

CITY OF WEST LAKE HILLS, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2021



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WEST LAKE HILLS, TEXAS
 ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

TABLE OF CONTENTS

	Page
FINANCIAL SECTION	
Independent Auditor’s Report ·····	1
Management’s Discussion and Analysis ·····	5
 Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position ·····	16
Statement of Activities ·····	17
 Fund Financial Statements:	
Balance Sheet – Governmental Funds ·····	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position ·····	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds ·····	22
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities ·····	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund ·····	25
Statement of Net Position – Proprietary Funds ·····	26
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds ·····	27
Statement of Cash Flows – Proprietary Funds ·····	29
Notes to the Financial Statements ·····	33
 Required Supplementary Information:	
Schedule of Changes in Net Pension Liability and Related Ratios ·····	56
Schedule of Employer Contributions ·····	58
Notes to Schedule of Employer Contributions ·····	59
Schedule of Changes in OPEB Liability and Related Ratios ·····	60
Schedule of Employer Contributions ·····	61
Notes to Schedule of Employer Contributions ·····	63
 Other Reporting:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ·····	65
Schedule of Findings and Questioned Costs ·····	69

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 City of West Lake Hills, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this 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, and each major fund of the City as of September 30, 2021, 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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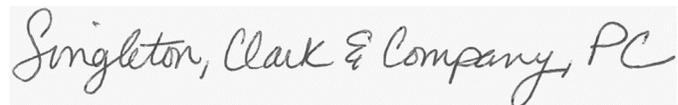
Other Matters

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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022, 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.

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

Singleton, Clark & Company, PC
Cedar Park, Texas

February 18, 2022

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CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Management’s Discussion and Analysis

The Management’s Discussion and Analysis section of the City of West Lake Hills, Texas’s (hereafter the “City”) Annual Financial Report offers readers this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021. Please read it in conjunction with the independent auditor’s report beginning on page 1 of this report and the City’s basic financial statements which follow this section.

Financial Highlights

- The City’s net position for governmental activities increased by \$1,580,251 to end at \$11,622,710 primarily due to higher than originally budgeted sales tax and grant revenues as well as lower than originally budgeted capital outlay.
- The City’s fund balance in the General Fund increased by \$1,760,119 to end at \$8,692,136 largely due to the same factors that affected net position for governmental activities.
- The City’s fund balance in the Wastewater Funds increased by \$707,625 to end at \$3,263,246.

Overview of the Financial Statements

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

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

The *statement of net position* presents financial information on all of the City’s assets, liabilities, and deferred inflows/outflows of resources, with the difference between assets and liabilities 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 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, 2021

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

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

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 maintains two 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 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.

Proprietary Funds. The City 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.

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Basis of Reporting. The government-wide statements and the fund-level proprietary statements are reported using the full accrual basis of accounting. The governmental funds are reported using the modified accrual basis of accounting.

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's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 56 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,885,956 at the close of the most recent fiscal year.

**Condensed Statement of Net Position
As of September 30**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 9,811,967	\$ 7,520,958	\$ 3,244,299	\$ 2,339,136	\$ 13,056,266	\$ 9,860,094
Capital assets	4,339,980	4,627,138	13,004,061	13,608,572	17,344,041	18,235,710
Total assets	14,151,947	12,148,096	16,248,360	15,947,708	30,400,307	28,095,804
Deferred outflows of resources	599,402	776,440	-	-	599,402	776,440
Current liabilities	1,101,602	625,624	510,114	242,087	1,611,716	867,711
Noncurrent liabilities	1,458,539	1,569,455	12,475,000	13,300,000	13,933,539	14,869,455
Total liabilities	2,560,141	2,195,079	12,985,114	13,542,087	15,545,255	15,737,166
Deferred inflows of resources	568,498	742,659	-	-	568,498	742,659
Net position:						
Net investment in capital assets	4,339,980	4,627,138	529,061	308,572	4,869,041	4,935,710
Restricted	179,251	176,726	-	-	179,251	176,726
Unrestricted	7,103,479	5,182,934	2,734,185	2,097,049	9,837,664	7,279,983
Total net position	\$ 11,622,710	\$ 9,986,798	\$ 3,263,246	\$ 2,405,621	\$ 14,885,956	\$ 12,392,419

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

A large portion of the City's net position (37.3%) 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.

An additional portion of the City's net position (1.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$7,103,479 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's overall net position increased by \$2,287,876 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 \$1,580,251 from the prior fiscal year for an ending balance of \$11,622,710. The increase in the overall net position of governmental activities is the result of higher than originally budgeted sales tax and grant revenues as well as lower than originally budgeted capital outlay.

