texas (the "City"), as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

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

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule and other statements identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule and other statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Crowe LLP

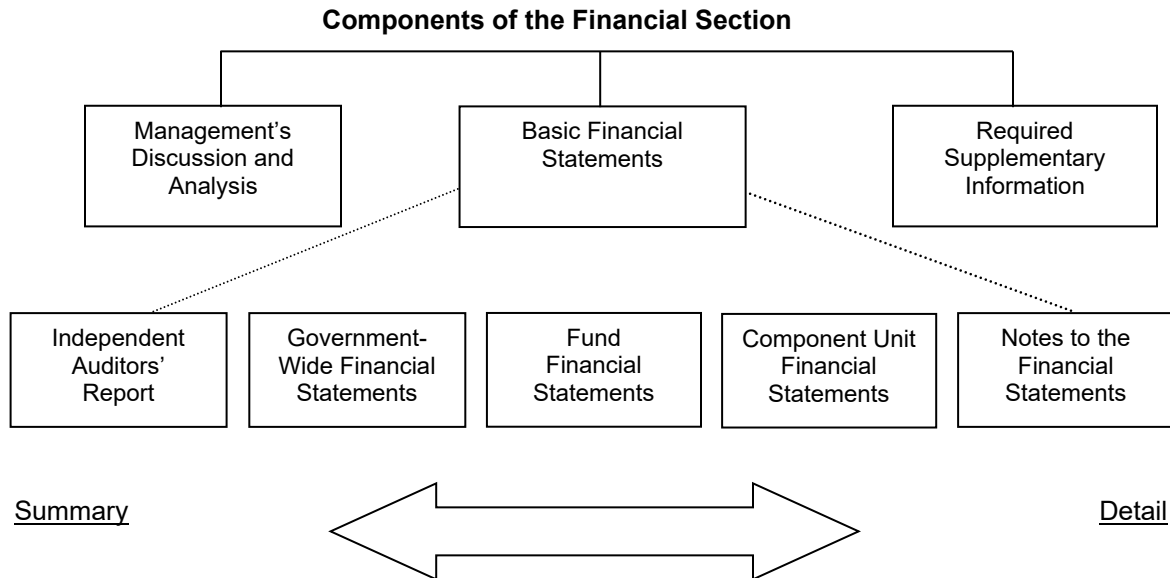
Houston, Texas
June 16, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Waller, Texas (the "City") for the year ending September 30, 2024. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) 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 Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all the City's assets, liabilities, and deferred outflows/inflows 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. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered to assess the overall health of the City.

(Continued)

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

(Continued)

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

The City maintains 17 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund, and the nonmajor governmental funds. The City adopts an annual appropriated budget for its general fund and debt service fund. Budgetary comparison schedules have been provided for the general fund and debt service fund to demonstrate compliance with these budgets.

Proprietary Fund

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by \$37,323,667 at year end.

A large portion of the City's net position, 38 percent, reflects its investments in capital assets (e.g. land, City hall, police station, drainage systems, as well as the public works facilities) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	2024			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
ASSETS				
Current and other assets	\$ 24,026,435	\$ 4,328,378	\$ -	\$ 28,354,813
Noncurrent assets	10,410,403	19,824,318	-	30,234,721
Total assets	<u>34,436,838</u>	<u>24,152,696</u>	<u>-</u>	<u>58,589,534</u>
DEFERRED OUTFLOWS ON RESOURCES				
Deferred outflows - pensions	200,009	103,974	-	303,983
Deferred outflows - OPEB	10,158	-	-	10,158
Total deferred outflows of resources	<u>210,167</u>	<u>103,974</u>	<u>-</u>	<u>314,141</u>
LIABILITIES				
Long-term liabilities	18,702,503	242,509	-	18,945,012
Other liabilities	1,632,343	886,489	-	2,518,832
Total liabilities	<u>20,334,846</u>	<u>1,128,998</u>	<u>-</u>	<u>21,463,844</u>
DEFERRED INFLOWS ON RESOURCES				
Deferred inflows - pensions	76,647	-	-	76,647
Deferred inflows - OPEB	39,517	-	-	39,517
Total deferred inflows of resources	<u>116,164</u>	<u>-</u>	<u>-</u>	<u>116,164</u>
NET POSITION				
Net investment in capital assets	924,822	19,824,318	(6,637,379)	14,111,761
Restricted	2,580,199	-	-	2,580,199
Unrestricted	10,690,974	3,303,354	6,637,379	20,631,707
Total net position	<u>\$ 14,195,995</u>	<u>\$ 23,127,672</u>	<u>\$ -</u>	<u>\$ 37,323,667</u>

(Continued)

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

	2023			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
ASSETS				
Current and other assets	\$ 25,053,639	\$ 3,347,972	\$ -	\$ 28,401,611
Noncurrent assets	10,660,114	15,573,498	-	26,233,612
Total assets	<u>35,713,753</u>	<u>18,921,470</u>	<u>-</u>	<u>54,635,223</u>
DEFERRED OUTFLOWS ON RESOURCES				
Deferred outflows - pensions	351,755	127,625	-	479,380
Deferred outflows - OPEB	11,996	-	-	11,996
Total deferred outflows of resources	<u>363,751</u>	<u>127,625</u>	<u>-</u>	<u>491,376</u>
LIABILITIES				
Long-term liabilities	19,435,971	293,659	-	19,729,630
Other liabilities	1,796,220	479,798	-	2,276,018
Total liabilities	<u>21,232,191</u>	<u>773,457</u>	<u>-</u>	<u>22,005,648</u>
DEFERRED INFLOWS ON RESOURCES				
Deferred inflows - pensions	5,612	-	-	5,612
Deferred inflows - OPEB	52,068	-	-	52,068
Total deferred inflows of resources	<u>57,680</u>	<u>-</u>	<u>-</u>	<u>57,680</u>
NET POSITION				
Net investment in capital assets	2,746,098	15,573,498	(4,601,964)	13,717,632
Restricted	2,471,518	-	-	2,471,518
Unrestricted	9,570,017	2,702,140	4,601,964	16,874,121
Total net position	<u>\$ 14,787,633</u>	<u>\$ 18,275,638</u>	<u>\$ -</u>	<u>\$ 33,063,271</u>

A portion of the primary government's net position, \$2,580,199, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$20,631,707, may be used to meet the City's ongoing obligation to citizens and creditors. The overall condition of the City increased \$4,260,396 during the year.

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

Total assets are \$58,589,534, an increase of \$3,954,311 compared to prior year. Noncurrent assets increased compared to the prior year primarily due to an increase in the construction and acquisition of capital assets. Total liabilities are \$21,463,844, a decrease of \$541,804 compared to prior year. Total liabilities decreased compared to the prior year mostly due debt service payments on long-term debt and a decrease in net pension liability. Total deferred outflows of resources are \$314,141, a decrease of \$177,235 compared to the prior year. Total deferred inflows of resources are \$116,164, an increase of \$58,484 compared to prior year. The decrease in deferred outflows of resources and related increase in deferred inflows of resources was due to the net differences between projected and actual investment earnings on pension plan assets as well as changes in assumptions.

(Continued)

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Statement of Activities

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Revenues						
Program revenues:						
Charges for services	\$ 4,123,875	\$ 4,006,787	\$ 3,983,499	\$ 3,188,920	\$ 8,107,374	\$ 7,195,707
Operating grants and contributions	128,848	111,517	-	-	128,848	111,517
Capital grants and contributions	28,685	508,617	-	-	28,685	508,617
General revenues:						
Property taxes	3,283,992	2,716,969	-	-	3,283,992	2,716,969
Sales taxes	4,182,694	3,782,096	-	-	4,182,694	3,782,096
Franchise fees	431,785	389,203	-	-	431,785	389,203
Investment income	1,380,530	1,124,771	137,724	120,756	1,518,254	1,245,527
Other revenues	28,404	37,003	-	-	28,404	37,003
Total revenues	<u>13,588,813</u>	<u>12,676,963</u>	<u>4,121,223</u>	<u>3,309,676</u>	<u>17,710,036</u>	<u>15,986,639</u>
Expenses						
General government	1,979,096	1,763,889	-	-	1,979,096	1,763,889
Public safety	2,360,476	1,860,653	-	-	2,360,476	1,860,653
Permits/code enforcement	1,474,362	917,488	-	-	1,474,362	917,488
Public works	2,749,177	1,693,921	-	-	2,749,177	1,693,921
Culture and recreation	368,263	160,802	-	-	368,263	160,802
Interest and fiscal agent fees	682,000	697,749	-	-	682,000	697,749
Gas	-	-	1,064,447	766,105	1,064,447	766,105
Water and sewer	-	-	2,771,819	2,453,450	2,771,819	2,453,450
Total expenses	<u>9,613,374</u>	<u>7,094,502</u>	<u>3,836,266</u>	<u>3,219,555</u>	<u>13,449,640</u>	<u>10,314,057</u>
Increase (decrease) in net pension before transfers	<u>3,975,439</u>	<u>5,582,461</u>	<u>284,957</u>	<u>90,121</u>	<u>4,260,396</u>	<u>5,672,582</u>
Transfers in (out)	<u>(4,567,077)</u>	<u>(1,903,167)</u>	<u>4,567,077</u>	<u>1,903,167</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(591,638)</u>	<u>3,679,294</u>	<u>4,852,034</u>	<u>1,993,288</u>	<u>4,260,396</u>	<u>5,672,582</u>
Net position-beginning of year	<u>14,787,633</u>	<u>11,108,339</u>	<u>18,275,638</u>	<u>16,282,350</u>	<u>33,063,271</u>	<u>27,390,689</u>
Net position-end of year	<u>\$ 14,195,995</u>	<u>\$ 14,787,633</u>	<u>\$ 23,127,672</u>	<u>\$ 18,275,638</u>	<u>\$ 37,323,667</u>	<u>\$ 33,063,271</u>

Overall, governmental activities revenues increased \$911,850. Charges for services increased by \$117,088 largely due to increases in building permits. Property tax revenue increased \$567,023 due to an increase in assessed values. Sales tax revenue increased \$400,598 primarily due to an increase in taxable sales within the City. Governmental activities expenses increased \$2,518,872 primarily due to increases in permits and code enforcement and public works. Permits and code enforcement increases largely due to an increase in development within the City. Public works increased primarily due to debris removal expenses from the May 2024 storm and Hurricane Beryl.

