

CITY OF WEST LAKE HILLS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WEST LAKE HILLS, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council of the
City of West Lake Hills, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Lake Hills, Texas (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2020, and the respective changes in financial position, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters*Required Supplementary Information*

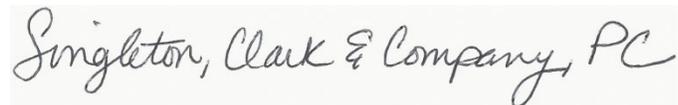
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section preceding the basic financial statements and the pension and other post-employment benefit related schedules following the notes to the financials be presented to supplement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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Singleton, Clark & Company, PC
Cedar Park, Texas

February 26, 2021

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CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Management's Discussion and Analysis

As management of the City of West Lake Hills, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. Please read it in conjunction with the independent auditor's report on page 1 and the City's basic financial statements which follow this section.

Financial Highlights

- The total assets of the City exceeded its total liabilities at the close of the most recent fiscal year by \$12,392,419 (total net position). Of this amount, \$7,279,983 represents total unrestricted net position which may be used to meet the City's ongoing obligations to citizens and creditors. Total net position increased by \$1,466,970 for the year.
- At the close of the current fiscal year, the City's General Fund reported a fund balance of \$6,876,356 which is an increase of \$1,184,540 in comparison with the prior year.
- At the end of the current fiscal year, the City's Wastewater Fund reported a net position of \$2,405,621 which is an increase of \$361,924 in comparison with the prior year.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of West Lake Hills, Texas that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, and public works. The business-type activities of the City include wastewater utility operation.

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The government-wide financial statements can be found on pages 14-15 of this report.

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

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

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

The City of West Lake Hills, Texas maintains five individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The City of West Lake Hills, Texas adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-21 of this report and the General Fund's budget to actual statement is presented on page 23.

Proprietary Funds. The City of West Lake Hills, Texas has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its wastewater operation. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a city's functions. The City is not currently utilizing an internal service fund. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the wastewater utility, which is considered to be a major fund of the City of West Lake Hills, Texas.

The basic proprietary fund financial statements can be found on pages 24-27 of this report.

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City of West Lake Hills's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 54-63 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of West Lake Hills, Texas, assets and deferred outflows of resources exceeded liabilities by \$9,986,798 at the close of the most recent fiscal year.

City of West Lake Hills, Texas's Net Position

	Governmental	Governmental	Change	Business-	Business-	Change
	Activities	Activities		Type	Type	
	2020	2019		Activities	Activities	
ASSETS						
Current & other assets	\$ 5,670,958	\$ 4,729,726	\$ 941,232	\$ 4,189,136	\$ 4,204,289	\$ (15,153)
Capital assets	4,627,138	4,644,380	(17,242)	13,608,572	14,227,010	(618,438)
Advances to other funds	1,850,000	2,000,000	(150,000)	(1,850,000)	(2,000,000)	150,000
Deferred outflows	776,440	1,020,466	(244,026)	-	-	-
Total assets and deferred outflows	\$ 12,924,536	\$ 12,394,572	\$ 529,964	\$ 15,947,708	\$ 16,431,299	\$ (483,591)
LIABILITIES						
Current liabilities	\$ 625,624	\$ 1,021,620	\$ (395,996)	\$ 242,087	\$ 492,602	\$ (250,515)
Deferred inflows	742,659	392,769	349,890	-	-	-
Noncurrent Liabilities	1,569,455	2,095,965	(526,510)	13,300,000	13,895,000	(595,000)
Total liabilities	2,937,738	3,510,354	(572,616)	13,542,087	14,387,602	(845,515)
NET POSITION						
Net investment in capital assets	4,627,138	4,644,380	(17,242)	308,572	332,010	(23,438)
Restricted	176,726	154,836	21,890	-	-	-
Unrestricted	5,182,934	4,082,536	1,100,398	2,097,049	1,711,687	385,362
Total net position	\$ 9,986,798	\$ 8,881,752	\$ 1,105,046	\$ 2,405,621	\$ 2,043,697	\$ 361,924

By far, the largest portion of the City of West Lake Hills, Texas's net position (40%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

An additional portion of the City of West Lake Hills, Texas's net position (1.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,279,983 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City of West Lake Hills, Texas's overall net position increased by \$1,466,970 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position for governmental activities increased by \$1,105,046 from the prior fiscal year for an ending balance of \$9,986,798.

City of West Lake Hills, Texas's Changes in Net Position

	Governmental Activities 2020	Governmental Activities 2019	Change	Business- Type Activities 2020	Business- Type Activities 2019	Change
REVENUES						
Program Revenues:						
Charges for services	\$ 481,539	\$ 1,143,681	\$ (662,142)	\$ 1,993,692	\$ 1,891,000	\$ 102,692
Operating grants & contributions	-	56,462	(56,462)	-	-	-
General Revenues:						
Property taxes	1,609,155	1,508,724	100,431	-	-	-
Sales tax and mixed beverage	3,035,861	3,379,556	(343,695)	-	-	-
Franchise and other taxes	520,014	-	520,014	-	-	-
Investment earnings & miscellaneous	329,864	191,481	138,383	252,226	110,877	141,349
Total revenue	5,976,433	6,279,904	(303,471)	2,245,918	2,001,877	244,041
EXPENSES						
General government	1,259,889	1,458,731	(198,842)	-	-	-
Public safety	2,586,450	2,289,784	296,666	-	-	-
Public works	1,081,412	1,524,538	(443,126)	-	-	-
Wastewater	-	-	-	1,883,994	1,850,929	33,065
Total expenses	4,927,751	5,273,053	(345,302)	1,883,994	1,850,929	33,065
Increase (decrease) in net position before gain	1,048,682	1,006,851	41,831	361,924	150,948	210,976
Gain on sale of capital assets	56,364	17,992	38,372	-	-	-
Increase (decrease) in net position	1,105,046	1,024,843	80,203	361,924	150,948	210,976
Net position - beginning	8,881,752	7,856,909	1,024,843	2,043,697	1,892,749	150,948
Net position - ending	\$ 9,986,798	\$ 8,881,752	\$ 1,105,046	\$ 2,405,621	\$ 2,043,697	\$ 361,924

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Business-type Activities. For the City of West Lake Hills, Texas's business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$2,405,621. The total increase in net position for business-type activities (02, 10 and 11 funds) was \$361,924 or 18% from the prior fiscal year. The increase, was in large part attributable to higher revenue being collected during the year than was expected.