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**Condensed Statement of Activities
For the Years Ended September 30**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for services	\$ 586,490	\$ 481,539	\$ 2,306,621	\$ 1,993,692	\$ 2,893,111	\$ 2,475,231
Operating grants	281,464	-	-	-	281,464	-
Capital grants	11,285	-	-	-	11,285	-
General Revenues:						
Property taxes	1,880,540	1,609,155	-	-	1,880,540	1,609,155
Other taxes	3,854,998	3,555,875	-	-	3,854,998	3,555,875
Other	141,276	386,228	6,167	252,226	147,443	638,454
Total revenue	6,756,053	6,032,797	2,312,788	2,245,918	9,068,841	8,278,715
Expenses:						
General government	874,722	1,259,889	-	-	874,722	1,259,889
Public safety	2,517,037	2,586,450	-	-	2,517,037	2,586,450
Public works	1,784,043	1,081,412	-	-	1,784,043	1,081,412
Wastewater Fund	-	-	1,605,163	1,883,994	1,605,163	1,883,994
Total expenses	5,175,802	4,927,751	1,605,163	1,883,994	6,780,965	6,811,745
Increase in net position	1,580,251	1,105,046	707,625	361,924	2,287,876	1,466,970
Net position - beginning	9,986,798	8,881,752	2,405,621	2,043,697	12,392,419	10,925,449
Prior period adjustment	55,661	-	150,000	-	205,661	-
Net position - ending	\$ 11,622,710	\$ 9,986,798	\$ 3,263,246	\$ 2,405,621	\$ 14,885,956	\$ 12,392,419

Business-type Activities. For the City'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 \$3,263,246. The total increase in net position for business-type activities was \$707,625 or 28% from the prior fiscal year.

Financial Analysis of Governmental Funds

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

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

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

At September 30, 2021, the City's governmental funds reported combined fund balances of \$8,692,136, an increase of \$1,760,119 in comparison with the prior year. Approximately 59% of this amount, \$5,119,860, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is either *restricted*, *committed*, or *assigned* to indicate that it is 1) restricted for particular purposes, \$179,251; 2) committed for particular purposes, \$3,200,000; or 3) assigned for particular purposes, \$193,025.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,119,860, while total fund balance increased to \$8,692,136. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 102% of total general fund expenditures, while total fund balance represents approximately 172% of that same amount.

The fund balance of the City's general fund increased by \$1,760,119 during the current fiscal year. As discussed earlier in connection with governmental activities, the increase was primarily due to higher than originally budgeted sales tax and grant revenues as well as lower than originally budgeted capital outlay.

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

Unrestricted net position of the Wastewater Funds at the end of the year was \$2,734,185. The total growth in net position for the fund was \$707,625.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year, there was a need for significant amendments to change original estimated revenues related to franchise taxes, permits, grants, fees, and miscellaneous revenue. There was also a need for significant amendments to change original budgeted appropriations related to capital outlay. Generally, the movement of the appropriations between departments was *not* significant.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounts to \$17,344,041 (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 5%.

CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities 2021	Governmental Activities 2020	Change
Land	\$ 398,411	\$ 398,411	\$ -
Buildings	1,690,502	1,690,927	(425)
Furniture and equipment	1,896,556	1,929,149	(32,593)
Infrastructure	3,908,761	3,896,761	12,000
Construction in progress	596,441	445,952	150,489
Total	<u>8,490,671</u>	<u>8,361,200</u>	<u>129,471</u>
Less accumulated depreciation	<u>(4,150,691)</u>	<u>(3,734,061)</u>	<u>(416,630)</u>
Capital assets, net of depreciation	<u>\$ 4,339,980</u>	<u>\$ 4,627,139</u>	<u>\$ (287,159)</u>

	Business-Type Activities 2021	Business-Type Activities 2020	Change
Land	\$ 420,000	\$ 420,000	\$ -
Infrastructure	18,030,259	18,013,618	16,641
Total	<u>18,450,259</u>	<u>18,433,618</u>	<u>16,641</u>
Less accumulated depreciation	<u>(5,446,198)</u>	<u>(4,825,046)</u>	<u>(621,152)</u>
Capital assets, net of depreciation	<u>\$ 13,004,061</u>	<u>\$ 13,608,572</u>	<u>\$ (604,511)</u>

Additional information on the City's capital assets can be found in Note III.D on pages 42-43 of this report.

Long-term liabilities. At the end of the current fiscal year, the City had total long-term obligations of \$13,933,539. Of this amount, \$239,407 represents the City's liability for compensated absences earned by employees as of year end and \$1,219,132 represents the City's net pension and OPEB liabilities. The remaining \$12,475,000 of the City's long-term obligations represents bonds payable in the Wastewater Funds.

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CITY OF WEST LAKE HILLS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Long-Term Liabilities

	Governmental Activities 2021	Governmental Activities 2020	Change
Net pension and OPEB liabilities	\$ 1,219,132	\$ 1,318,036	\$ (98,904)
Compensated absences	239,407	251,419	(12,012)
Total	\$ 1,458,539	\$ 1,569,455	\$ (110,916)

	Business-Type Activities 2021	Business-Type Activities 2020	Change
Revenue bonds	\$ 12,475,000	\$ 13,300,000	\$ (825,000)
Total	\$ 12,475,000	\$ 13,300,000	\$ (825,000)

The City's bonds payable decreased by \$825,000 during the current fiscal year related to a regular, scheduled principal payment. The City's compensated absences decreased related to use of paid time off. The City's net pension and OPEB balances decreased related pension and OPEB valuations.

Additional information on the City's long-term debt can be found in Note III.H on pages 50-51 of this report.