(Continued)

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

Overall, business-type activities revenues increased \$811,547 mainly due to an increase in charges for services from an increase in water and sewer revenues as a result of higher customer consumption. Business-type activities expenses increased \$616,711 mostly due to an increase in water and sewer repair and maintenance expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined fund balance of \$22,275,894. Of the total governmental fund balance, \$21,043 is nonspendable in the form of inventory and \$5,127,607 is restricted for debt service, enabling legislation, capital projects, and special projects. \$80,000 is assigned for street projects and fleet reserve. The remaining balance of \$17,047,244 is unassigned.

The general fund is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the general fund was \$17,047,244. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 204 percent of total general fund expenditures, while total fund balance represents 208 percent of total general fund expenditures. General fund revenues increased \$1,958,136 compared to the prior year largely due to increases property tax revenue due to an increase in assessed values, sales tax revenues from an increase in taxable sales within the City, and licenses and permits revenues due to an increase in building permits issued. Expenditures increased \$2,262,874 compared to the prior year due primarily to an increase in professional and contracted services and payroll expenditures.

The debt service fund has a total fund balance of \$436,880, all of which is restricted for payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$65,219 primarily due an increase in property tax revenue due to an increase in assessed values. .

The capital projects fund has a fund balance of \$2,790,847, all of which is restricted for capital projects. The net decrease in fund balance of \$3,715,801 was primarily due to an increase in construction projects.

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

CITY OF WALLER, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2024

GENERAL FUND BUDGETARY HIGHLIGHTS

Final budgeted revenues exceeded actual revenues by \$78,651. This variance is primarily due to less sales taxes and investment income revenue than expected. Total expenditures exceeded budgeted expenditures by \$27,827 mainly due to more expenditures than anticipated in general government.

CAPITAL ASSETS

At the end of the year, the City's governmental activities and business-type activities had invested \$30,234,721 in a variety of capital assets and infrastructure (net of accumulated depreciation). The capital assets also include the right-to-use assets that are associated with a lease liability.

More detailed information about the City's capital assets is presented in Note 3 Capital Assets to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds, certificates of obligation, and a lease liability of \$18,088,047. Of this amount, \$7,570,000 was general obligation bonds debt, \$10,405,000 was certificates of obligation debt, and \$113,047 was a lease liability.

More detailed information about the City's long-term liabilities is presented in Note 3 Long-Term Debt to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The City adopted a fiscal year 2024-2025 general fund expenditure budget of \$10,745,873, which is an increase of 42% from the prior year budget. The City budgeted for fiscal year 2024-2025 general fund revenues of \$10,919,390, which is an increase of 37%. The City approved a 2024-2025 Maintenance and Operation tax rate of \$0.2709 and an Interest and Sinking tax rate of \$0.0955 for a total of \$0.3664 per \$100 of property valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF WALLER, TEXAS
STATEMENT OF NET POSITION
September 30, 2024

	Primary Government				Component Unit
	Governmental Activities	Business-Type Activities	Reconciliation	Total	Waller Economic Development Corporation
ASSETS					
Cash and cash equivalents	\$ 20,484,341	\$ 3,650,175	\$ -	\$ 24,134,516	\$ 6,753,667
Restricted cash and cash equivalents	2,688,822	160,418	-	2,849,240	-
Receivables, net	832,229	464,452	-	1,296,681	188,391
Inventory	21,043	53,333	-	74,376	-
Capital assets					
Nondepreciable capital assets	303,740	4,346,651	-	4,650,391	-
Net depreciable/amortizable capital assets	10,106,663	15,477,667	-	25,584,330	-
	10,410,403	19,824,318	-	30,234,721	-
Total assets	34,436,838	24,152,696	-	58,589,534	6,942,058
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows - pensions	200,009	103,974	-	303,983	-
Deferred outflows - OPEB	10,158	-	-	10,158	-
Total deferred outflows of resources	210,167	103,974	-	314,141	-
LIABILITIES					
Accounts payable and accrued liabilities	1,412,083	726,071	-	2,138,154	17,882
Customer deposits	-	160,418	-	160,418	-
Unearned revenue	112,205	-	-	112,205	-
Accrued interest payable	108,055	-	-	108,055	-
Long-term liabilities					
Due within one year	568,235	9,422	-	577,657	21,166
Due in more than one year	18,134,268	233,087	-	18,367,355	2,352
	18,702,503	242,509	-	18,945,012	23,518
Total liabilities	20,334,846	1,128,998	-	21,463,844	41,400
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows - pensions	76,647	-	-	76,647	-
Deferred inflows - OPEB	39,517	-	-	39,517	-
Total deferred inflows of resources	116,164	-	-	116,164	-
NET POSITION					
Net investment in capital assets	924,822	19,824,318	(6,637,379)	14,111,761	-
Restricted for:					
Debt service	385,980	-	-	385,980	-
Enabling legislation	1,680,577	-	-	1,680,577	-
Capital projects	294,339	-	-	294,339	-
Special projects	219,303	-	-	219,303	-
Unrestricted	10,690,974	3,303,354	6,637,379	20,631,707	6,900,658
Total net position	\$ 14,195,995	\$ 23,127,672	\$ -	\$ 37,323,667	\$ 6,900,658

See notes to financial statements.

CITY OF WALLER, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2024

		Program Revenues			Net Revenue (Expense) and Changes in Net Position			
					Primary Government			Waller Economic
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business-Type Activities	Total	Development Corporation
Primary Government								
Governmental activities								
General government	\$ 1,979,096	\$ 705,418	\$ 121,732	\$ -	\$ (1,151,946)	\$ -	\$ (1,151,946)	\$ -
Public safety	2,360,476	660,498	7,116	-	(1,692,862)	-	(1,692,862)	-
Permits/code enforcement	1,474,362	1,800,039			325,677		325,677	
Public works	2,749,177	957,920	-	28,685	(1,762,572)	-	(1,762,572)	-
Culture and recreation	368,263	-	-	-	(368,263)	-	(368,263)	-
Interest and fees on debt	682,000	-	-	-	(682,000)	-	(682,000)	-
Total governmental activities	9,613,374	4,123,875	128,848	28,685	(5,331,966)	-	(5,331,966)	-
Business-type activities								
Gas	1,064,447	1,401,652	-	-	-	337,205	337,205	-
Water and sewer	2,771,819	2,581,847	-	-	-	(189,972)	(189,972)	-
Total business-type activities	3,836,266	3,983,499	-	-	-	147,233	147,233	-
Total primary government	\$ 13,449,640	\$ 8,107,374	\$ 128,848	\$ 28,685	(5,331,966)	147,233	(5,184,733)	-
Component Unit								
Waller Economic Development Corporation	366,485	-	-	-	-	-	-	(366,485)
Total component unit	\$ 366,485	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (366,485)
General revenues								
Property taxes					3,283,992	-	3,283,992	-
Sales tax					4,182,694	-	4,182,694	1,391,360
Franchise fees and local taxes					431,785	-	431,785	-
Investment income					1,380,530	137,724	1,518,254	327,401
Other revenues					28,404	-	28,404	5,400
Transfers					(4,567,077)	4,567,077	-	-
Total general revenues and transfers					4,740,328	4,704,801	9,445,129	1,724,161
Change in net position					(591,638)	4,852,034	4,260,396	1,357,676
Beginning net position					14,787,633	18,275,638	33,063,271	5,542,982
Ending net position					\$ 14,195,995	\$ 23,127,672	\$ 37,323,667	\$ 6,900,658

See notes to financial statements.

