

CITY OF WEST, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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Independent Auditors' Report

To the City Council
City of West, Texas

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the business-type activities of City of West, Texas as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 to error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with 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. Those standards require that I 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, I express no such opinion. An audit also includes examining the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the business-type activities of the City of West, Texas as of September 30, 2022, and the changes in financial position and where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-8 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information:

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West, Texas' basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 3, 2023 on my consideration of the City of West, Texas' internal control over financial reporting and on my 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 my 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 of West, Texas' internal control over financial reporting and compliance.



West, Texas
January 3, 2023

CITY OF WEST, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

Within this section of the City of West, Texas (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the year ended September 30, 2022. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights:

The City's assets exceeded its liabilities by \$25,390,953 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$24,438,674. The City's financial position improved substantially during the year.

Total net position is comprised of the following:

- (1) Capital assets, net of related debt, of \$16,537,083 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- (2) Net assets of \$1,324,476 are restricted by debt covenants imposed outside the City.
- (3) Unrestricted net assets of \$7,529,394 represent the portion available to maintain the City's continuing obligations to citizens and creditors.

The City's governmental fund reported an ending fund balance of \$2,205,580 this year. This compares to the prior year ending fund balance of \$1,379,042 showing an increase of \$826,538 during the current year, primarily due to transfers from the Water and Sewer Fund and a prior period adjustment.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, education, and culture and recreation. Business-type activities include water solid waste management, airports, ground transportation, and others.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. The general fund is the only governmental fund currently used by the City.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison statement for the general fund is included in the basic financial statements. This statement demonstrates compliance with the City's adopted budget.

Proprietary funds are reported in the fund financial statements and report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization, such as water utilities, sewer service, and solid waste management. The City does not currently use internal service funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary financial and nonfinancial information following the notes to the financial statements.

Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is \$25,390,953. This is a \$952,279 increase over last year's net position of \$24,438,674. The following table provides a summary of the City's net position at September 30:

	Governmental Activities		Business-Type Activity	
	2022	2021	2022	2021
Current Assets	\$2,230,426	\$1,727,758	\$ 4,769,806	\$ 6,480,644
Note Receivable	-	-	1,125,316	1,227,661
Restricted Assets	-	-	1,324,476	1,557,374
Other Assets	204,537	58,508	87,658	27,562
Water Rights, Net	-	-	866,315	903,981
Capital Assets, Net	4,887,977	4,370,597	14,658,351	13,286,892
Total Assets	7,322,940	6,156,863	22,831,922	23,484,114
Bonds Payable	-	-	2,950,000	3,335,000
Notes Payable	59,245	59,245	1,155,200	1,183,814
Other Liabilities	112,690	373,955	397,126	284,462
Total Liabilities	171,935	433,200	4,502,326	4,803,276
Deferred Inflow of Resources	57,448	(25,976)	32,200	(8,197)
Net Position:				
Invested in Capital Assets, Net of Related Debt	4,828,732	4,311,352	11,708,351	9,951,892
Restricted			1,324,476	1,557,374
Unrestricted	2,264,825	1,438,287	5,264,569	7,179,769
Total Net Position	\$7,093,557	\$5,749,639	\$ 18,297,396	\$ 18,689,035

The City reported an increase in net position for governmental activities of \$1,343,918 and a decrease in net position of its business-type activity of \$391,639, for an overall increase in net position of \$952,279 during fiscal 2022. The reasons for this substantial increase are discussed later in this section.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net position for the years ended September 30:

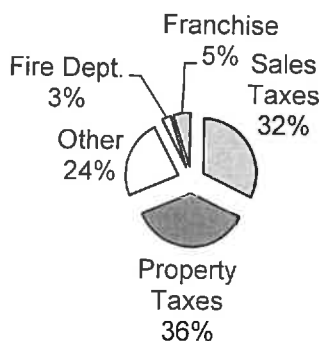
Summary of Changes in Net Position

	Governmental Activities		Business-Type Activity	
	2022	2021	2022	2021
Revenues:				
Program Revenues				
Charges for Services	\$ -	\$ -	\$ 1,575,792	\$ 1,427,414
Grants	408,284	402,429	27,020	313,127
General Revenues				
Sales Taxes	903,312	782,858	-	-
Property Taxes	1,023,831	988,584	245,000	245,000
Franchise Taxes	139,745	131,679	-	-
Fines	19,869	10,952	-	-
Other Taxes & Fees	180,499	122,255	-	-
Fire Department	76,470	36,433	-	-
Donations	-	-	-	-
Other	55,667	39,052	93,421	66,302
Total Revenues	2,807,677	2,514,242	1,941,233	2,051,843
Expenses:				
Payroll & Benefits	941,852	878,368	332,175	324,838
Utilities	105,783	100,867	129,532	115,810
Surface Water Purchased	-	-	253,048	225,858
Interest	-	7,259	148,913	123,964
Depreciation	325,472	314,098	737,829	707,478
Repairs & Maintenance	232,493	154,722	83,652	93,890
Insurance	42,038	39,334	44,370	40,785
Supplies	45,320	34,679	161,305	73,386
Gasoline	55,402	28,151	12,072	7,488
Community Subsidies	42,000	41,000	-	-
Fees	151,708	270,681	61,258	152,499
Fire Department	133,704	58,658	-	-
Grant Expenses	13,835	-	-	-
Other	69,489	25,878	53,752	43,645
Total Expenses	2,159,096	1,953,695	2,017,906	1,909,641
Change in Net Position	648,581	560,547	(76,673)	142,202
Transfers Between Funds	314,966	250,000	(314,966)	(250,000)
Prior Period Adjustments	380,371	-	-	-
Beginning Net Position	5,749,639	4,939,092	18,689,035	18,796,833
Ending Net Position	<u>\$7,093,557</u>	<u>\$5,749,639</u>	<u>\$ 18,297,396</u>	<u>\$ 18,689,035</u>