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the City of West Lake Hills, Texas'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 of West Lake Hills, Texas's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of West Lake Hills, Texas itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of West Lake Hills, Texas's Council.

At September 30, 2020, the City's General Fund reported a fund balance of \$6,876,356, an increase of \$1,184,540 in comparison with the prior year. Related to total fund balance, approximately 47% constitutes unassigned fund balance which is available for spending at the government's discretion. The increase in fund balance in the current year is primarily attributable to lower than budgeted expenditures for the year.

As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. The General Fund's ending unassigned fund balance represented approximately 11% of the year's expenditures, or about 9 months of expenditures.

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

The City's Proprietary Fund reported a net position of \$2,405,621. Of this amount, the unrestricted net position of the Wastewater Fund represents \$2,097,049. This reflects an increase in total net position of \$361,924.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year significant budget amendments were made to decrease general government, public works, and capital outlay expenditures by approximately \$240,000, \$230,000 and \$2,000,000 respectively.

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Capital Assets and Debt Administration

Capital assets. The City of West Lake Hills, Texas's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$18,235,711 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery, equipment, vehicles, park facilities, roads, highways, bridges, and the wastewater treatment plant. The total decrease in capital assets for the current fiscal year was approximately 3%.

City of West Lake Hills, Texas's Capital Assets

	Governmental Activities 2020	Governmental Activities 2019	Change
Land	\$ 398,411	\$ 398,411	\$ -
Buildings	1,690,927	1,690,927	-
Furniture and equipment	1,929,149	2,037,745	(108,596)
Infrastructure	3,896,761	3,422,025	474,736
Construction in progress	445,952	660,028	(214,076)
Total	<u>8,361,200</u>	<u>8,209,136</u>	<u>152,064</u>
Less accumulated depreciation	<u>(3,734,061)</u>	<u>(3,564,756)</u>	<u>(169,305)</u>
Capital assets, net of depreciation	<u>\$ 4,627,139</u>	<u>\$ 4,644,380</u>	<u>\$ (17,241)</u>

	Business-type Activities 2020	Business-type Activities 2019	Change
Land	\$ 420,000	\$ 420,000	\$ -
Wastewater System	18,013,619	18,011,972	1,647
Total	<u>18,433,619</u>	<u>18,431,972</u>	<u>1,647</u>
Less accumulated depreciation	<u>(4,825,047)</u>	<u>(4,204,962)</u>	<u>(620,085)</u>
Capital assets, net of depreciation	<u>\$ 13,608,572</u>	<u>\$ 14,227,010</u>	<u>\$ (618,438)</u>

Additional information on the City of West Lake Hills, Texas's capital assets can be found in Note III. D on pages 39-40 of this report.

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Long-term Debt. At the end of the current fiscal year, the City of West Lake Hills, Texas had total long-term obligations of \$14,869,455. Of this amount, \$251,419 represents the City's liability for compensated absences earned by employees as of year end, \$1,171,829 represents the City's net pension liability, and \$146,207 represents the City's net OPEB liability. The remaining \$13,300,000 of the City of West Lake Hills, Texas long-term obligations represents bonds payable in the Wastewater Fund.

City of West Lake Hills, Texas's Outstanding Debt

	Governmental Activities 2020	Governmental Activities 2019	Change
Compensated Absences	\$ 251,419	\$ 230,954	\$ 20,465
Net Pension Liability	1,171,829	1,736,752	(564,923)
Net OPEB Liability	146,207	128,259	17,948
Total	<u>\$ 1,569,455</u>	<u>\$ 2,095,965</u>	<u>\$ (526,510)</u>

	Business-type Activities 2020	Business-type Activities 2019	Change
Revenue Bonds	\$ 13,300,000	\$ 13,895,000	\$ (595,000)
Total	<u>\$ 13,300,000</u>	<u>\$ 13,895,000</u>	<u>\$ (595,000)</u>

The City's bonds payable decreased by \$595,000 during the current fiscal year related to regular, scheduled principal payment. The City's compensated absences and net pension balances changed related to paid time off use and pension valuations.