CITY OF WALLER, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 17,372,371	\$ 439,233	\$ 985,215	\$ 1,687,522	\$ 20,484,341
Restricted cash and cash equivalents	-	-	2,688,822	-	2,688,822
Receivables, net	755,428	57,155	-	19,646	832,229
Inventory	21,043	-	-	-	21,043
Total assets	<u>\$ 18,148,842</u>	<u>\$ 496,388</u>	<u>\$ 3,674,037</u>	<u>\$ 1,707,168</u>	<u>\$ 24,026,435</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 634,154	\$ 2,353	\$ 770,985	\$ 4,591	\$ 1,412,083
Unearned revenue	-	-	112,205	-	112,205
Total liabilities	<u>634,154</u>	<u>2,353</u>	<u>883,190</u>	<u>4,591</u>	<u>1,524,288</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	103,138	57,155	-	-	160,293
Unavailable revenue - garbage collection	65,960	-	-	-	65,960
Total deferred inflows of resources	<u>169,098</u>	<u>57,155</u>	<u>-</u>	<u>-</u>	<u>226,253</u>
FUND BALANCES					
Nonspendable					
Inventory	21,043	-	-	-	21,043
Restricted					
Debt Service	-	436,880	-	-	436,880
Enabling legislation	-	-	-	1,680,577	1,680,577
Capital projects	-	-	2,790,847	-	2,790,847
Special projects	197,303	-	-	22,000	219,303
Assigned					
Street/fleet reserve	80,000	-	-	-	80,000
Unassigned	17,047,244	-	-	-	17,047,244
Total fund balances	<u>17,345,590</u>	<u>436,880</u>	<u>2,790,847</u>	<u>1,702,577</u>	<u>22,275,894</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 18,148,842</u>	<u>\$ 496,388</u>	<u>\$ 3,674,037</u>	<u>\$ 1,707,168</u>	<u>\$ 24,026,435</u>

See notes to financial statements.

CITY OF WALLER, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2024

Total fund balances for governmental funds	\$ 22,275,894
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Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Capital assets - nondepreciable	303,740
Capital assets - net depreciable/amortizable	10,106,663

Long-term liabilities and deferred outflows and deferred inflows related to the net pension and total OPEB liability are not reported in the governmental funds.

Net pension liability	(428,805)
Total OPEB liability	(115,052)
Deferred outflows - pensions	200,009
Deferred outflows - OPEB	10,158
Deferred inflows - pensions	(76,647)
Deferred inflows - OPEB	(39,517)

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

226,253

Some liabilities, including bonds payable, certificates of obligation, tax notes, lease liability, and compensated absences, are not reported as liabilities in the governmental funds.

Accrued interest payable	(108,055)
Noncurrent liabilities due in one year	(568,235)
Noncurrent liabilities due in more than one year	<u>(17,590,411)</u>

Net position of governmental activities	<u>\$ 14,195,995</u>
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See notes to financial statements.

CITY OF WALLER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the year ended September 30, 2024

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 2,107,316	\$ 1,108,639	\$ -	\$ -	\$ 3,215,955
Sales taxes	4,182,694	-	-	-	4,182,694
Franchise fees and local taxes	149,795	-	-	281,990	431,785
Licenses and permits	1,800,039	-	-	-	1,800,039
Fines and forfeitures	611,784	-	-	48,714	660,498
Charges for services	705,418	-	-	-	705,418
Intergovernmental	121,732	-	-	35,801	157,533
Investment income	1,007,425	45,720	272,988	54,397	1,380,530
Other revenue	28,404	-	957,920	-	986,324
Total revenues	<u>10,714,607</u>	<u>1,154,359</u>	<u>1,230,908</u>	<u>420,902</u>	<u>13,520,776</u>
Expenditures					
Current					
General government	1,793,070	-	-	-	1,793,070
Public safety	2,305,378	-	-	17,455	2,322,833
Permits and code enforcement	1,484,478	-	-	-	1,484,478
Public works	2,617,392	-	-	28,685	2,646,077
Culture and recreation	95,454	-	-	90,738	186,192
Capital outlay	-	-	4,946,497	60,951	5,007,448
Debt service					
Principal	58,253	410,000	-	-	468,253
Interest and fiscal charges	5,282	679,352	-	-	684,634
Total expenditures	<u>8,359,307</u>	<u>1,089,352</u>	<u>4,946,497</u>	<u>197,829</u>	<u>14,592,985</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,355,300</u>	<u>65,007</u>	<u>(3,715,589)</u>	<u>223,073</u>	<u>(1,072,209)</u>
Other Financing Sources (Uses)					
Transfers in	144,593	212	-	-	144,805
Transfers (out)	-	-	(212)	(6,000)	(6,212)
Total other financing sources (uses)	<u>144,593</u>	<u>212</u>	<u>(212)</u>	<u>(6,000)</u>	<u>138,593</u>
Net change in fund balances	2,499,893	65,219	(3,715,801)	217,073	(933,616)
Beginning fund balances	<u>14,845,697</u>	<u>371,661</u>	<u>6,506,648</u>	<u>1,485,504</u>	<u>23,209,510</u>
Ending fund balances	<u>\$ 17,345,590</u>	<u>\$ 436,880</u>	<u>\$ 2,790,847</u>	<u>\$ 1,702,577</u>	<u>\$ 22,275,894</u>

See notes to financial statements.

CITY OF WALLER, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2024

Net change in fund balances - total governmental funds	\$	(933,616)
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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 and reported as depreciation/amortization expense.

Capital outlay		314,841
Depreciation/amortization expense		(564,552)

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

68,037

Changes in pension and other postemployment benefits (OPEB) activity do not affect the fund balances on the statement of revenues, expenditures, and changes in fund balances for the governmental funds.

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

Net pension liability		278,517
Total OPEB liability		(5,126)
Deferred outflows - pensions		(151,746)
Deferred outflows - OPEB		(1,838)
Deferred inflows - pensions		(71,035)
Deferred inflows - OPEB		12,551

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

Amortization of bond discount		(7,547)
Amortization of bond premiums		7,929
Change in compensated absences		(8,558)
Principal payment on debt and leases		<u>468,253</u>

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

Accrued interest		<u>2,252</u>
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Change in net position of governmental activities	\$	<u><u>(591,638)</u></u>
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See notes to financial statements.

CITY OF WALLER, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2024

	<u>Gas</u>	<u>Water and Sewer</u>	<u>Total Proprietary Funds</u>
ASSETS			
Current assets			
Cash and equity in pooled cash	\$ 2,264,590	\$ 1,385,585	\$ 3,650,175
Restricted cash and cash equivalents	69,558	90,860	160,418
Receivables, net	136,083	328,369	464,452
Inventory	19,900	33,433	53,333
Total current assets	<u>2,490,131</u>	<u>1,838,247</u>	<u>4,328,378</u>
Noncurrent assets			
Capital assets:			
Nondepreciable	-	4,346,651	4,346,651
Net depreciable capital assets	<u>521,442</u>	<u>14,956,225</u>	<u>15,477,667</u>
Total noncurrent assets	<u>521,442</u>	<u>19,302,876</u>	<u>19,824,318</u>
Total assets	<u>3,011,573</u>	<u>21,141,123</u>	<u>24,152,696</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	<u>-</u>	<u>103,974</u>	<u>103,974</u>
Total deferred outflows of resources	<u>-</u>	<u>103,974</u>	<u>103,974</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	252,471	473,600	726,071
Customer deposits	69,558	90,860	160,418
Compensated absences	<u>4,022</u>	<u>5,400</u>	<u>9,422</u>
Total current liabilities	<u>326,051</u>	<u>569,860</u>	<u>895,911</u>
Noncurrent liabilities			
Net pensions liability	-	232,040	232,040
Compensated absences	<u>447</u>	<u>600</u>	<u>1,047</u>
Total noncurrent liabilities	<u>447</u>	<u>232,640</u>	<u>233,087</u>
Total liabilities	<u>326,498</u>	<u>802,500</u>	<u>1,128,998</u>
NET POSITION			
Net investment in capital assets	521,442	19,302,876	19,824,318
Unrestricted	<u>2,163,633</u>	<u>1,139,721</u>	<u>3,303,354</u>
Total net position	<u>\$ 2,685,075</u>	<u>\$ 20,442,597</u>	<u>\$ 23,127,672</u>

See notes to financial statements.

CITY OF WALLER, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2024

	<u>Gas</u>	<u>Water and Sewer</u>	<u>Total Proprietary Funds</u>
Operating revenues			
Charges for sales and services	\$ 1,401,652	\$ 2,581,122	\$ 3,982,774
Other revenues	<u>-</u>	<u>725</u>	<u>725</u>
Total operating revenues	<u>1,401,652</u>	<u>2,581,847</u>	<u>3,983,499</u>
Operating expenses			
Cost of sales and services	979,702	2,126,709	3,106,411
Depreciation	<u>84,745</u>	<u>645,110</u>	<u>729,855</u>
Total operating expenses	<u>1,064,447</u>	<u>2,771,819</u>	<u>3,836,266</u>
Operating income	<u>337,205</u>	<u>(189,972)</u>	<u>147,233</u>
Nonoperating revenues (expenses)			
Investment income	<u>84,061</u>	<u>53,663</u>	<u>137,724</u>
Total nonoperating revenues	<u>84,061</u>	<u>53,663</u>	<u>137,724</u>
Income before contributions and transfers	421,266	(136,309)	284,957
Contributions and transfers			
Capital contributions	-	4,705,670	4,705,670
Transfers (out)	<u>(66,499)</u>	<u>(72,094)</u>	<u>(138,593)</u>
Total contributions and transfers	<u>(66,499)</u>	<u>4,633,576</u>	<u>4,567,077</u>
Change in net position	354,767	4,497,267	4,852,034
Beginning net position	<u>2,330,308</u>	<u>15,945,330</u>	<u>18,275,638</u>
Ending Net Position	<u>\$ 2,685,075</u>	<u>\$ 20,442,597</u>	<u>\$ 23,127,672</u>

See notes to financial statements.