Economic Factors and Next Year's Budgets and Rates

The City considered many factors when setting the fiscal year 2021-2022 budget. The City's General Fund budget for fiscal year 2021-2022 includes expenditures of \$6,273,543 which is a slight increase from fiscal year 2020-2021 total adopted expenditures. For 2021-2022, the City maintained the prior year tax rate of \$0.0786 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, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,253,838	\$ 4,589,133	\$ 11,842,971
Taxes receivable - delinquent	43,048	-	43,048
Allowance for uncollectible taxes	(21,524)	-	(21,524)
Accounts receivable, net	173,261	355,166	528,427
Sales tax receivable	663,344	-	663,344
Internal balances	1,700,000	(1,700,000)	-
Capital assets, not being depreciated:			
Land	398,411	420,000	818,411
Construction in progress	596,441	-	596,441
Capital assets, being depreciated:			
Buildings and improvements	1,690,502	-	1,690,502
Machinery, equipment, and vehicles	1,896,556	-	1,896,556
Infrastructure	3,908,761	18,030,259	21,939,020
Accumulated depreciation	(4,150,691)	(5,446,198)	(9,596,889)
Total assets	<u>14,151,947</u>	<u>16,248,360</u>	<u>30,400,307</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources-NPL/OPEB	599,402	-	599,402
Total deferred outflows of resources	<u>599,402</u>	<u>-</u>	<u>599,402</u>
LIABILITIES			
Accounts payable	154,774	38,962	193,736
Accrued salaries and benefits	89,910	302	90,212
Accrued interest payable	-	19,285	19,285
Unearned revenue	282,679	300	282,979
Other current liabilities	574,239	-	574,239
Customer deposits	-	451,265	451,265
Noncurrent liabilities:			
Due within one year	-	895,000	895,000
Due in more than one year	1,458,539	11,580,000	13,038,539
Total liabilities	<u>2,560,141</u>	<u>12,985,114</u>	<u>15,545,255</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources-NPL/OPEB	568,498	-	568,498
Total deferred inflows of resources	<u>568,498</u>	<u>-</u>	<u>568,498</u>
NET POSITION			
Net investment in capital assets	4,339,980	529,061	4,869,041
Restricted for municipal court security	52,205	-	52,205
Restricted for municipal court technology	16,381	-	16,381
Restricted for child safety	68,690	-	68,690
Restricted for LEOSE	41,975	-	41,975
Unrestricted	7,103,479	2,734,185	9,837,664
Total net position	<u>\$ 11,622,710</u>	<u>\$ 3,263,246</u>	<u>\$ 14,885,956</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, 2021

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 874,722	\$ 462,084	\$ 280,082	\$ -	\$ (132,556)	\$ -	\$ (132,556)
Public safety	2,517,037	106,215	1,382	-	(2,409,440)	-	(2,409,440)
Public works	1,784,043	18,191	-	11,285	(1,754,567)	-	(1,754,567)
Total governmental activities:	<u>5,175,802</u>	<u>586,490</u>	<u>281,464</u>	<u>11,285</u>	<u>(4,296,563)</u>	<u>-</u>	<u>(4,296,563)</u>
Business-type activities:							
Wastewater Funds	1,605,163	2,306,621	-	-	-	701,458	701,458
Total business-type activities:	<u>1,605,163</u>	<u>2,306,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>701,458</u>	<u>701,458</u>
Total primary government	<u>\$ 6,780,965</u>	<u>\$ 2,893,111</u>	<u>\$ 281,464</u>	<u>\$ 11,285</u>	<u>(4,296,563)</u>	<u>701,458</u>	<u>(3,595,105)</u>
General revenues:							
Property taxes					1,880,540	-	1,880,540
Sales and mixed beverage taxes					3,472,539	-	3,472,539
Franchise taxes					382,459	-	382,459
Contributions and donations					1,375	-	1,375
Investment earnings					7,879	618	8,497
Gain (Loss) on sale of capital assets					(19,086)	-	(19,086)
Miscellaneous					151,108	5,549	156,657
Total general revenues					<u>5,876,814</u>	<u>6,167</u>	<u>5,882,981</u>
Change in net position					1,580,251	707,625	2,287,876
Net position - beginning					9,986,798	2,405,621	12,392,419
Prior period adjustments					55,661	150,000	205,661
Net position - ending					<u>\$ 11,622,710</u>	<u>\$ 3,263,246</u>	<u>\$ 14,885,956</u>

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, 2021

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 7,253,838
Taxes receivable - delinquent	43,048
Allowance for uncollectible delinquent taxes	(21,524)
Accounts receivable	173,261
Sales tax receivable	663,344
Due from other funds	1,700,000
Total assets	<u>\$ 9,811,967</u>
LIABILITIES	
Accounts payable	\$ 151,479
Accrued salaries and benefits	89,910
Unearned revenue	282,679
Other current liabilities	574,239
Total liabilities	<u>1,098,307</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	21,524
Total deferred inflows of resources	<u>21,524</u>
FUND BALANCES	
Restricted:	
Municipal court security	52,205
Municipal court technology	16,381
Child safety	68,690
LEOSE	41,975
Committed:	
Stabilization cash reserve	2,400,000
Legal counsel cash reserve	300,000
Contingency cash reserve	500,000
Assigned:	
Tree Fund	193,025
Unassigned	5,119,860
Total fund balances	<u>8,692,136</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 9,811,967</u>