Additional information on the City's long-term debt can be found in Note III. I on pages 48-51 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2020-2021 budget. The City's General Fund budget for fiscal year 2020-2021 includes expenditures of \$5,575,535 which is an decrease of approximately \$1.9 million from fiscal year 2019-2020 total adopted expenditures. The City increased the tax rate to \$.0786 per \$100 valuation for the General Fund.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those interested in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Finance Officer, City of West Lake Hills, 911 Westlake Drive, West Lake Hills, Texas 78746-4599 or call (512) 327-3628. Financial information is also available on the City's website at www.westlakehills.org.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,997,810	\$ 4,001,368	\$ 8,999,178
Accounts receivable, net	673,148	187,768	860,916
Advances to other funds	1,850,000	(1,850,000)	-
Capital assets, not being depreciated:			
Land	398,411	420,000	818,411
Construction in progress	445,952	-	445,952
Capital assets, being depreciated:			
Buildings and improvements	1,690,927	-	1,690,927
Machinery, equipment, and vehicles	1,929,149	-	1,929,149
Infrastructure	3,896,760	18,013,618	21,910,378
Accumulated depreciation	(3,734,061)	(4,825,046)	(8,559,107)
Total assets	<u>12,148,096</u>	<u>15,947,708</u>	<u>28,095,804</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - OPEB/pension	776,440	-	776,440
Total deferred outflows of resources	<u>776,440</u>	<u>-</u>	<u>776,440</u>
LIABILITIES			
Accounts payable	569,274	43,406	612,680
Accrued salaries and benefits	56,350	305	56,655
Accrued interest payable	-	19,285	19,285
Unearned revenue	-	300	300
Customer deposits	-	178,791	178,791
Noncurrent liabilities:			
Due within one year	-	825,000	825,000
Net OPEB liability	146,207	-	146,207
Net pension liability	1,171,829	-	1,171,829
Compensated absences	251,419	-	251,419
Due in more than one year	-	12,475,000	12,475,000
Total liabilities	<u>2,195,079</u>	<u>13,542,087</u>	<u>15,737,166</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB/pension	742,659	-	742,659
Total deferred inflows of resources	<u>742,659</u>	<u>-</u>	<u>742,659</u>
NET POSITION			
Net investment in capital assets	4,627,138	308,572	4,935,710
Restricted for municipal court security	45,138	-	45,138
Restricted for municipal court technology	26,035	-	26,035
Restricted for child safety	60,847	-	60,847
Restricted for LEOSE	44,706	-	44,706
Unrestricted	5,182,934	2,097,049	7,279,983
Total net position	<u>\$ 9,986,798</u>	<u>\$ 2,405,621</u>	<u>\$ 12,392,419</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs:	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net	
		Charges for Services	Governmental Activities	Business-Type Activities	Total
Primary Government:					
Governmental activities:					
General government	\$ 1,259,889	\$ 289,109	\$ (970,780)	\$ -	\$ (970,780)
Public safety	2,586,450	164,235	(2,422,215)	-	(2,422,215)
Public works	1,081,412	28,195	(1,053,217)	-	(1,053,217)
Total governmental activities:	4,927,751	481,539	(4,446,212)	-	(4,446,212)
Business-type activities:					
Wastewater Fund	1,883,994	1,993,692	-	109,698	109,698
Total business-type activities:	1,883,994	1,993,692	-	109,698	109,698
Total primary government:	\$ 6,811,745	\$ 2,475,231	(4,446,212)	109,698	(4,336,514)
General revenues:					
Property taxes			1,609,155	-	1,609,155
Sales tax and mixed beverage			3,035,861	-	3,035,861
Franchise taxes			520,014	-	520,014
Investment earnings			74,105	11,311	85,416
Gain on sale of capital assets			56,364	-	56,364
Miscellaneous			255,759	240,915	496,674
Total general revenues			5,551,258	252,226	5,803,484
Change in net position			1,105,046	361,924	1,466,970
Net position - beginning			8,881,752	2,043,697	10,925,449
Net position - ending			\$ 9,986,798	\$ 2,405,621	\$ 12,392,419

The notes to the financial statements are an integral part of this statement.

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FUND BASIS FINANCIAL STATEMENTS

CITY OF WEST LAKE HILLS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund
ASSETS	
Cash and cash equivalents	\$ 4,997,810
Accounts receivable, net	673,148
Advances to other funds	1,850,000
Total assets	7,520,958
LIABILITIES	
Accounts payable and accrued liabilities	565,979
Accrued salaries and benefits	56,350
Total liabilities	622,329
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	22,273
Total deferred inflows of resources	22,273
FUND BALANCES	
Restricted:	
Municipal court security	45,138
Municipal court technology	26,035
Child safety	60,847
LEOSE	44,706
Committed:	
Stabilization cash reserve	2,400,000
Legal counsel cash reserve	300,000
Contingency cash reserve	500,000
Brush pickup reserve	100,000
Assigned:	
Tree Fund	138,786
Unassigned	3,260,844
Total fund balances	6,876,356
Total liabilities, deferred inflows, and fund balances	\$ 7,520,958

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

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

Total fund balance of all governmental funds		\$ 6,876,356
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 8,361,199	
Less: accumulated depreciation	<u>(3,734,061)</u>	4,627,138
Long-term debt, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.		
		(251,419)
An additional long-term liability related to recognition of the City's net pension liability and OPEB liability is not reported in the funds.		
Net pension liability, including pension deferred inflows & outflows	(1,150,842)	
Net OPEB liability, including OPEB deferred outflows	<u>(136,708)</u>	(1,287,550)
Other long-term assets, such as uncollected property taxes, are not available to pay for and, therefore, are reported as unavailable revenue in the funds.		
		<u>22,273</u>
Net position of governmental activities		<u><u>\$ 9,986,798</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund
REVENUES	
Property taxes	\$ 1,600,706
Sales taxes	3,035,861
Fees	641,608
Permits	192,961
Fines	167,883
Investment earnings	74,105
Miscellaneous revenue	254,860
Total revenues	5,967,984
EXPENDITURES	
Current:	
General government	1,105,493
Police	2,061,235
Inspection	241,860
Highways and streets	976,282
Capital outlay	454,938
Total expenditures	4,839,808
Excess (deficiency) of revenues over expenditures	1,128,176
OTHER FINANCING SOURCES (USES)	
Sale of general capital assets	56,364
Total other financing sources (uses)	56,364
Net change in fund balance	1,184,540
Fund balance - beginning	5,691,816
Fund balance - ending	\$ 6,876,356