CITY OF WALLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2024

	<u>Gas</u>	<u>Water and Sewer</u>	<u>Total Proprietary Funds</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 1,385,182	\$ 2,592,855	\$ 3,978,037
Payments to suppliers and employees	<u>(766,911)</u>	<u>(2,039,732)</u>	<u>(2,806,643)</u>
Net cash provided by operating activities	<u>618,271</u>	<u>553,123</u>	<u>1,171,394</u>
Cash flows from noncapital financing activities			
Transfers (out)	<u>(66,499)</u>	<u>(72,094)</u>	<u>(138,593)</u>
Net cash provided by noncapital financing activities	<u>(66,499)</u>	<u>(72,094)</u>	<u>(138,593)</u>
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	<u>-</u>	<u>(275,005)</u>	<u>(275,005)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(275,005)</u>	<u>(275,005)</u>
Cash flows from investing activities			
Interest on investments	<u>84,061</u>	<u>53,663</u>	<u>137,724</u>
Net cash provided by investing activities	<u>84,061</u>	<u>53,663</u>	<u>137,724</u>
Net Increase (decrease) in cash and cash equivalents	635,833	259,687	895,520
Beginning cash and cash equivalents	<u>1,698,315</u>	<u>1,216,758</u>	<u>2,915,073</u>
Ending cash and cash equivalents	<u>\$ 2,334,148</u>	<u>\$ 1,476,445</u>	<u>\$ 3,810,593</u>
Unrestricted cash and cash equivalents	\$ 2,264,590	\$ 1,385,585	\$ 3,650,175
Restricted cash and cash equivalents	<u>69,558</u>	<u>90,860</u>	<u>160,418</u>
Total cash and cash equivalents	<u>\$ 2,334,148</u>	<u>\$ 1,476,445</u>	<u>\$ 3,810,593</u>

(Continued)

CITY OF WALLER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2024

	<u>Gas</u>	Water and <u>Sewer</u>	Total <u>Proprietary Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 337,205	\$ (189,972)	\$ 147,233
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation/amortization	84,745	645,110	729,855
Changes in operating assets and liabilities			
(Increase) decrease in			
Accounts receivable	(54,144)	(30,742)	(84,886)
Deferred outflows - pensions	-	23,651	23,651
Increase (decrease) in			
Accounts payable and accrued liabilities	209,980	117,287	327,267
Compensated absences	2,811	(10,553)	(7,742)
Net pension liability	-	(43,408)	(43,408)
Customer deposits	<u>37,674</u>	<u>41,750</u>	<u>79,424</u>
Net cash provided by operating activities	<u>\$ 618,271</u>	<u>\$ 553,123</u>	<u>\$ 1,171,394</u>
Noncash investing, capital, and financing activities			
Contribution of capital assets	<u>\$ -</u>	<u>\$ 4,705,670</u>	<u>\$ 4,705,670</u>

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Discretely Presented Component Unit

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

The WEDC was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by, and serves at the discretion of, the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the WEDC shall be conveyed to the City. The WEDC does not issue separate financial statements, as the financial activity reported in the government-wide level is the same as the fund level.

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

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The City reports the following governmental funds:

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

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

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

Special Revenue Fund: The *special revenue fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds are considered nonmajor funds for reporting purposes.

The City reports the following proprietary funds:

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Deferred outflows/inflows of resources are amortized as follows:

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Leases: The City is a lessee for noncancellable leases of vehicles and equipment. The City recognizes a lease liability and an intangible, right-to-use asset (the "lease asset") in the government-wide financial statements.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis either over the term of the lease or the useful life of the asset (if the City is reasonably certain a purchase option will be recognized).

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates: The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

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

Revenues and Expenditures/Expenses:

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

Property Taxes: Property taxes are levied during October of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. The interest continues to accumulate on the account at one percent per month, but the penalty remains at a maximum of 12 percent until paid.

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

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles, except for the capital projects fund which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget, as defined by the charter, is at the department level for all funds. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2024.

Expenditures in Excess of Appropriations: For the year ended September 30, 2024, expenditures exceeded appropriations at the legal level of control as follows:

General fund	
General government	\$ 27,827

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments: As of September 30, 2024, the City had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pools	\$ 1,695	0.07
Portfolio weighted average maturity		0.07

Credit risk - State law and the City's investment policy limit investments to obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent. As of September 30, 2024, the City's investment in TexPool was rated "AAAm" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102 percent. As of September 30, 2024, market values of pledged securities and FDIC insurance exceeded bank balances.

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

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

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

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Gas</u>	<u>Water/Sewer</u>	<u>Component Unit</u>	<u>Total</u>
Property taxes	\$ 103,138	\$ 57,155	\$ -	\$ -	\$ -	\$ -	\$ 160,293
Sales taxes	573,992	-	-	-	-	188,391	762,383
Accounts	56,599	-	-	109,589	292,787	-	458,975
Allowance	(13,242)	-	-	(14,560)	(69,764)	-	(97,566)
Other receivables	<u>34,941</u>	<u>-</u>	<u>19,646</u>	<u>41,054</u>	<u>105,346</u>	<u>-</u>	<u>200,987</u>
Total	<u>\$ 755,428</u>	<u>\$ 57,155</u>	<u>\$ 19,646</u>	<u>\$ 136,083</u>	<u>\$ 328,369</u>	<u>\$ 188,391</u>	<u>\$ 1,485,072</u>

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

	Primary Government			
	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
<u>Governmental activities</u>				
Capital assets not being depreciated				
Land	\$ 138,405	\$ -	\$ -	\$ 138,405
Construction in progress	633,842	165,334	(633,841)	165,335
Total capital assets not being depreciated	772,247	165,334	(633,841)	303,740
Other capital assets				
Infrastructure	4,607,151	633,841	-	5,240,992
Buildings	8,189,199	-	-	8,189,199
Vehicles	634,468	122,556	(81,097)	675,927
Equipment	548,150	26,951	-	575,101
Right-to-use assets - vehicles and equipment	245,821	-	-	245,821
Total other capital assets	14,224,789	783,348	(81,097)	14,927,040
Less accumulated depreciation for				
Infrastructure	(2,113,705)	(197,244)	-	(2,310,949)
Buildings	(1,156,421)	(235,179)	-	(1,391,600)
Vehicles	(501,271)	(53,434)	81,097	(473,608)
Equipment	(502,418)	(27,313)	-	(529,731)
Right-to-use assets - vehicles and equipment	(63,107)	(51,382)	-	(114,489)
Total accumulated depreciation	(4,336,922)	(564,552)	81,097	(4,820,377)
Other capital assets, net	9,887,867	218,796	-	10,106,663
Governmental activities capital assets, net	\$ 10,660,114	\$ 384,130	\$ (633,841)	10,410,403
				(9,485,581)
				Net investment in capital assets
				\$ 924,822

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

Depreciation/amortization was charged to governmental functions as follows:

General government	\$ 212,473
Public safety	64,819
Public works	104,384
Cultural and recreation	182,876
Total governmental activities depreciation expense	\$ 564,552

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

	Primary Government			
	Beginning Balance	Increases	(Decreases)/ Reclassifications	Ending Balance
<u>Business-type activities</u>				
Capital assets not being depreciated				
Land	\$ 341,671	\$ -	\$ -	\$ 341,671
Construction in progress	2,432,459	4,980,675	(3,408,154)	4,004,980
Total capital assets not being depreciated	<u>2,774,130</u>	<u>4,980,675</u>	<u>(3,408,154)</u>	<u>4,346,651</u>
Other capital assets				
Building	137,300	-	-	137,300
Water and sewer system	17,107,180	3,408,154	-	20,515,334
Gas system	1,026,550	-	-	1,026,550
Equipment	1,219,345	-	-	1,219,345
Vehicles	142,330	-	(30,743)	111,587
Total other capital assets	<u>19,632,705</u>	<u>3,408,154</u>	<u>(30,743)</u>	<u>23,010,116</u>
Less accumulated depreciation for				
Building	(63,786)	(3,247)	-	(67,033)
Water and sewer system	(5,617,773)	(549,964)	-	(6,167,737)
Gas system	(448,949)	(74,444)	-	(523,393)
Equipment	(598,944)	(91,891)	-	(690,835)
Vehicles	(103,885)	(10,309)	30,743	(83,451)
Total accumulated depreciation	<u>(6,833,337)</u>	<u>(729,855)</u>	<u>30,743</u>	<u>(7,532,449)</u>
Other capital assets, net	<u>12,799,368</u>	<u>2,678,299</u>	<u>-</u>	<u>15,477,667</u>
Business-type activities capital assets, net	<u>\$ 15,573,498</u>	<u>\$ 7,658,974</u>	<u>\$ (3,408,154)</u>	<u>\$ 19,824,318</u>

Depreciation was charged to business-type functions as follows:

Gas	\$ 84,745
Water/sewer	645,110
Total business-type activities depreciation expenses	<u>\$ 729,855</u>

Construction in progress and other significant commitments under related construction contracts for business-type activities as of September 30, 2024 were \$1,570,088.