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

CITY OF WEST LAKE HILLS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

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

Total fund balance of all governmental funds	\$	8,692,136
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,339,980
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.		21,524
Long-term liabilities, including compensated absences, are not due and payable in the period and, therefore, are not reported in the funds.		(239,407)
Additional long-term liabilities related to the recognition of the net pension liability and the net OPEB liability are not reported in the funds.		(1,191,523)
		(1,191,523)
Net position of governmental activities	\$	11,622,710

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, 2021

	General Fund
REVENUES	
Property taxes	\$ 1,873,782
Sales and mixed beverage taxes	3,472,539
Franchise taxes	382,459
Penalties and interest on taxes	7,506
Permits	255,317
Grants	292,749
Fees	152,032
Fines	106,215
Investment earnings	7,879
Leases	72,926
Contributions and donations	1,375
Miscellaneous revenue	177,227
Total revenues	6,802,006
EXPENDITURES	
Current:	
General government	821,546
Public safety	
Police	2,085,756
Municipal court	259,218
Public works	1,635,428
Capital outlay	240,265
Total expenditures	5,042,213
Excess (deficiency) of revenues over expenditures	1,759,793
OTHER FINANCING SOURCES (USES)	
Sale of general capital assets	326
Total other financing sources (uses)	326
Net change in fund balance	1,760,119
Fund balance - beginning	6,876,356
Prior period adjustment	55,661
Fund balance - ending	\$ 8,692,136

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

CITY OF WEST LAKE HILLS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Net change in fund balances for total governmental funds	\$ 1,760,119
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 depreciation expense exceeded capital outlay in the current period.	(241,628)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(748)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase (decrease) net position.	(45,531)
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 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.	12,012
The net effect of various transactions involving the net pension liability and the net OPEB liability is to decrease net position.	96,027
Change in net position for governmental activities	<hr style="border: 0.5px solid black;"/> <u>\$ 1,580,251</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, 2021

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,805,330	\$ 1,881,000	\$ 1,873,782	\$ (7,218)
Sales and mixed beverage taxes	2,867,500	3,309,500	3,472,539	163,039
Franchise taxes	595,000	475,095	382,459	(92,636)
Penalties and interest on taxes	4,500	7,500	7,506	6
Permits	150,000	230,000	255,317	25,317
Grants	-	562,761	292,749	(270,012)
Fees	84,000	140,000	152,032	12,032
Fines	111,000	103,200	106,215	3,015
Investment earnings	35,000	7,780	7,879	99
Leases	55,204	74,200	72,926	(1,274)
Contributions and donations	-	1,175	1,375	200
Miscellaneous revenue	36,188	171,900	177,227	5,327
Total revenues	<u>5,743,722</u>	<u>6,964,111</u>	<u>6,802,006</u>	<u>(162,105)</u>
EXPENDITURES				
Current:				
General government	902,795	818,571	821,546	(2,975)
Public safety				
Police	2,170,037	2,180,897	2,085,756	95,141
Municipal court	280,919	274,954	259,218	15,736
Public works	1,437,253	1,646,287	1,635,428	10,859
Capital outlay	864,846	275,399	240,265	35,134
Total Expenditures	<u>5,655,850</u>	<u>5,196,108</u>	<u>5,042,213</u>	<u>153,895</u>
Excess (deficiency) of revenues over expenditures	<u>87,872</u>	<u>1,768,003</u>	<u>1,759,793</u>	<u>(8,210)</u>
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	200	714	326	(388)
Total other financing sources (uses)	<u>200</u>	<u>714</u>	<u>326</u>	<u>(388)</u>
Net change in fund balances	88,072	1,768,717	1,760,119	(8,598)
Fund balance - beginning	<u>6,876,356</u>	<u>6,876,356</u>	<u>6,876,356</u>	<u>-</u>
Prior period adjustment	-	-	55,661	55,661
Fund balance - ending	<u>\$ 6,964,428</u>	<u>\$ 8,645,073</u>	<u>\$ 8,692,136</u>	<u>\$ 47,063</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, 2021

	Business-Type Activities
	Wastewater Funds
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 4,589,133
Accounts receivable, net	355,166
Total current assets	4,944,299
Noncurrent Assets:	
Land	420,000
Infrastructure	18,030,259
Accumulated depreciation	(5,446,198)
Total noncurrent assets	13,004,061
Total assets	17,948,360
LIABILITIES	
Current liabilities:	
Accounts payable	38,962
Accrued payroll	302
Due to other funds	1,700,000
Accrued interest payable	19,285
Unearned revenue	300
Bonds and notes payable - current	895,000
Customer deposits	451,265
Total current liabilities	3,105,114
Noncurrent Liabilities:	
Bonds payable	11,580,000
Total noncurrent liabilities	11,580,000
Total liabilities	14,685,114
NET POSITION	
Net investment in capital assets	529,061
Unrestricted	2,734,185
Total net position	\$ 3,263,246