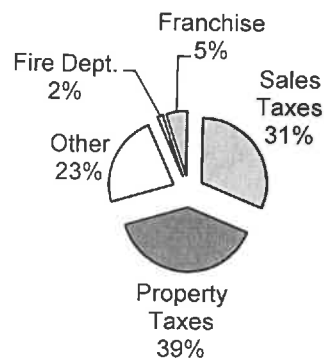
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2022.

Governmental Revenues

2022



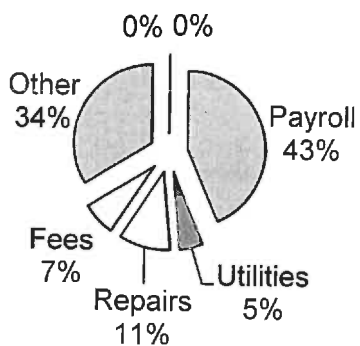
2021



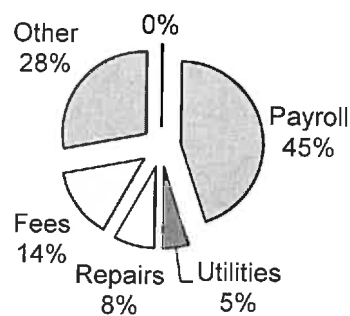
As graphically portrayed above, the City is heavily dependent on sales, property, and franchise taxes to support governmental operations. In both years, fire department generated a small amount of revenues through fundraising.

Governmental Functional Expenses

2022



2021



This graph shows the costs of governmental activities for each of the past two years, with payroll accounting for about half of the total in each year.

Financial Analysis of the City's Funds

Governmental Fund

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. The governmental fund reported an ending fund balance of \$2,205,580, which is an increase of \$826,538 over the prior year, due to a large grant and a transfer from the Water & Sewer Fund.

The General Fund is the City's only governmental fund and source of day-to-day service delivery.

Proprietary Fund

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

The Water and Sewer Fund is the City's only proprietary fund currently in use, and experienced a \$391,639 deficit this year, primarily due to the transfer to General Fund mentioned above.

General Fund Budgetary Highlights

The General Fund budget for fiscal year 2022 was \$2,436,250 in revenues and \$2,582,805 in expenditures. This budget complied with financial policies approved by the City Council and maintained core City services.

Long-Term Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$2,950,000. This amount is supported by pledged revenues generated by the business-type activities of the City. During the year, we paid \$385,000 on these bond issues

Long-Term Water Needs

During fiscal 2005, the City entered into an agreement to sell the pipeline that we built in 2002 to the City of Waco, and simultaneously bought the rights to 1,000,000 gallons of water per day from Waco for the next forty years. No cash will actually trade hands in this agreement, as payments to Waco for water will be offset by payments to West for the pipeline. The City Council believes that this agreement will provide for West's long-term water needs at an economical price.

Fertilizer Plant Explosion

On April 17, 2013, a fire at the local fertilizer plant led to an explosion which claimed the lives of City Secretary Joey Pustejovsky and ten other volunteer firefighters. As a result, we have received over \$9,000,000 in federal and state grants, as well as equipment and cash donations from around the country. In addition, we filed lawsuits against the fertilizer plant and fertilizer manufacturers for negligence related to the explosion. We reached out-of-court settlements in these lawsuits in 2018, collecting over \$6,200,000.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City at P.O. Box 97, West, Texas 76691.