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

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

	Beginning <u>Balances</u>	<u>Additions</u>	<u>(Reductions)</u>	Ending <u>Balances</u>	Amounts Due Within <u>One Year</u>
<u>Governmental activities</u>					
Bonds, notes, and other payables					
General obligation bonds					
Series 2018	\$ 6,140,000	\$ -	\$ (150,000)	\$ 5,990,000	\$ 160,000
Direct borrowing/placement					
Series 2021 refunding	<u>1,710,000</u>	<u>-</u>	<u>(130,000)</u>	<u>1,580,000</u>	<u>135,000</u>
Total general obligation bonds	<u>7,850,000</u>	<u>-</u>	<u>(280,000)</u>	<u>7,570,000</u>	<u>295,000</u>
Certificates of obligation					
Series 2017	2,535,000	-	(85,000)	2,450,000	90,000
Series 2022	<u>8,000,000</u>	<u>-</u>	<u>(45,000)</u>	<u>7,955,000</u>	<u>35,000</u>
Total general obligation bonds	<u>10,535,000</u>	<u>-</u>	<u>(130,000)</u>	<u>10,405,000</u>	<u>125,000</u>
Tax notes					
Lease liability	171,300	-	(58,253)	113,047	60,168
Other liabilities					
Premiums	184,433	-	(7,929)	176,504	-
Discounts	(211,304)	7,547	-	(203,757)	-
Net pension liability	707,322	-	(278,517)	428,805	-
Total OPEB liability - TMRS	109,926	5,126	-	115,052	-
Compensated absences	<u>89,294</u>	<u>90,492</u>	<u>(81,934)</u>	<u>97,852</u>	<u>88,067</u>
Total governmental activities	<u>\$ 37,820,971</u>	<u>\$ 103,165</u>	<u>\$ (1,246,633)</u>	<u>\$ 18,702,503</u>	<u>\$ 568,235</u>
Long-term debt due in more than one year				<u>\$ 18,134,268</u>	
Debt associated with governmental capital assets				\$(10,299,471)	
Plus unspent bond proceeds				<u>813,890</u>	
Net debt associated with governmental activities capital assets				<u>\$ (9,485,581)</u>	
Debt associated with business-type capital assets				\$ (7,761,323)	
Plus unspent bond proceeds				<u>1,123,944</u>	
Net debt associated with business-type capital assets				<u>\$ (6,637,379)</u>	

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-type activities</u>					
Net pension liability (asset)	\$ 275,448	\$ -	\$ (43,408)	\$ 232,040	\$ -
Compensated absences	18,211	24,171	(31,913)	10,469	9,422
Total business-type activities	<u>\$ 293,659</u>	<u>\$ 24,171</u>	<u>\$ (75,321)</u>	<u>\$ 242,509</u>	<u>\$ 9,422</u>

Long-term liabilities due in more than one year \$ 233,087

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Component unit</u>					
Compensated absences	<u>\$ 21,929</u>	<u>\$ 5,307</u>	<u>\$ (3,718)</u>	<u>\$ 23,518</u>	<u>\$ 21,166</u>

Long-term liabilities due in more than one year \$ 2,352

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

<u>Description</u>	<u>Interest Rate</u>	<u>Balance</u>
Governmental activities		
General obligation bonds		
General obligation bonds, Series 2018	3.75-5.00%	\$ 5,990,000
General obligation refunding bonds, Series 2021	1.51%	1,580,000
Certificates of obligation		
Certificates of obligation, Series 2017	3.00-3.50%	2,450,000
Certificates of obligation, Series 2022	4.00-4.25%	7,955,000
Total bonds and certificates of obligation		<u>17,975,000</u>
Total general long-term debt		<u>\$ 17,975,000</u>

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

Fiscal Year Ended <u>September 30,</u>	Long-Term Debt					
	General Obligation Bonds Series 2018		General Obligation Bonds (Direct borrowing/placement) Series 2021		Certificates of Obligation Series 2017 and 2022	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 160,000	\$ 226,381	\$ 135,000	\$ 23,858	\$ 125,000	\$ 412,500
2026	160,000	219,982	140,000	21,820	135,000	408,400
2027	165,000	213,581	145,000	19,706	135,000	403,900
2028	170,000	206,981	155,000	17,516	135,000	399,450
2029	180,000	200,181	155,000	15,176	140,000	395,050
2030-2034	985,000	888,706	850,000	39,260	755,000	1,904,950
2035-2039	1,200,000	682,694	-	-	1,840,000	1,699,998
2040-2044	1,545,000	440,650	-	-	2,100,000	1,334,513
2045-2049	1,425,000	136,500	-	-	3,000,000	857,863
2050-2051	-	-	-	-	2,040,000	130,900
	<u>\$ 5,990,000</u>	<u>\$ 3,215,656</u>	<u>\$ 1,580,000</u>	<u>\$ 137,336</u>	<u>\$ 10,405,000</u>	<u>\$ 7,947,524</u>

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

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

Lease Liability: The City was a lessee for the acquisition and use of vehicles and related equipment. As of September 30, 2024, the value of the lease liability was \$113,047. The City made principal and interest payments on the lease in fiscal year 2024 for \$63,535. The City will continue to make principal and interest payments on the leases through the fiscal year 2028. The interest rate on the vehicles being leased is 3.27%. The vehicles are amortized based on the useful life of the assets as the City expects to exercise the purchase option at the end of the lease term. The value of the right-to-use assets for vehicles for fiscal year 2024 was \$245,821 and had accumulated amortization of \$114,489.

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

The future principal and interest lease payments as of September 30, 2024 were as follows:

Fiscal Year Ended September 30,	Principal	Interest	Total
2025	\$ 60,168	\$ 3,366	\$ 63,534
2026	22,904	1,388	24,292
2027	18,717	654	19,371
2028	<u>11,258</u>	<u>189</u>	<u>11,447</u>
	<u>\$ 113,047</u>	<u>\$ 5,597</u>	<u>\$ 118,644</u>

Interfund Transactions: Transfers between the primary government's funds during the year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Nonmajor Fund	\$ 6,000
General Fund	Water and Sewer Fund	72,094
General Fund	Gas Fund	66,499
Debt Service Fund	Capital Projects Fund	<u>212</u>
		<u>\$ 144,805</u>

Amounts transferred from the special revenue fund, water and sewer fund, and gas fund to the general fund are related to their portion of certain governmental expenditures. Amounts transferred from the capital projects fund to the debt service fund are related to interest earned on bond proceeds.

Fund Equity: As of September 30, 2024, \$1,680,577 of the City's total governmental fund balance is restricted by enabling legislation.

Restricted Assets: As of September 30, 2024, the City held restricted cash and cash equivalents in the capital projects fund, the gas fund, and the water and sewer fund for the following purposes:

	<u>Capital Projects</u>	<u>Gas</u>	<u>Water and Sewer</u>
Customer deposits	\$ -	\$ 69,558	\$ 90,860
Bond proceeds	2,496,508	-	-
Funds restricted for capital projects	<u>192,314</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,688,822</u>	<u>\$ 69,558</u>	<u>\$ 90,860</u>

(Continued)

NOTE 4 - OTHER INFORMATION

Risk Management: The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

Pension Plan:

Texas Municipal Retirement System

Plan Description: City participates as one of 934 plans in the defined benefit cash-balance plan administered by TM created by the State and administered in accordance with the Texas Government Code, Title 8, Subtitle G (the "TMRS Act") as an agent multiple- employer retirement system for municipal employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees (the "Board"); however, TMRS is not fiscally dependent on the State.

TMRS issues a publicly available annual comprehensive financial report that can be obtained at 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, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly 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 contributions and interest.

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

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

	2024	2023
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms: At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to, but not yet receiving, benefits	43
Active employees	<u>39</u>
Total	<u>106</u>

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 11.99% and 11.18% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2024 were \$256,609, which were equal to the required contributions.

Net Pension Liability: The City's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The TPL in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payment 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

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with 110% of the Public Safety table used for males and 100% of 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. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are 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 the most recent Scale MP2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short- term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by ng the expected return for each major asset class by the respective target asset allocation percentage.