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, 2021

	Business-Type Activities
	Wastewater Funds
REVENUES	
Operating revenues:	
Charges for services:	
Sewerage service	\$ 2,205,298
Other charges for services	101,323
Miscellaneous revenue	5,549
Total operating revenues	2,312,170
EXPENSES	
Operating expenses:	
Personnel services	6,177
Wastewater treatment charges	426,497
Wastewater system maintenance and operations	248,301
Wastewater billing fees	36,793
Other operating expenses	22,814
Depreciation	621,152
Total operating expenses	1,361,734
Operating income (loss)	950,436
Nonoperating revenues (expenses)	
Investment earnings	618
Interest expense	(243,429)
Total nonoperating revenues (expenses)	(242,811)
Change in net position	707,625
Net position-beginning	2,405,621
Prior period adjustment	150,000
Net position-ending	\$ 3,263,246

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
SEPTEMBER 30, 2021

	Business-Type Activities
	Wastewater Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,139,223
Receipt (return) of customer deposits	272,474
Other receipts	5,549
Payments to suppliers and service providers	(738,852)
Payments to employees for salaries and benefits	(6,177)
Net cash provided by (used for) operating activities	1,672,217
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(16,641)
Principal paid on capital debt	(825,000)
Interest paid on capital debt	(243,429)
Net cash provided by (used for) capital and related financing activities	(1,085,070)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	618
Net cash provided by investing activities	618
Net increase (decrease) in cash and cash equivalents	587,765
Cash and cash equivalents-beginning	4,001,368
Cash and cash equivalents-ending	\$ 4,589,133
 Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	\$ 950,436
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	621,152
(Increase) decrease in accounts receivable	(167,398)
(Decrease) increase in deposits payable	272,474
(Decrease) increase in accounts payable	(4,444)
(Decrease) increase in accrued liabilities	(3)
Total adjustments	721,781
Net cash provided by (used for) operating activities	\$ 1,672,217

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, 2021

I. Summary of Significant Accounting Policies

This section describes the significant accounting and reporting guidelines of the City.

A. 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.

B. 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 and internal service funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. Fund Financial Statements

The fund financial statements provide information about the government’s funds, including its fiduciary funds and blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental fund:

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 fund:

The *Wastewater Funds* account for the revenues, expenses, and residual equity related to the operation of the City’s wastewater services.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.

D. 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.

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.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

E. 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 Funds for reporting purposes.

The appropriated budget is prepared by fund and department. The government'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, 2021, expenditures did not significantly exceed appropriations in any of the City's legally adopted budgets.

F. 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.

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 (e.g. Lone Star and LOGIC) 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.

CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 \$1,000 and an estimated useful life of more than one year. All computers are capitalized regardless of cost.

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	20-30

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 has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.

G. 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.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 assessed value of the property tax roll of January 1, 2020, upon which the levy for the 2020-2021 fiscal year was based, was \$2,408,072,761. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2021, to finance General Fund operations was \$0.0786 per \$100 valuation. The total tax levy for the General for the 2020-2021 fiscal year was \$1,892,745. Tax collections, including collections of prior year delinquent balances, for the year ended September 30, 2021, were 99% of the year end adjusted tax levy. Allowances for uncollectible taxes within the General 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

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 \$239,407 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.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 water fund and electric fund are charges to customers for sales and services. The water 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, 2021 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. As of September 30, 2021, the government's bank balances were \$11,835,541 and \$0 of that amount was exposed to custodial credit risk. \$0 was exposed to custodial credit risk because the City's bank deposits at September 30, 2021 and during the year then ended were entirely covered by the Federal Deposit Insurance Corporation (FDIC) insurance or by pledged collateral held by the City's agent bank in the City's name.

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.

CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

As of September 30, 2021, the government had the following investments:

Investment Type	Maturity Time in Years Less than 1
Local government investment pools	
Lone Star	\$ 6,991,599
LOGIC	2,301,151
Total investments	\$ 9,292,750

Investments are categorized as cash and cash equivalents for reporting purposes.

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 June 30, 2022, 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.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

C. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. On the next page 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	\$ 43,048
Accounts receivable	173,261
Sales taxes	663,344
Gross receivables	879,653
Less: Allowance for uncollectibles	(21,524)
Net receivables	\$ 858,129

Proprietary Funds:

Receivables	Wastewater Funds
Accounts receivable	\$ 357,368
Gross receivables	357,368
Less: Allowance for uncollectibles	(2,202)
Net receivables	\$ 355,166

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

D. Capital Assets

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

Governmental Activities:

	Balance 10/1/20	Increases	Decreases	Balance 9/30/21
Capital assets, not being depreciated:				
Land	\$ 398,411	\$ -	\$ -	\$ 398,411
Construction in progress	445,952	195,595	(45,106)	596,441
Total capital assets, not being depreciated	<u>844,363</u>	<u>195,595</u>	<u>(45,106)</u>	<u>994,852</u>
Capital assets, being depreciated:				
Buildings and improvements	1,690,927	-	(425)	1,690,502
Machinery, equipment, and vehicles	1,929,149	32,670	(65,263)	1,896,556
Infrastructure	3,896,761	12,000	-	3,908,761
Total capital assets, being depreciated	<u>7,516,837</u>	<u>44,670</u>	<u>(65,688)</u>	<u>7,495,819</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,149,266)	(35,801)	-	(1,185,067)
Machinery, equipment, and vehicles	(1,310,067)	(210,306)	65,263	(1,455,110)
Infrastructure	(1,274,728)	(235,786)	-	(1,510,514)
Total accumulated depreciation	<u>(3,734,061)</u>	<u>(481,893)</u>	<u>65,263</u>	<u>(4,150,691)</u>
Total capital assets being depreciated, net	<u>3,782,776</u>	<u>(437,223)</u>	<u>(425)</u>	<u>3,345,128</u>
Governmental activities capital assets, net	<u>\$ 4,627,139</u>	<u>\$ (241,628)</u>	<u>\$ (45,531)</u>	<u>\$ 4,339,980</u>