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	\$ 1,184,540 (17,242)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items including changes in net pension/OPEB amounts.	(70,701)
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.	8,449
Change in net position for governmental activities	<u>\$ 1,105,046</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,583,629	\$ 1,600,000	\$ 1,600,706	\$ 706
Sales taxes	3,332,000	3,074,448	3,035,861	(38,587)
Fees	639,000	669,949	641,608	(28,341)
Permits	140,000	183,000	192,961	9,961
Fines	234,738	164,407	167,883	3,476
Investment earnings	130,000	75,775	74,105	(1,670)
Miscellaneous revenue	65,300	245,647	254,860	9,213
Total revenues	<u>6,124,667</u>	<u>6,013,226</u>	<u>5,967,984</u>	<u>(45,242)</u>
EXPENDITURES				
Current:				
General government	1,358,016	1,113,133	1,105,493	7,640
Public safety				
Police	2,133,612	2,072,246	2,061,235	11,011
Municipal court	297,848	245,730	241,860	3,870
Public works	1,223,164	993,978	976,282	17,696
Capital outlay	2,482,750	459,630	454,938	4,692
Total Expenditures	<u>7,495,390</u>	<u>4,884,717</u>	<u>4,839,808</u>	<u>44,909</u>
Excess (deficiency) of revenues over expenditures	<u>(1,370,723)</u>	<u>1,128,509</u>	<u>1,128,176</u>	<u>(333)</u>
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	36,397	53,205	56,364	3,159
Total other financing sources (uses)	<u>36,397</u>	<u>53,205</u>	<u>56,364</u>	<u>3,159</u>
Net change in fund balances	(1,334,326)	1,181,714	1,184,540	2,826
Fund balance - beginning	5,691,816	5,691,816	5,691,816	-
Fund balance - ending	<u>\$ 4,357,490</u>	<u>\$ 6,873,530</u>	<u>\$ 6,876,356</u>	<u>\$ 2,826</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Business-Type Activities
	Wastewater Funds
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 4,001,368
Accounts receivable, net	187,768
Total current assets	4,189,136
Noncurrent Assets:	
Land	420,000
Infrastructure	18,013,618
Accumulated depreciation	(4,825,046)
Total noncurrent assets	13,608,572
Total assets	17,797,708
LIABILITIES	
Current liabilities:	
Accounts payable	43,406
Accrued salaries and benefits	305
Accrued interest payable	19,285
Unearned revenue	300
Advances from other funds	1,850,000
Bonds and notes payable - current	825,000
Customer deposits	178,791
Total current liabilities	2,917,087
Noncurrent Liabilities:	
Bonds payable	12,475,000
Total noncurrent liabilities	12,475,000
Total liabilities	15,392,087
NET POSITION	
Net investment in capital assets	308,572
Unrestricted	2,097,049
Total net position	\$ 2,405,621

The notes to the financial statements are an integral part of this statement.

CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
	Wastewater Funds
REVENUES	
Operating revenues:	
Charges for services:	
Wastewater charges	\$ 1,990,047
Other charges for services	3,645
Miscellaneous revenue	240,915
Total operating revenues	2,234,607
EXPENSES	
Operating expenses:	
Personnel services	48,325
Wastewater treatment charges	381,001
Wastewater system maintenance and operations	279,071
Wastewater billing fees	5,694
Materials and supplies	20,265
Other operating expenses	22,904
Depreciation	620,084
Total operating expenses	1,377,344
Operating income (loss)	857,263
Nonoperating revenues (expenses)	
Investment earnings	11,311
Interest expense	(506,650)
Total nonoperating revenues (expenses)	(495,339)
Income before transfers in (out)	361,924
Change in net position	361,924
Net position-beginning	2,043,697
Net position-ending	\$ 2,405,621

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST LAKE HILLS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities
	Wastewater Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,976,761
Receipt of customer deposits	(196,851)
Other receipts	240,915
Payments to suppliers and operating costs	(764,245)
Payments to employees for salaries and benefits	(48,325)
Net cash provided by (used for) operating activities	1,208,255
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal paid on capital debt	(745,000)
Interest paid on capital debt	(506,650)
Net cash provided by (used for) capital and related financing activities	(1,251,650)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	11,311
Net cash provided by investing activities	11,311
Net increase (decrease) in cash and cash equivalents	(32,084)
Cash and cash equivalents-beginning	4,033,452
Cash and cash equivalents-ending	\$ 4,001,368
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	\$ 857,263
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	620,084
(Increase) decrease in accounts receivable	(16,931)
(Decrease) increase in deposits payable	(196,851)
(Decrease) increase in accounts payable	(55,310)
Total adjustments	350,992
Net cash provided by (used for) operating activities	\$ 1,208,255

Schedule of non-cash capital and related financing activities:

Contributions of capital assets

The notes to the financial statements are an integral part of this statement.

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NOTES TO THE FINANCIAL STATEMENTS

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CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies

A. Description of 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. 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.

B. Reporting Entity

The City of West Lake Hills, Texas (the “City”) was founded and incorporated as a village on September 9, 1953. The City Council (the “Council”), a six member group, has governance responsibilities over all activities related to the City. The Council is elected by the public and has the exclusive power and duty to govern and oversee the management of the City. The City receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities.

The City’s primary activities include police protection, court and general administrative services, public works, and wastewater service.

The City is an independent political subdivision of the State of Texas 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 the considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial 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.

C. 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 government’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds, even though the latter is excluded from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government’s funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The government reports the following major governmental funds:

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

The government reports the following major enterprise funds:

The *Wastewater Fund* accounts for the revenues, expenses, and residual equity related to the operation of the City's wastewater services.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or 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 and internal service 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.

E. 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 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when 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 capital leases are reported as other financing sources.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Property taxes, sales taxes, franchise taxes, 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 government.

Proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Budgetary Information

1. Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. Currently, the City does not utilize any other funds which are not aggregated with the General Fund or the Wastewater Fund for reporting purposes.