The target allocation and best estimates of real rates of return for each major asset class 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 public equity	35%	6.7%
Core fixed income	6%	4.7%
Non-core fixed income	20%	8.0%
Other public and private markets	12%	8.0%
Real estate	12%	7.6%
Hedge funds	5%	6.4%
Private equity	<u>10%</u>	11.6%
Total	<u>100.00%</u>	

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

Discount Rate: The discount rate used to measure the TPL 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 TMRS fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 318,650	\$ -	\$ 318,650
Interest	347,698	-	347,698
Difference between expected and actual experience	(37,222)	-	(37,222)
Changes of assumptions	(74,293)	-	(74,293)
Contributions - employer	-	246,082	(246,082)
Contributions - employee	-	151,635	(151,635)
Net investment income	-	482,137	(482,137)
Benefit payments, including refunds of employee contributions	(332,263)	(332,263)	-
Administrative expense	-	(3,074)	3,074
Other changes	-	(22)	22
Net Changes	222,570	544,495	(321,925)
Balance at September 30, 2023	5,157,893	4,175,123	982,770
Balance at September 30, 2024	<u>\$ 5,380,463</u>	<u>\$ 4,719,618</u>	<u>\$ 660,845</u>

Sensitivity of the NPL to Changes in the Discount Rate: The following presents the NPL of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL 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	<u>\$ 1,283,824</u>	<u>\$ 660,845</u>	<u>\$ 143,979</u>

Pension Plan Fiduciary Net Position: Detailed information about TMRS's fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained on the internet at tmrs.com.

Pension Expense and Deferred Outflows/Deferred Inflows of Resources Related to Pensions: For the fiscal year ended September 30, 2024, the City recognized pension expense of \$181,246.

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 2,617	\$ 27,453
Changes in actuarial assumptions	-	49,194
Difference between projected and actual investment earnings	105,083	-
Contributions subsequent to the measurement date	196,283	-
Total	<u>\$ 303,983</u>	<u>\$ 76,647</u>

\$196,283 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for the fiscal year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year ended September 30,</u>	<u>Pension Expense</u>
2025	\$ (9,568)
2026	(1,968)
2027	82,645
2028	(40,056)
Total	<u>\$ 31,053</u>

Other Postemployment Benefits:

TMRS Supplemental Death Benefit

Plan Description: The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Benefits: The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Participation in the SDBF as of December 31, 2023 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to, but not yet receiving, benefits	6
Active employees	<u>39</u>
 Total	 <u><u>60</u></u>

Total OPEB Liability: The City's total OPEB liability of \$115,052 was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables. Males rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018. Due to the higher mortality rates associated with the global pandemic, the TMRS Board adopted changes to the assumptions and methodology used for calculating 2024 and 2023 rates as determined in the December 31, 2023 and December 31, 2022 actuarial valuations, respectively.

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	\$ 5,632
Interest	4,500
Difference between expected and actual experience	(7,072)
Changes of assumptions	5,315
Benefit payments	<u>(3,249)</u>
Net Changes	5,126
Beginning balance	<u>109,926</u>
Ending balance	<u>\$ 115,052</u>

The discount rate decreased from 4.05% as of December 31, 2022 to 3.77% as of December 31, 2023. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (2.77%)	Current Discount Rate (3.77%)	1% Increase in Discount Rate (4.77%)
City's total OPEB liability	<u>\$ 132,799</u>	<u>\$ 115,052</u>	<u>\$ 100,683</u>

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE 4 - OTHER INFORMATION (Continued)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended September 30, 2024, the City recognized OPEB expense credit balance of \$1,465. The City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ 14,975
Changes in actuarial assumptions	6,837	24,542
Contributions subsequent to the measurement date	<u>3,321</u>	<u>-</u>
Total	<u>\$ 10,158</u>	<u>\$ 39,517</u>

\$3,321 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2025.

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

<u>Fiscal Year ended September 30,</u>	<u>Pension Expense</u>
2025	\$ (12,935)
2026	(12,999)
2027	(6,465)
2028	<u>(281)</u>
Total	<u>\$ (32,680)</u>

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

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Buc-ee's Ltd.

The City has entered into a Chapter 380 Economic Development Agreement (the "Agreement") with Buc-ee's, Ltd. (the "Company"). The Company agreed to establish and maintain an office in the City that generates substantial taxable sales. The Company agreed to construct a retail store at least 33,000 square feet in size, in addition to creating a minimum of 120 jobs no later than 36 months following the opening of the store. The Agreement is for a term of 15 years. The City will remit back to the Company 75 percent (of the one percent collected by the City) of the sales tax revenues generated by the Company. During the current fiscal year, the City collected \$493,972 in reimbursable sales taxes from the sales of this business and recorded expenditures of \$370,479.

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

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

AFGlobal Corporation, LLC

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

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

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Alegacy Development, LLC

On July 15, 2019, the City entered into a Chapter 380 Economic Development Agreement (the "Agreement") with Alegacy Development, LLC (the "Company"). The Company agreed to improvements constructed for the benefit of Laney Directional Drilling. The appraised value of the improvements constructed by the Company shall be an amount in excess of \$2,000,000.

The City agreed to pay the Company, for a period of three years, an amount of money equal to the amount of ad valorem property taxes actually paid by the Company and received by the City, derived from the improvements to the leased premises, for the tax years 2021, 2022, and 2023. "Improvements" shall mean the buildings, structures, and associated betterments for the commercial and industrial operations of Laney Directional Drilling, specifically a two-story building, a covered storage area, and shop, totaling approximately 34,290 square feet, constructed or expanded by the Company on the leased premises. If the City terminates the Agreement because of the Company's default or breach of any provision as permitted by the Agreement, the Company will immediately reimburse the City for all payments the City has made to the Company. During the current fiscal year, the City paid \$14,784 to the Company.

Wolff Companies, LLC

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

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

The WEDC is under no obligation to make payments for reimbursement of costs until completion of each stage. If the WEDC terminates the Agreement because of the Company's default or breach of any provision as permitted by the Agreement, the Company will immediately reimburse the WEDC for all payments the WEDC has made to the Company. In the event of termination of this Agreement after completion of the construction of stage one or stage two Project facilities, the Company shall be entitled to retain those grant funds previously paid to the Company by the WEDC. During the fiscal year 2023, the WEDC paid \$250,000 to the Company. No payments were made by the WEDC during fiscal year 2024 related to this Agreement.

R&L Carriers, Inc.

On June 15, 2020, the City entered into a Chapter 380 Economic Development Agreement (the "Agreement") with R&L Carriers, Inc. (the "Company"). The Company agreed to develop a commercial trucking terminal within the City limits while continuously occupying the facility (the "Property"). The

(Continued)

CITY OF WALLER, TEXAS
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

Company will maintain on the Property at least 90 full-time employees and will make every effort to maintain a minimum of \$5,000,000 in personal property on the Property.

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

Black Gold Land Holdings

On October 19, 2021, the WEDC entered into a Chapter 380 Economic Development Agreement (the "Agreement") with Black Gold Land Holdings (the "Developer"). The Developer agreed to construct a water, sanitary sewer, and gas system to Binford Business Park (the "Project") within the City limits. The total cost of the Project shall be no less than \$625,000. The Developer agreed, to the extent possible, to use local tradesmen and retailer for the employment and materials for the Project. In order to receive payment from the WEDC, the Developer shall submit engineered plans and engineer certified construction cost estimates for each portion of the Project, prior to the start of construction. The Developer shall also annually certify compliance with various requirements noted within the Agreement for the current year and for each subsequent year of the term.

The WEDC agreed to reimburse the Developer \$26,000 for each \$1,000,000 invested into the property during the previous year, not to exceed \$507,250. Payment will be made by the WEDC to the Developer within 60 days of receipt of the certification (invoice).

This Agreement shall commence as of the effective date and shall continue in effect for 10 years, unless terminated sooner under the provisions stated in the Agreement. If the WEDC terminates the Agreement because of the Developer's default or breach of any provision as permitted by the Agreement, the Developer will reimburse the WEDC for all payments the WEDC has made to the Developer within 30 days of the date of termination of the Agreement. No payments were made by the WEDC during fiscal year 2024 related to this Agreement.

Closner Tidelands, LLC

On July 17, 2023, the City entered into a Chapter 380 Economic Development Agreement (the "Agreement") with Closner Tidelands, LLC (the "Company"). The Company agreed to construct certain improvements located within the City limits (the "Property") and receive a certificate of occupancy by August 31, 2023. The Company will continuously occupy and use the Property and maintain at least 6 full-time employees.

The City agreed to pay the Company, for tax years 2024, 2025, and 2026, an amount of money equal to 50 percent of the amount of ad valorem property taxes actually paid by the Company and received by the City for improvements to the Property. If the City terminates the Agreement because of the Company's default or breach of any provision as permitted by the Agreement, the Company will immediately reimburse the City for all payments the City has made to the Company. No payments were made by the WEDC during fiscal year 2024 related to this Agreement.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

NaturaPCR

On July 17, 2023, the City entered into a Chapter 380 Economic Development Agreement (the "Agreement") with NaturaPCR (the "Company"). The Company agreed to obtain a certificate of occupancy, expand its facility in the City, and increase employees from the current 175 to between 300 and 400. The Company will extend City utilities to the property at an estimated cost of \$916,300. If the Company fails to complete construction of the expansion by April 30, 2024, the City may terminate the Agreement. The Company shall also annually certify compliance with various requirements noted within the Agreement for the current year and for each subsequent year of the term.