Business-Type Activities:

	Balance 10/1/20	Increases	Decreases	Balance 9/30/21
Capital assets, not being depreciated:				
Land	\$ 420,000	\$ -	\$ -	\$ 420,000
Total capital assets, not being depreciated	<u>420,000</u>	<u>-</u>	<u>-</u>	<u>420,000</u>
Capital assets, being depreciated:				
Infrastructure	18,013,618	16,641	-	18,030,259
Total capital assets, being depreciated	<u>18,013,618</u>	<u>16,641</u>	<u>-</u>	<u>18,030,259</u>
Less accumulated depreciation for:				
Infrastructure	(4,825,046)	(621,152)	-	(5,446,198)
Total accumulated depreciation	<u>(4,825,046)</u>	<u>(621,152)</u>	<u>-</u>	<u>(5,446,198)</u>
Total capital assets being depreciated, net	<u>13,188,572</u>	<u>(604,511)</u>	<u>-</u>	<u>12,584,061</u>
Business-type activities capital assets, net	<u>\$ 13,608,572</u>	<u>\$ (604,511)</u>	<u>\$ -</u>	<u>\$ 13,004,061</u>

CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Governmental activities:

General government	\$	82,445
Public safety		235,327
Public works		164,121
Total depreciation expense - governmental activities	\$	481,893

E. Defined Benefit Pension Plan

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Comprehensive Annual Financial Report (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided

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

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits		34
Inactive employees entitled to but not yet receiving benefits		33
Active employees		25
		92

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the Member's total compensation, and the city matching percentages are either 100%, 150% or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of West Lake Hills were 16.40% and 16.40% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$327,207 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases 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 are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by 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, 2109 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, 2021

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).

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100%	

Discount Rate

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

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Schedule of Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 9,705,877	\$ 8,534,048	\$ 1,171,829
Changes for the year:			
Service cost	353,095	-	353,095
Interest	650,121	-	650,121
Difference between expected and actual experience	(25,286)	-	(25,286)
Contributions - employer	-	320,056	(320,056)
Contributions - employee	-	136,632	(136,632)
Net investment income	-	648,094	(648,094)
Benefit payments, including refunds of employee contr.	(502,016)	(502,016)	-
Administrative expense	-	(4,192)	4,192
Other changes	-	(164)	164
Net changes	475,914	598,410	(122,496)
Balance at 12/31/2020	<u>\$ 10,181,791</u>	<u>\$ 9,132,458</u>	<u>\$ 1,049,333</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 Discount Rate 5.75%	Current Discount Rate 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$ 2,566,897	\$ 1,049,333	\$ (170,829)

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, 2021

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

For the year ended September 30, 2021, the city recognized pension expense of (\$107,694).

At September 30, 2021, 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	\$ 297,673	\$ 539,308
Differences between expected and actual economic experience	5,472	15,955
Difference in assumption changes	5,600	-
Contributions subsequent to the measurement date	252,703	-
Total	<u>\$ 561,448</u>	<u>\$ 555,263</u>

\$252,703 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2021	\$ (87,981)
2022	(956)
2023	(143,171)
2024	(14,410)
Total	<u>\$ (246,518)</u>

F. 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.

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.

CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Employees Covered by Benefit Terms

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

Inactive employees currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	10
Active employees	25
	58
	58

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, 2021 and 2020 were \$8,777 and \$4,403 respectively, which equaled the required contributions each year.

Plan Assets

At the December 31, 2020 valuation and measurement date, there are no assets accumulated in trust.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Salary increases	3.50%-11.50% including inflation per year
Discount rate	2.00% 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 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. The mortality rates for disabled retirees are calculated using the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 12/31/2019	\$ 146,207	\$ -	\$ 146,207
Changes for the year:			
Service cost	4,489	-	4,489
Interest	4,042	-	4,042
Difference between expected and actual experience	(5,290)	-	(5,290)
Changes of assumptions	23,279	-	23,279
Benefit payments, including refunds of employee contr.	(2,928)	-	(2,928)
Net changes	23,592	-	23,592
Balance at 12/31/2020	\$ 169,799	\$ -	\$ 169,799

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 2.00%, 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 1.00% or 1-percentage-point higher 3.00% than the current rate:

	1% Decrease in Discount Rate 1.00%	Current Discount Rate 2.00%	1% Increase in Discount Rate 3.00%
City's net OPEB liability	\$ 210,354	\$ 169,799	\$ 139,803

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2021, the city recognized OPEB expense of \$11,667.