The appropriated budgets are prepared by fund and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. Excess of expenditures over appropriations

For the year ended September 30, 2020, expenditures did not significantly exceed appropriations in any of the City's legally adopted budgets.

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

1. Cash and cash equivalents

The government'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.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. Investments

Investments for the government are reported at fair value (generally based on quoted market prices) except for positions in local government investment pools such as, Lone Star, when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and prepaid items

The City does not report inventories of supplies or consumable items due to the unused amount of these items on hand at any given time being immaterial. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. 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 column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$300 and an estimated useful life of more than one year.

As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	40
Machinery and equipment	3-15
Vehicles	2-5
Improvements	10-30
Infrastructure/WW system	20-30

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents 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. The government currently does not have any financial transactions that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government currently does not have any financial transactions that qualify for reporting in this category.

6. *Net position flow assumption*

Sometimes the government 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 government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. *Fund balance flow assumptions*

Sometimes the government 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 government’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.

8. *Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government 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 government for specific purposes but do not meet the criteria to be classified as committed.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The 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.

H. Revenues and Expenditures/Expenses

1. 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.

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The City levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date.

The tax rates assessed for the year ended September 30, 2020, to finance General Fund operations were \$.07 per \$100 valuation. The total tax levy for the General Fund for the 2019-2020 fiscal year was \$2,313,708,200. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2020, were 99% of the year end adjusted tax levy. Delinquent taxes are prorated for maintenance based on rates for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes.

3. Compensated absences

The City maintains formal programs for vacation, holiday and sick leave. The City's personnel policy provides employees with annual vacation, holiday and sick leave after satisfactory completion of their six month probationary period. Temporary employees, after six months of employment, also receive paid vacation time in proportion to hours worked (based on a 40 hour workweek). Paid vacations are earned as follows: one to ten years of service receive 96 hours with a maximum accrual of 208 hours, 11 to 20 years of service receive 120 hours with a maximum accrual of 256 hours, and 21 or more years of service receive 144 hours with maximum accrual of 304 hours. On September 1, all unused vacation time in excess of maximum accruals will be cancelled. Sick leave for permanent employees is earned at the rate of one working day for each full month of continuous service. Sick leave may be accumulated to a maximum of 288 hours. On September 1 of each fiscal year all accumulated sick leave in excess of maximum accrual will be cancelled. Paid holidays are determined by the City, and currently may be accrued if the employee is required to work on said holiday.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. *Compensated absences (continued)*

Upon termination, the City will pay the employee for properly accrued vacation, comp and holiday hours as well as one half of accrued sick leave. As a result, the City has accrued a liability for compensated absences in the amount of \$251,419 as a long-term obligation.

4. *Pensions*

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

5. *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 wastewater fund are charges to customers for sales and services. The wastewater fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service 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.

II. Stewardship, Compliance and Accountability

A. Violations of Legal or Contractual Provisions

No violations of legal or contractual provisions were noted during the current year.

B. Deficit Fund Equity

For the year ended September 30, 2020 there were no funds reported with deficit fund equity.

III. Detailed Notes on All Activities and Funds

A. Cash Deposits with Financial Institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2020, the government's bank balance was \$9,215,980 all of which was insured and collateralized with securities held by the pledging or financial institution's trust department or agent, but not in the government's name.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

B. Investments

The State Treasurer's Investment Pool (Pool) operates in accordance with state law, which requires it to meet all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. See note I.G.2, *Investments*, for a discussion of how the shares in the Pool are valued. The Pool has a credit rating of AAA from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The Pool invests in a high quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state. The government utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

As of September 30, 2020, the balances held with Lone Star were classified as cash and cash equivalents.

Interest rate risk. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than ten months.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the government's policy to limit its investments in these investment types to the top rating issued by NRSROs. As of September 24, 2020, the government's investment in the State Treasurer's investment pool was rated AAA by Standard & Poor's and AAA by Moody's Investors Service. The government's investments in commercial paper were rated A1 by Standard & Poor's, F-1 by Fitch Ratings, and P-1 by Moody's Investor's Service. The government's investments in corporate bonds were rated AAA by Standard & Poor's and Fitch Ratings, and AAA by Moody's Investors Service.

Concentration of credit risk. The government's investment policy does not allow for an investment in any one issuer that is in excess of 5 percent of the government's total investments. This restriction however does not apply to government investment pools due to the low risk nature of this type of investment.

Custodial credit risk-investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

C. Receivables (continued)

Below is a detail of receivables for the major and nonmajor funds of both the governmental and proprietary funds of the government, including the applicable allowances for uncollectible accounts:

Governmental Funds:

Receivables	General Fund
Property taxes	\$ 44,547
Sales taxes	501,714
Other	149,160
Gross receivables	695,421
Less: Allowance for uncollectibles	(22,273)
Net receivables	<u>\$ 673,148</u>

Proprietary Funds:

Receivables	Wastewater Fund
Accounts receivable	\$ 189,970
Gross receivables	189,970
Less: Allowance for uncollectibles	(2,202)
Net receivables	<u>\$ 187,768</u>

D. Capital Assets

Capital assets activity for the year ended September 30, 2020, was as follows:

Governmental Activities:

	Balance 10/1/19	Increases	Decreases	Adjustments	Balance 9/30/20
Capital assets, not being depreciated:					
Land	\$ 398,411	\$ -	\$ -	\$ -	\$ 398,411
Construction in progress	660,028	72,959	-	(287,035)	445,952
Total capital assets, not being depreciated	<u>1,058,439</u>	<u>72,959</u>	<u>-</u>	<u>(287,035)</u>	<u>844,363</u>
Capital assets, being depreciated:					
Buildings and improvements	1,690,927	-	-	-	1,690,927
Machinery, equipment, and vehicles	2,037,745	221,385	(302,875)	(27,106)	1,929,149
Infrastructure	3,422,025	231,718	-	243,018	3,896,761
Total capital assets, being depreciated	<u>7,150,697</u>	<u>453,103</u>	<u>(302,875)</u>	<u>215,912</u>	<u>7,516,837</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,113,465)	(35,801)	-	-	(1,149,266)
Machinery, equipment, and vehicles	(1,394,995)	(217,947)	302,875	-	(1,310,067)
Infrastructure	(1,056,296)	(218,432)	-	-	(1,274,728)
Total accumulated depreciation	<u>(3,564,756)</u>	<u>(472,180)</u>	<u>302,875</u>	<u>-</u>	<u>(3,734,061)</u>
Total capital assets being depreciated, net	<u>3,585,941</u>	<u>(19,077)</u>	<u>-</u>	<u>215,912</u>	<u>3,782,776</u>
Governmental activities capital assets, net	<u>\$ 4,644,380</u>	<u>\$ 53,882</u>	<u>\$ -</u>	<u>\$ (71,123)</u>	<u>\$ 4,627,139</u>

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

D. Capital Assets (continued)

Business-Type Activities:

	Balance 10/1/19	Increases	Decreases	Balance 9/30/20
Capital assets, not being depreciated:				
Land	\$ 420,000	\$ -	\$ -	\$ 420,000
Total capital assets, not being depreciated	420,000	-	-	420,000
Capital assets, being depreciated:				
Wastewater system	18,011,972	1,647	-	18,013,619
Total capital assets, being depreciated	18,011,972	1,647	-	18,013,619
Less accumulated depreciation for:				
Wastewater system	(4,204,962)	(620,085)	-	(4,825,047)
Total accumulated depreciation	(4,204,962)	(620,085)	-	(4,825,047)
Total capital assets being depreciated, net	13,807,010	(618,438)	-	13,188,572
Business-type activities capital assets, net	<u>\$ 14,227,010</u>	<u>\$ (618,438)</u>	<u>\$ -</u>	<u>\$ 13,608,572</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:

General government	\$ 119,044
Public safety	248,006
Public works	105,130
Total depreciation expense - governmental activities	<u>\$ 472,180</u>

E. Accounts Payable and Accrued Liabilities

Accrued liabilities reported by governmental and proprietary funds at September 30, 2020, were as follows:

Governmental Funds:

	General Fund
Accounts payable and accrued liabilities	\$ 193,862
Escrow deposits	372,117
Total accounts payable and accrued liabilities	<u>\$ 565,979</u>

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

F. Defined Benefit Pension Plan

Plan Description

The City participates as one of 866 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	31
Inactive employees entitled to but not yet receiving benefits	34
Active employees	<u>25</u>
	<u><u>90</u></u>

Contributions

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

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 15.99% and 16.40% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$310,206, and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	1.95% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for 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 in order to satisfy the short-term and long-term funding needs of TMRS.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100%	

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 9,121,615	\$ 7,384,863	\$ 1,736,752
Changes for the year:			
Service cost	354,293	-	354,293
Interest	613,357	-	613,357
Change of benefit terms	-	-	-
Difference between expected and actual experience	20,066	-	20,066
Changes of assumptions	20,532	-	20,532
Contributions - employer	-	304,272	(304,272)
Contributions - employee	-	133,264	(133,264)
Net investment income	-	1,142,280	(1,142,280)
Benefit payments, including refunds of employee contr.	(423,986)	(423,986)	-
Administrative expense	-	(6,451)	6,451
Other changes	-	(194)	194
Net changes	<u>584,262</u>	<u>1,149,185</u>	<u>(564,923)</u>
Balance at 12/31/2019	<u>\$ 9,705,877</u>	<u>\$ 8,534,048</u>	<u>\$ 1,171,829</u>

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in	Current	1% Increase in
	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
City's net pension liability	\$ 2,616,628	\$ 1,171,829	\$ 9,289

Pension Plan Fiduciary Net Position

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

CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

For the year ended September 30, 2020, the city recognized pension expense of (\$43,009).

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$ 446,509	\$ 705,948
Differences between expected and actual economic experience	43,867	22,111
Change in assumptions	13,066	-
Contributions subsequent to the measurement date	245,604	-
Total	<u>\$ 749,046</u>	<u>\$ 728,059</u>

Deferred outflows of resources related to pensions in the amount of \$245,604 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2020	\$ (51,691)
2021	(64,241)
2022	20,077
2023	(128,762)
2024	-
Thereafter	-
Total	<u>\$ (224,617)</u>

G. Other Post-Employment Benefit (OPEB) Obligations

Benefits Provided

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

CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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); retired employees are insured for \$7,500; this coverage is an other post-employment benefit, or OPEB.

Employees Covered by Benefit Terms

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

Inactive employees currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	9
Active employees	25
	57
	57

Contributions

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

The City’s contributions to the TMRS SDBF for the years September 30, 2020 and 2019 were \$4,043 and \$4,042 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2019 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

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

Inflation	2.5% per year
Salary increases	3.5%-10.5% including inflation per year
Discount rate	3.31% based on Fidelity Index’s 20-year Municipal GO AA Index
Retirees’ share of benefit costs	\$0

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB No. 68. Mortality rates for service retirees are calculated using the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB; while the mortality rate for disabled retirees is calculated using the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females and projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Schedule of Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 128,259	\$ -	\$ 128,259
Changes for the year:			
Service cost	3,236	-	3,236
Interest	4,765	-	4,765
Change of benefit terms	-	-	-
Difference between expected and actual experience	(9,559)	-	(9,559)
Changes of assumptions	22,362	-	22,362
Contributions - employer	-	-	-
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments, including refunds of employee contr.	(2,856)	-	(2,856)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	<u>17,948</u>	<u>-</u>	<u>17,948</u>
Balance at 12/31/2019	<u>\$ 146,207</u>	<u>\$ -</u>	<u>\$ 146,207</u>

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.75% or 1-percentage-point higher 3.75% than the current rate:

	1% Decrease in Discount Rate 1.75%	Current Discount Rate 2.75%	1% Increase in Discount Rate 3.75%
City's net OPEB liability	\$ 177,641	\$ 146,207	\$ 122,696

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

For the year ended September 30, 2020, the city recognized OPEB expense of \$7,227.

CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experiences	\$ -	\$ 10,066
Difference in assumption changes	20,056	4,534
Contributions subsequent to the measurement date	7,338	-
Total	\$ 27,394	\$ 14,600

Deferred outflows of resources related to OPEB in the amount of \$4,043 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2020	\$ 2,083
2021	442
2022	2,096
2023	835
Thereafter	-
Total	\$ 5,456

H. Risk Management

The government is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During the year, the City purchased commercial insurance to cover general liabilities. There are no significant reductions in coverage in the past fiscal year and no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Long-Term Liabilities

Revenue Bonds

During the year the City issued \$14,060,000 of Revenue Refunding Bond, Series 2019. These funds were used for a current refunding of \$13,895,000 of Revenue Bond, Series 2012. The refunding was undertaken to obtain a more favorable average interest rate and as a result reduced overall future debt service payments. The transaction resulted in a decrease in total future debt service payments related to the refunding bonds of \$1,438,547 and a net present value savings of \$1,301,409.

On June 26, 2012 the City issued revenue bonds for the purpose of acquiring, improving, repairing, renovating, enlarging, extending and equipping the City's wastewater system. The bonds are payable from and secured by a first lien on and pledge of the net revenues of the wastewater system. Revenue bonds are direct obligations of the City for which its full faith and credit are pledged. Repayments of revenue bonds are from wastewater revenue from customers located within the City. The City is not obligated in any manner for special assessment debt.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

I. Long-Term Liabilities (continued)

Details of the Wastewater Fund long-term debt obligations outstanding at September 30, 2020 are as follows:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/20
General Obligation Bonds:					
Revenue Refunding Bonds, Series 2019	2019	\$ 14,060,000	1.83%	2032	\$ 13,300,000
Total General Obligation Bonds					<u>\$ 13,300,000</u>

Changes in the government's long-term liabilities for the year ended September 30, 2020 are as follows:

Description	Balance 10/1/19	Additions	Deletions	Balance 9/30/20	Due in One Year
Bonds Payable					
Revenue Bonds, Series 2012	\$ 13,895,000	\$ -	\$(13,895,000)	\$ -	\$ -
Revenue Refunding Bonds, Series 2019	-	14,060,000	(760,000)	13,300,000	825,000
Governmental activities long-term liabilities	<u>\$ 13,895,000</u>	<u>\$ 14,060,000</u>	<u>\$(14,655,000)</u>	<u>\$ 13,300,000</u>	<u>\$ 825,000</u>

The annual debt service requirements for the Wastewater revenue bonds are as follows:

Year Ended September 30,	Business-Type Activities Bonds Payable	
	Principal	Interest
2021	\$ 825,000	\$ 243,390
2022	895,000	228,293
2023	980,000	211,914
2024	1,070,000	193,980
2025	1,115,000	174,399
2026-2030	5,900,000	558,059
2031-2032	2,515,000	69,265
Totals	<u>\$ 13,300,000</u>	<u>\$ 1,679,300</u>

Governmental Fund Long Term Obligations

As of the current year ended September 30, 2020, the City did not have any governmental activities long-term obligations related to bonds payable and/or notes payable. The City was not obligated in any manner for special assessment debt related to its governmental activities. However, the City's governmental activities did have long-term obligations at year end related to compensated absences and its net pension obligation.

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CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Details of the governmental activities long-term obligations as of September 30, 2020 are as follows:

Description	Balance 10/1/19	Additions	Deletions	Balance 9/30/20
Compensated absences	\$ 230,954	\$ 20,465	\$ -	\$ 251,419
Net pension liability	1,736,752	-	(564,923)	1,171,829
Net OPEB liability	128,259	17,948	-	146,207
Governmental activities long-term liabilities	<u>\$2,095,965</u>	<u>\$ 38,413</u>	<u>\$(564,923)</u>	<u>\$1,569,455</u>

J. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2020 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Wastewater Fund	<u>\$ 1,850,000</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the general fund expects to collect in the subsequent year.

K. Contingencies

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City anticipates such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

L. Subsequent Events

As of February 26, 2021, there were no items noted requiring recording and/or disclosure. The City is not aware of any subsequent events that materially affect the financial statements as of that date.

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER REPORTING

CITY OF WEST LAKE HILLS, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Measurement Year		
	2014	2015	2016
A. Total pension liability			
1. Service cost	\$ 292,506	\$ 366,088	\$ 387,702
2. Interest (on the Total Pension Liability)	474,597	515,199	517,647
3. Changes of benefit terms	114,583	-	-
4. Difference between expected and actual experience	159,918	(215,000)	121,309
5. Changes of assumptions	-	48,707	-
6. Benefit payments, including refunds of employee contributions	(278,948)	(488,614)	(345,269)
7. Net change in total pension liability	\$ 762,656	\$ 226,380	\$ 681,389
8. Total pension liability - beginning	6,658,591	7,421,247	7,647,627
9. Total pension liability - ending	<u>\$ 7,421,247</u>	<u>\$ 7,647,627</u>	<u>\$ 8,329,016</u>
B. Plan fiduciary net position			
1. Contributions - employer	\$ 229,502	\$ 320,175	\$ 321,199
2. Contributions - employee	127,358	135,302	139,731
3. Net investment income	331,762	9,156	417,428
4. Benefit payments, including refunds of employee contributions	(278,948)	(488,614)	(345,269)
5. Administrative expense	(3,463)	(5,576)	(4,713)
6. Other changes	(285)	(275)	(254)
7. Net change in plan fiduciary net position	\$ 405,926	\$ (29,832)	\$ 528,122
8. Plan fiduciary net position - beginning	5,798,527	6,204,453	6,174,620
9. Plan fiduciary net position - ending	<u>\$ 6,204,453</u>	<u>\$ 6,174,621</u>	<u>\$ 6,702,742</u>
C. Net pension liability [A.9 - B.9]	<u>\$ 1,216,794</u>	<u>\$ 1,473,006</u>	<u>\$ 1,626,274</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 /	83.60%	80.74%	80.47%
E. Covered-employee payroll	\$ 1,819,396	\$ 1,932,885	\$ 1,950,212
F. Net position as a percentage of covered employee payroll [C / E]	66.88%	76.21%	83.39%