The City agreed to provide an economic incentive to the Company of 15% of the salary or wages earned by each new hire employee of the Company that resides within zip codes 77484, 77447, 77445, and 77446. The economic incentive for each new hire employee that resides outside of these zip codes is \$2,000. The economic incentive to the Company will be an amount not to exceed \$350,000. An incentive will be made by the City to the Company annually based on the number of fulltime new hire employees that have been employed by the Company for 12 consecutive months.

This Agreement shall commence as of the effective date and shall continue in effect through September 26, 2026, unless terminated sooner under the provisions stated in the Agreement. If the City terminates the Agreement because of the Company's default or breach of any provision as permitted by the Agreement, the Company will be liable and pay to the City the amount of any and all funds which the City has granted to the Company under the terms of the Agreement. No payments were made by the City during fiscal year 2024 related to this Agreement.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WALLER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the year ended September 30, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Property taxes	\$ 2,517,962	\$ 2,107,316	\$ 2,107,316	\$ -
Sales taxes	2,500,000	4,242,224	4,182,694	(59,530)
Franchise fees/other taxes	153,000	149,795	149,795	-
Licenses and permits	1,121,727	1,800,039	1,800,039	-
Fines and forfeitures	525,020	611,784	611,784	-
Charges for services	591,900	705,418	705,418	-
Intergovernmental	88,000	121,732	121,732	-
Investment earnings	300,000	1,026,546	1,007,425	(19,121)
Other revenue	19,500	28,404	28,404	-
Total revenues	<u>7,817,109</u>	<u>10,793,258</u>	<u>10,714,607</u>	<u>(78,651)</u>
Expenditures				
Current				
General government	1,708,755	1,765,243	1,793,070	(27,827) *
Public safety	2,849,384	2,305,378	2,305,378	-
Permits/code enforcement	1,042,719	1,484,478	1,484,478	-
Public works	1,794,154	2,617,392	2,617,392	-
Culture and recreation	133,024	95,454	95,454	-
Debt Service				
Principal	58,253	58,253	58,253	-
Interest and fiscal charges	5,282	5,282	5,282	-
Total expenditures	<u>7,591,571</u>	<u>8,331,480</u>	<u>8,359,307</u>	<u>(27,827)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>225,538</u>	<u>2,461,778</u>	<u>2,355,300</u>	<u>(106,478)</u>
Other financing sources (uses)				
Transfers in	<u>179,593</u>	<u>144,593</u>	<u>144,593</u>	<u>-</u>
Total other financing (uses)	<u>179,593</u>	<u>144,593</u>	<u>144,593</u>	<u>-</u>
Net change in fund balance	<u>\$ 405,131</u>	<u>\$ 2,606,371</u>	<u>2,499,893</u>	<u>\$ (106,478)</u>
Beginning fund balance			<u>14,845,697</u>	
Ending fund balance			<u>\$ 17,345,590</u>	

Notes to Required Supplementary Information:

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

CITY OF WALLER, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2024

	Measurement Year									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability										
Service cost	\$ 318,650	\$ 318,954	\$ 315,701	\$ 174,053	\$ 145,502	\$ 144,728	\$ 130,525	\$ 125,064	\$ 132,493	\$ 107,477
Interest (on the total pension liability)	347,698	324,641	296,093	231,717	219,944	210,854	203,628	196,181	195,980	190,319
Changes in benefit terms	-	-	732,513	-	-	-	-	-	-	-
Difference between expected and actual experience	(37,222)	(8,418)	40,000	(57,678)	(31,377)	(15,954)	(35,472)	(22,342)	(81,153)	(33,536)
Change of assumptions	(74,293)	-	-	-	17,795	-	-	-	76,719	-
Benefit payments, including refunds of employee contributions	(332,263)	(254,615)	(206,362)	(189,040)	(194,417)	(216,270)	(181,215)	(201,383)	(225,930)	(165,870)
Net change in total pension liability	222,570	380,562	1,177,945	159,052	157,447	123,358	117,466	97,520	98,109	98,390
Beginning total pension liability	5,157,893	4,777,331	3,599,386	3,440,334	3,282,887	3,159,529	3,042,063	2,944,543	2,846,434	2,748,044
Ending total pension liability	<u>\$ 5,380,463</u>	<u>\$ 5,157,893</u>	<u>\$ 4,777,331</u>	<u>\$ 3,599,386</u>	<u>\$ 3,440,334</u>	<u>\$ 3,282,887</u>	<u>\$ 3,159,529</u>	<u>\$ 3,042,063</u>	<u>\$ 2,944,543</u>	<u>\$ 2,846,434</u>
Plan fiduciary net position										
Contributions - employer	\$ 246,082	\$ 225,048	\$ 98,014	\$ 79,822	\$ 67,560	\$ 67,340	\$ 63,564	\$ 51,823	\$ 63,296	\$ 60,449
Contributions - employee	151,635	143,212	109,103	94,800	79,858	79,784	70,784	66,101	74,434	67,345
Net investment income	482,137	(317,980)	503,917	273,794	489,688	(100,016)	413,613	194,353	4,374	162,554
Benefit payments, including refunds of employee contributions	(332,263)	(254,615)	(206,362)	(189,040)	(194,417)	(216,270)	(181,215)	(201,383)	(225,930)	(165,870)
Administrative expense	(3,074)	(2,766)	(2,338)	(1,778)	(2,777)	(1,940)	(2,145)	(2,196)	(2,664)	(1,697)
Other	(22)	3,302	15	(69)	(84)	(100)	(109)	(118)	(131)	(140)
Net change in plan fiduciary net position	544,495	(203,799)	502,349	257,529	439,828	(171,202)	364,492	108,580	(86,621)	122,641
Beginning plan fiduciary net position	4,175,123	4,378,922	3,876,573	3,619,044	3,179,216	3,350,418	2,985,926	2,877,346	2,963,967	2,841,326
Ending Plan Fiduciary Net Position	<u>\$ 4,719,618</u>	<u>\$ 4,175,123</u>	<u>\$ 4,378,922</u>	<u>\$ 3,876,573</u>	<u>\$ 3,619,044</u>	<u>\$ 3,179,216</u>	<u>\$ 3,350,418</u>	<u>\$ 2,985,926</u>	<u>\$ 2,877,346</u>	<u>\$ 2,963,967</u>
Net Pension Liability	<u>\$ 660,845</u>	<u>\$ 982,770</u>	<u>\$ 398,409</u>	<u>\$ (277,187)</u>	<u>\$ (178,710)</u>	<u>\$ 103,671</u>	<u>\$ (190,889)</u>	<u>\$ 56,137</u>	<u>\$ 67,197</u>	<u>\$ (117,533)</u>
Plan fiduciary net position as a percentage of total pension liability	87.72%	80.95%	91.66%	107.70%	105.19%	96.84%	106.04%	98.15%	97.72%	104.13%
Covered Payroll	\$ 2,166,213	\$ 2,045,891	\$ 1,994,320	\$ 1,895,999	\$ 1,597,163	\$ 1,595,682	\$ 1,415,675	\$ 1,322,025	\$ 1,488,686	\$ 1,346,908
Net pension liability as a percentage of covered payroll	30.51%	48.04%	19.98%	-14.62%	-11.19%	6.50%	-13.48%	4.25%	4.51%	-8.73%

CITY OF WALLER, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2024

	Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 256,609	\$ 243,176	\$ 201,622	\$ 82,396	\$ 71,321	\$ 63,442	\$ 67,108	\$ 60,138	\$ 52,440	\$ 63,059
Contributions in relation to the actuarially determined contribution	<u>256,609</u>	<u>243,176</u>	<u>201,622</u>	<u>86,320</u>	<u>76,196</u>	<u>67,246</u>	<u>67,108</u>	<u>60,138</u>	<u>52,440</u>	<u>63,059</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,924)</u>	<u>\$ (4,875)</u>	<u>\$ (3,804)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$2,375,807	\$2,157,216	\$1,992,073	\$2,057,601	\$1,807,775	\$1,590,779	\$1,556,283	\$1,386,384	\$1,308,850	\$1,465,534
Contributions as a percentage of covered payroll	10.80%	11.27%	10.12%	4.20%	4.21%	4.23%	4.31%	4.34%	4.01%	4.30%

Notes to Required Supplementary Information:

1. Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years (longest amortization ladder)
Asset valuation method	10 year smoothed market; 12.00% soft corridor
Inflation	2.50%
Salary increases	3.60% to 11.85% 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 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