At September 30, 2021, 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 between expected and actual economic experience	\$ -	\$ 10,689
Difference in assumption changes	30,404	2,546
Contributions subsequent to the measurement date	7,550	-
Total	\$ 37,954	\$ 13,235

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

\$7,550 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Measurement Year Ended Dec 31st:	Net Deferred Outflows (Inflows) of Resources
2021	\$ 4,635
2022	6,289
2023	5,028
2024	1,217
Total	\$ 17,169

G. 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.

H. Long-Term Liabilities

Details of long-term debt obligations outstanding at September 30, 2021 are as follows:

Business-type Activities:

Type	Sale Date	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding 9/30/21
General Obligation Bonds:					
Revenue Refunding Bonds, Series 2019	2019	\$ 14,060,000	1.83%	2032	\$ 12,475,000
Total General Obligation Bonds					\$ 12,475,000

Changes in Long-Term Liabilities

Changes in the government's long-term liabilities for the year ended September 30, 2021 are as follows:

Governmental Activities:

Description	Balance 10/1/20	Additions	Deletions	Balance 9/30/21
Compensated absences	\$ 251,419	\$ -	\$ (12,012)	\$ 239,407
Net pension liability	1,171,829	-	(122,496)	1,049,333
Net OPEB liability	146,207	23,592	-	169,799
Governmental activities long-term liabilities	\$ 1,569,455	\$ 23,592	\$ (134,508)	\$ 1,458,539

CITY OF WEST LAKE HILLS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Business-type Activities:

Description	Balance 10/1/20	Additions	Deletions	Balance 9/30/21	Due in One Year
Bonds Payable					
Revenue Refunding Bonds, Series 2019	\$ 13,300,000	\$ -	\$ (825,000)	\$ 12,475,000	\$ 895,000
Governmental activities long-term liabilities	<u>\$ 13,300,000</u>	<u>\$ -</u>	<u>\$ (825,000)</u>	<u>\$ 12,475,000</u>	<u>\$ 895,000</u>

The debt service requirements for the government’s bonds, loans, and notes are as follows:

Business-type Activities:

Year Ended September 30,	Business-Type Activities Bonds Payable	
	Principal	Interest
2022	\$ 895,000	\$ 228,293
2023	980,000	211,914
2024	1,070,000	193,980
2025	1,115,000	174,399
2026	1,135,000	153,995
2027-2031	6,010,000	450,089
2032	1,270,000	23,241
Totals	<u>\$ 12,475,000</u>	<u>\$ 1,435,911</u>

I. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2021 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Wastewater Fund	\$ 1,700,000
Total		<u>\$ 1,700,000</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.

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CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

J. 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.

K. Subsequent Events

As of February 18, 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.

L. Prior Period Adjustments

The effect on beginning fund balance of the prior period adjustment is summarized as follows:

	General Fund
Fund balance as previously stated at 9/30/2020	\$ 6,876,356
Effect of adjustment to state tax on fines payable	55,661
Fund balance as restated at 9/30/2020	\$ 6,932,017

The effect on beginning net position of the prior period adjustments is summarized as follows:

	Governmental Activities	Business-Type Activities
Net position as previously stated at 9/30/2020	\$ 9,986,798	\$ 2,405,621
Effect of adjustment to state tax on fines payable	55,661	-
Effect of adjustment to interfund loan payment	-	150,000
Net position as restated at 9/30/2020	\$ 10,042,459	\$ 2,555,621

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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, 2021

	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
A. Total pension liability				
1. Service cost	\$ 353,095	\$ 354,293	\$ 319,587	\$ 359,177
2. Interest (on the Total Pension Liability)	650,121	613,357	574,103	559,813
3. Changes of benefit terms	-	-	-	-
4. Difference between expected and actual experience	(25,286)	20,066	95,886	(259,027)
5. Changes of assumptions	-	20,532	-	-
6. Benefit payments, including refunds of employee contributions	(502,016)	(423,986)	(426,784)	(430,156)
7. Net change in total pension liability	\$ 475,914	\$ 584,262	\$ 562,792	\$ 229,807
8. Total pension liability - beginning	9,705,877	9,121,615	8,558,823	8,329,016
9. Total pension liability - ending	<u>\$ 10,181,791</u>	<u>\$ 9,705,877</u>	<u>\$ 9,121,615</u>	<u>\$ 8,558,823</u>
B. Plan fiduciary net position				
1. Contributions - employer	\$ 320,056	\$ 304,272	\$ 291,472	\$ 310,165
2. Contributions - employee	136,632	133,264	118,554	128,016
3. Net investment income	648,094	1,142,280	(228,812)	929,376
4. Benefit payments, including refunds of employee contributions	(502,016)	(423,986)	(426,784)	(430,156)
5. Administrative expense	(4,192)	(6,451)	(4,420)	(4,814)
6. Other changes	(164)	(194)	(232)	(244)
7. Net change in plan fiduciary net position	\$ 598,410	\$ 1,149,185	\$ (250,222)	\$ 932,343
8. Plan fiduciary net position - beginning	8,534,048	7,384,863	7,635,085	6,702,742
9. Plan fiduciary net position - ending	<u>\$ 9,132,458</u>	<u>\$ 8,534,048</u>	<u>\$ 7,384,863</u>	<u>\$ 7,635,085</u>
C. Net pension liability [A.9 - B.9]	<u>\$ 1,049,333</u>	<u>\$ 1,171,829</u>	<u>\$ 1,736,752</u>	<u>\$ 923,738</u>
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]	89.69%	87.93%	80.96%	89.21%
E. Covered-employee payroll	\$ 1,951,880	\$ 1,903,776	\$ 1,693,625	\$ 1,828,801
F. Net position as a percentage of covered employee payroll [C / E]	53.76%	61.55%	102.55%	50.51%