Measurement Year		
2017	2018	2019
\$ 359,177	\$ 319,587	\$ 354,293
559,813	574,103	613,357
-	-	-
(259,027)	95,886	20,066
-	-	20,532
(430,156)	(426,784)	(423,986)
<u>\$ 229,807</u>	<u>\$ 562,792</u>	<u>\$ 584,262</u>
<u>8,329,016</u>	<u>8,558,823</u>	<u>9,121,615</u>
<u>\$ 8,558,823</u>	<u>\$ 9,121,615</u>	<u>\$ 9,705,877</u>

\$ 310,165	\$ 291,472	\$ 304,272
128,016	118,554	133,264
929,376	(228,812)	1,142,280
(430,156)	(426,784)	(423,986)
(4,814)	(4,420)	(6,451)
(244)	(231)	(194)
<u>\$ 932,343</u>	<u>\$ (250,221)</u>	<u>\$ 1,149,185</u>
<u>6,702,742</u>	<u>7,635,085</u>	<u>7,384,863</u>
<u>\$ 7,635,085</u>	<u>\$ 7,384,863</u>	<u>\$ 8,534,048</u>
<u>\$ 923,738</u>	<u>\$ 1,736,752</u>	<u>\$ 1,171,829</u>

89.21% 80.96% 87.93%

\$ 1,828,801 \$ 1,693,625 \$ 1,903,776

50.51% 102.55% 61.55%

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CITY OF WEST LAKE HILLS, TEXAS
SCHEDULE OF NET PENSION LIABILITY EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiscal Year					
	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 308,585	\$ 340,749	\$ 456,198	\$ 289,489	\$ 318,664	\$ 310,206
Contributions in relation to the actuarially determined contribution	<u>(308,585)</u>	<u>(340,749)</u>	<u>(456,198)</u>	<u>(289,489)</u>	<u>(318,664)</u>	<u>(310,206)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$2,214,426	\$ 2,141,822	\$2,708,328	\$ 1,687,657	\$1,961,816	\$1,901,601
Contributions as a percentage of covered employee payroll	13.94%	15.91%	16.84%	17.15%	16.24%	16.31%

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CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO SCHEDULE OF NET PENSION LIABILITY EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Valuation Date: 12/31/2019

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Closed
Remaining amortization period	26 years
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.5% per year
Salary increases	3.50% to 11.50%, including inflation
Discount rate	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF WEST LAKE HILLS, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Measurement Year		
	2017	2018	2019
A. Total pension liability			
1. Service cost	\$ 3,109	\$ 3,218	\$ 3,236
2. Interest on Total OPEB Liability	4,582	4,528	4,765
3. Changes of benefit terms	-	-	-
4. Difference between expected and actual experience	-	(5,142)	(9,559)
5. Changes of assumptions	9,759	(8,510)	22,362
6. Benefit payments	(1,829)	(2,032)	(2,856)
7. Net changes	\$ 15,621	\$ (7,938)	\$ 17,948
8. Total OPEB Liability - beginning of the year	120,576	136,197	128,259
9. Total OPEB Liability - end of the year	<u>\$ 136,197</u>	<u>\$ 128,259</u>	<u>\$ 146,207</u>
E. Covered-employee payroll	\$ 1,828,801	\$ 1,693,625	\$ 1,903,776
F. Total OPEB Liability as a Percentage of Covered Payroll	7.45%	7.57%	7.68%

CITY OF WEST LAKE HILLS, TEXAS
SCHEDULE OF NET OPEB LIABILITY EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiscal Year			
	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 5,700	\$ 4,234	\$ 4,042	\$ 4,043
Contributions in relation to the actuarially determined contribution	<u>(5,700)</u>	<u>(4,234)</u>	<u>(4,042)</u>	<u>(4,043)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,708,328	\$ 1,687,657	\$ 1,961,816	\$ 1,901,601
Contributions as a percentage of covered employee payroll	0.21%	0.25%	0.21%	0.21%

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CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO SCHEDULE OF NET OPEB LIABILITY EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 11.5%; including inflation
Discount rate*	2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

Notes

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

The Actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor, Members of the City Council and Citizens of the
City of West Lake Hills, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of West Lake Hills, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of West Lake Hills, Texas's basic financial statements, and have issued our report thereon dated February 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of West Lake Hills, Texas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Lake Hills, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Lake Hills, Texas's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Lake Hills, Texas's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Singleton, Clark & Company, PC". The signature is written in a cursive style and is set against a light gray rectangular background.

Singleton, Clark & Company, PC
Cedar Park, Texas

February 26, 2021

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CITY OF WEST LAKE HILLS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required for the year ended September 30, 2020 due to expenditure of federal awards being below \$750,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the years ended September 30, 2020 and 2019.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings or questioned costs required to be reported in accordance with federal Uniform Guidance for the years ended September 30, 2020 and 2019.

Not applicable.