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

CITY OF WALLER, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2024

	Measurement Year*						
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability							
Service cost	\$ 5,632	\$ 11,866	\$ 12,365	\$ 8,911	\$ 5,271	\$ 5,744	\$ 4,530
Interest (on the total OPEB liability)	4,500	2,933	2,938	3,705	4,227	3,843	3,801
Difference between expected and actual experience	(7,072)	(12,592)	(3,510)	(15,980)	(7,618)	(3,887)	-
Change of assumptions	5,315	(44,336)	4,120	16,053	18,145	(6,673)	7,511
Benefit payments	(3,249)	(2,864)	(3,390)	(1,138)	(958)	(957)	(849)
Net change in total OPEB liability	5,126	(44,993)	12,523	11,551	19,067	(1,930)	14,993
Beginning total OPEB liability	<u>109,926</u>	<u>154,919</u>	<u>142,396</u>	<u>130,845</u>	<u>111,778</u>	<u>113,708</u>	<u>98,715</u>
Ending total OPEB liability	<u>\$ 115,052</u>	<u>\$ 109,926</u>	<u>\$ 154,919</u>	<u>\$ 142,396</u>	<u>\$ 130,845</u>	<u>\$ 111,778</u>	<u>\$ 113,708</u>
Covered Payroll	\$ 2,166,213	\$ 2,045,891	\$ 1,994,320	\$ 1,895,999	\$ 1,597,163	\$ 1,595,682	\$ 1,415,675
Net OPEB liability as a percentage of covered payroll	5.31%	5.37%	7.77%	7.51%	8.19%	7.01%	8.03%

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

** Due to the SDBF being considered an unfunded OPEB plan under GASB Statement No. 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

(Continued)

CITY OF WALLER, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2024

Notes to Required Supplementary Information:

1. Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.
2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate	3.77%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.
3. Other Information: The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.
The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

SCHEDULE AND OTHER STATEMENTS

CITY OF WALLER, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 1,094,244	\$ 1,108,639	\$ 1,108,639	\$ -
Investment earnings	<u>30,000</u>	<u>45,720</u>	<u>45,720</u>	-
Total revenues	<u>1,124,244</u>	<u>1,154,359</u>	<u>1,154,359</u>	-
Expenditures				
Principal	410,000	410,000	410,000	-
Interest and fiscal charges	<u>680,702</u>	<u>679,352</u>	<u>679,352</u>	-
Total expenditures	<u>1,090,702</u>	<u>1,089,352</u>	<u>1,089,352</u>	-
Excess (deficiency) of revenues over (under) expenditures	<u>33,542</u>	<u>65,007</u>	<u>65,007</u>	-
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>212</u>	<u>212</u>	-
Total other financing (uses)	<u>-</u>	<u>212</u>	<u>212</u>	-
Net change in fund balance	<u>\$ 33,542</u>	<u>\$ 65,219</u>	65,219	<u>\$ -</u>
Beginning fund balance			<u>371,661</u>	
Ending fund balance			<u>\$ 436,880</u>	

Notes to supplementary information:

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

CITY OF WALLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

	Special Revenue Funds				
	Freedom Festival	Police Department ED Grant	Hotel/Motel	Christmas Festival	Court Technology
ASSETS					
Cash and cash equivalents	\$ 3,406	\$ 1,368	\$ 1,292,597	\$ 2,951	\$ 68,687
Other receivables	-	-	19,646	-	-
Total assets	<u>\$ 3,406</u>	<u>\$ 1,368</u>	<u>\$ 1,312,243</u>	<u>\$ 2,951</u>	<u>\$ 68,687</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 91
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91</u>
FUND BALANCES					
Restricted					
Special projects	3,406	-	-	2,951	-
Enabling legislation	-	1,368	1,312,243	-	68,596
Total fund balances	<u>3,406</u>	<u>1,368</u>	<u>1,312,243</u>	<u>2,951</u>	<u>68,596</u>
Total liabilities and fund balances	<u>\$ 3,406</u>	<u>\$ 1,368</u>	<u>\$ 1,312,243</u>	<u>\$ 2,951</u>	<u>\$ 68,687</u>

(Continued)

CITY OF WALLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

	Special Revenue Funds				
	<u>Building Security</u>	<u>Child Safety</u>	<u>Police Department Forfeiture</u>	<u>Library</u>	<u>Court Truancy</u>
ASSETS					
Cash and cash equivalents	\$ 101,744	\$ 17,360	\$ 103,046	\$ 5,766	\$ 74,772
Accounts receivable	-	-	-	-	-
Total assets	<u>\$ 101,744</u>	<u>\$ 17,360</u>	<u>\$ 103,046</u>	<u>\$ 5,766</u>	<u>\$ 74,772</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Unearned revenue	-	-	-	-	-
Total liabilities	-	-	-	-	-
FUND BALANCES					
Restricted					
Special projects	-	-	-	5,766	-
Enabling legislation	101,744	17,360	103,046	-	74,772
Total fund balances	<u>101,744</u>	<u>17,360</u>	<u>103,046</u>	<u>5,766</u>	<u>74,772</u>
Total liabilities and fund balances	<u>\$ 101,744</u>	<u>\$ 17,360</u>	<u>\$ 103,046</u>	<u>\$ 5,766</u>	<u>\$ 74,772</u>

(Continued)

CITY OF WALLER, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2024

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Police Department Click It Or Ticket	Court Jury	Tri-County Health Alliance	Coronavirus Relief	
ASSETS					
Cash and cash equivalents	\$ 1,268	\$ 1,448	\$ 13,109	\$ -	\$ 1,687,522
Accounts receivable	-	-	-	-	19,646
Total assets	<u>\$ 1,268</u>	<u>\$ 1,448</u>	<u>\$ 13,109</u>	<u>\$ -</u>	<u>\$ 1,707,168</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 4,500	\$ -	\$ 4,591
Unearned revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>4,500</u>	<u>-</u>	<u>4,591</u>
FUND BALANCES					
Restricted					
Special projects	1,268	-	8,609	-	22,000
Enabling legislation	-	1,448	-	-	1,680,577
Total fund balances	<u>1,268</u>	<u>1,448</u>	<u>8,609</u>	<u>-</u>	<u>1,702,577</u>
Total liabilities and fund balances	<u>\$ 1,268</u>	<u>\$ 1,448</u>	<u>\$ 13,109</u>	<u>\$ -</u>	<u>\$ 1,707,168</u>

CITY OF WALLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2024

	Special Revenue Funds				
	Freedom Festival	Police Department ED Grant	Hotel/Motel	Christmas Festival	Court Technology
Revenues					
Franchise and local taxes	\$ -	\$ -	\$ 281,990	\$ -	\$ -
Fines and forfeitures	-	-	-	-	13,871
Intergovernmental	-	-	-	-	-
Investment income	-	-	42,852	-	2,277
Total revenues	-	-	324,842	-	16,148
Expenditures					
Current					
Public safety	-	-	-	-	9,983
Public works	-	-	-	-	-
Culture and recreation	-	-	89,853	-	-
Capital outlay	-	-	60,951	-	-
Total expenditures	-	-	150,804	-	9,983
Excess (deficiency) of revenues over (under) expenditures	-	-	174,038	-	6,165
Other financing sources (uses)					
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	-	-	174,038	-	6,165
Beginning fund balance	3,406	1,368	1,138,205	2,951	62,431
Ending fund balance	\$ 3,406	\$ 1,368	\$ 1,312,243	\$ 2,951	\$ 68,596

(Continued)

CITY OF WALLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2024

	Special Revenue Funds				
	<u>Building Security</u>	<u>Child Safety</u>	<u>Police Department Forfeiture</u>	<u>Library</u>	<u>Court Truancy</u>
Revenues					
Franchise and local taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	16,602	1,508	-	-	16,405
Intergovernmental	-	-	-	-	-
Investment income	3,373	-	3,416	-	2,479
Total revenues	<u>19,975</u>	<u>1,508</u>	<u>3,416</u>	<u>-</u>	<u>18,884</u>
Expenditures					
Current					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	885	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>885</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,975</u>	<u>1,508</u>	<u>3,416</u>	<u>(885)</u>	<u>18,884</u>
Other financing sources (uses)					
Transfers (out)	<u>(6,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(6,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	13,975	1,508	3,416	(885)	18,884
Beginning fund balance	<u>87,769</u>	<u>15,852</u>	<u>99,630</u>	<u>6,651</u>	<u>55,888</u>
Ending fund balance	<u>\$ 101,744</u>	<u>\$ 17,360</u>	<u>\$ 103,046</u>	<u>\$ 5,766</u>	<u>\$ 74,772</u>

(Continued)

CITY OF WALLER, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended September 30, 2024

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Police Department Click It Or Ticket	Court Jury	Tri-County Health Alliance	Coronavirus Relief	
Revenues					
Franchise and local taxes	\$ -	\$ -	\$ -	\$ -	\$ 281,990
Fines and forfeitures	-	328	-	-	48,714
Intergovernmental	-	-	7,116	28,685	35,801
Investment income	-	-	-	-	54,397
Total revenues	-	328	7,116	28,685	420,902
Expenditures					
Current					
Public safety	-	-	7,472	-	17,455
Public works	-	-	-	28,685	28,685
Culture and recreation	-	-	-	-	90,738
Capital outlay	-	-	-	-	60,951
Total expenditures	-	-	7,472	28,685	197,829
Excess (deficiency) of revenues over (under) expenditures	-	328	(356)	-	223,073
Other financing sources (uses)					
Transfers (out)	-	-	-	-	(6,000)
Total other financing sources (uses)	-	-	-	-	(6,000)
Net change in fund balance	-	328	(356)	-	217,073
Beginning fund balance	1,268	1,120	8,965	-	1,485,504
Ending fund balance	\$ 1,268	\$ 1,448	\$ 8,609	\$ -	\$ 1,702,577