Measurement Year 2016	Measurement Year 2015	Measurement Year 2014
\$ 387,702	\$ 366,088	\$ 292,506
517,647	515,199	474,597
-	-	114,583
121,309	(215,000)	159,918
-	48,707	-
(345,269)	(488,614)	(278,948)
<u>\$ 681,389</u>	<u>\$ 226,380</u>	<u>\$ 762,656</u>
<u>7,647,627</u>	<u>7,421,247</u>	<u>6,658,591</u>
<u><u>\$ 8,329,016</u></u>	<u><u>\$ 7,647,627</u></u>	<u><u>\$ 7,421,247</u></u>

\$ 321,199	\$ 320,175	\$ 229,502
139,731	135,302	127,358
417,428	9,156	331,762
(345,269)	(488,614)	(278,948)
(4,713)	(5,576)	(3,463)
(254)	(275)	(285)
<u>\$ 528,122</u>	<u>\$ (29,832)</u>	<u>\$ 405,926</u>
<u>6,174,620</u>	<u>6,204,453</u>	<u>5,798,527</u>
<u><u>\$ 6,702,742</u></u>	<u><u>\$ 6,174,621</u></u>	<u><u>\$ 6,204,453</u></u>

<u><u>\$ 1,626,274</u></u>	<u><u>\$ 1,473,006</u></u>	<u><u>\$ 1,216,794</u></u>
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80.47%	80.74%	83.60%
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\$ 1,950,212	\$ 1,932,885	\$ 1,819,396
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83.39%	76.21%	66.88%
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CITY OF WEST LAKE HILLS, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 327,207	\$ 310,206	\$ 318,664	\$ 289,489	\$ 456,198	\$ 340,749	\$ 308,585
Contributions in relation to the actuarially determined contribution	<u>(327,207)</u>	<u>(310,206)</u>	<u>(318,664)</u>	<u>(289,489)</u>	<u>(456,198)</u>	<u>(340,749)</u>	<u>(308,585)</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered employee payroll	\$ 1,995,167	\$ 1,901,601	\$ 1,961,816	\$ 1,687,657	\$ 2,708,328	\$ 2,141,822	\$ 2,214,426
Contributions as a percentage of covered employee payroll	16.40%	16.31%	16.24%	17.15%	16.84%	15.91%	13.94%

CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Valuation Date:

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	25 years
Asset valuation method	10 Year smoothed market; 12% soft corridor
Inflation	2.50% per year
Salary increases	3.50% to 11.50%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

CITY OF WEST LAKE HILLS, TEXAS
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Measurement Year 2020	Measurement Year 2019	Measurement Year 2018	Measurement Year 2017
A. Total pension liability				
1. Service cost	\$ 4,489	\$ 3,236	\$ 3,218	\$ 3,109
2. Interest on Total OPEB Liability	4,042	4,765	4,528	4,582
3. Changes of benefit terms	-	-	-	-
4. Difference between expected and actual experience	(5,290)	(9,559)	(5,142)	-
5. Changes of assumptions	23,279	22,362	(8,510)	9,759
6. Benefit payments	(2,928)	(2,856)	(2,032)	(1,829)
7. Net changes	\$ 23,592	\$ 17,948	\$ (7,938)	\$ 15,621
8. Total OPEB Liability - beginning of the year	146,207	128,259	136,197	120,576
9. Total OPEB Liability - end of the year	<u>\$ 169,799</u>	<u>\$ 146,207</u>	<u>\$ 128,259</u>	<u>\$ 136,197</u>
E. Covered-employee payroll	\$ 1,951,880	\$ 1,903,776	\$ 1,693,625	\$ 1,828,801
F. Total OPEB Liability as a Percentage of Covered Payroll	8.70%	7.68%	7.57%	7.45%

CITY OF WEST LAKE HILLS, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year				
	2021	2020	2019	2018	2017
Actuarially Determined Contribution	\$ 8,777	\$ 4,043	\$ 4,042	\$ 4,234	\$ 5,700
Contributions in relation to the actuarially determined contribution	(8,777)	(4,043)	(4,042)	(4,234)	(5,700)
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered employee payroll	\$ 1,995,167	\$ 1,901,601	\$ 1,961,816	\$ 1,687,657	\$ 2,708,328
Contributions as a percentage of covered employee payroll	0.44%	0.21%	0.21%	0.25%	0.21%

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CITY OF WEST LAKE HILLS, TEXAS
 NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50%; including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of 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, 2020.

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

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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, 2021, 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 18, 2022.

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.

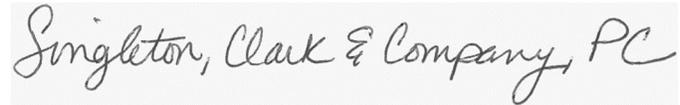
Compliance and Other Matters

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 18, 2022

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CITY OF WEST LAKE HILLS, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

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, 2021 and 2020.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.