CITY OF WEST, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash on Hand and in Banks	\$ 1,807,077	\$ 378,471	\$ 2,185,548
Investments	228,247	4,062,396	4,290,643
Sales Taxes Receivable	160,457	-	160,457
Accounts Receivable	33,429	146,468	179,897
Delinquent Property Taxes Receivable, Net	1,216	-	1,216
Note Receivable	-	102,345	102,345
Inventory	-	80,126	80,126
Total Current Assets	<u>2,230,426</u>	<u>4,769,806</u>	<u>7,000,232</u>
Restricted Assets			
Cash in Banks		1,255,618	1,255,618
Investments		68,858	68,858
Note Receivable		1,125,316	1,125,316
Net Pension Asset	204,537	87,658	292,195
Reserved Water Rights, net of Accum. Amortization		866,315	866,315
Capital Assets:			
Land	194,129	151,098	345,227
Other Assets, Net of Accumulated Depreciation	<u>4,693,848</u>	<u>14,507,253</u>	<u>19,201,101</u>
Total Assets	<u><u>\$ 7,322,940</u></u>	<u><u>\$ 22,831,922</u></u>	<u><u>\$ 30,154,862</u></u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 54,759	\$ 195,764	\$ 250,523
Meter Deposits Payable		176,534	176,534
Note Payable	17,920	29,884	47,804
Revenue Bonds Payable		<u>365,000</u>	<u>365,000</u>
Total Current Liabilities	72,679	767,182	839,861
Long-Term Liabilities			
OPEB Payable	57,931	24,828	82,759
Note Payable	41,325	1,125,316	1,166,641
Revenue Bonds Payable		<u>2,585,000</u>	<u>2,585,000</u>
Total Long-Term Liabilities	99,256	3,735,144	3,834,400
Total Liabilities	171,935	4,502,326	4,674,261
Deferred Inflows of Resources	57,448	32,200	89,648
NET POSITION			
Invested in Capital Assets, net of Related Debt	4,828,732	11,708,351	16,537,083
Restricted		1,324,476	1,324,476
Unrestricted	<u>2,264,825</u>	<u>5,264,569</u>	<u>7,529,394</u>
Total Net Position	<u><u>7,093,557</u></u>	<u><u>18,297,396</u></u>	<u><u>25,390,953</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Functions/Programs	Governmental Activities	Business-Type Activity	Total
Governmental Activities:			
General Government	\$ 2,159,096	\$ -	\$ 2,159,096
Business-Type Activities:			
Water & Sewer	-	2,017,906	2,017,906
Program Revenues:			
Charges for Services	-	1,565,650	1,565,650
Net (Expense) Revenue	(2,159,096)	(452,256)	(2,611,352)
General Revenues:			
Property Taxes	1,023,831	245,000	1,268,831
Sales Taxes	903,312	-	903,312
Franchise Taxes	139,745	-	139,745
Interest	5,883	93,422	99,305
Grants	408,284	27,020	435,304
Fire Department	76,470	-	76,470
Other	250,152	10,141	260,293
Total General Revenues	2,807,677	375,583	3,183,260
Transfers Between Funds	314,966	(314,966)	-
Change in Net Position	963,547	(391,639)	571,908
Beginning Net Position	5,749,639	18,689,035	24,438,674
Prior Period Adjustment	380,371	-	380,371
Ending Net Position	<u>\$ 7,093,557</u>	<u>\$ 18,297,396</u>	<u>\$25,390,953</u>

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2022

ASSETS:

Cash on Hand and in Banks	\$ 1,807,077
Investments	228,247
Sales Taxes Receivable	160,457
Other Accounts Receivable	33,429
Delinquent Property Taxes Receivable, Net	1,216
Net Pension Asset	204,537
Total Assets	<u>\$2,434,963</u>

LIABILITIES AND FUND BALANCES:

LIABILITIES:

Current Liabilities:	
Accounts Payable	\$ 54,759
Note Payable	17,920
Total Current Liabilities	72,679
Long-Term Liabilities	
Note Payable	41,325
OPEB Payable	57,931
Total Long-Term Liabilities	99,256
Total Liabilities	171,935
Deferred Outflow of Resources	57,448

FUND BALANCES:

Unreserved	2,205,580
Total Liabilities and Fund Balances	<u>\$2,434,963</u>

Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Assets:

Fund Balance, Governmental Fund	\$2,205,580
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets of \$8,246,349 less accumulated depreciation of (\$3,358,372) are not financial resources and, therefore, are not reported in the funds.	4,887,977
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Net Assets of Governmental Activities	<u>\$7,093,557</u>
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The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>General</u>
Revenues:	
General Property Taxes	\$ 1,023,831
Penalty & Interest	9,446
City Sales Tax	903,312
Alcohol Device Tax	7,128
Occupation Tax	139,745
Hotel Tax	159,219
Permits	4,706
Fines	19,869
Animal Control	-
Child Safety Fees	3,614
Fire Department Revenues	76,470
Proceeds from Asset Sales	10,900
Grants	408,284
Miscellaneous	35,270
Interest	5,883
	<hr/>
Total Revenues	2,807,677
Expenditures:	
Salaries	787,643
Payroll Taxes	76,064
Benefits - Retirement	(9,652)
Benefits - Group Insurance	87,797
Utilities	85,717
Telephone	20,066
Office Supplies	8,709
Hotel Tax Disbursement	44,074
General Supplies	13,353
Postage	1,097
Street Supplies	8,999
Animal Control	6,781
Code Enforcement	1,909
Police Supplies	13,161
Repairs & Maintenance Buildings, Parks, Equipment	117,312
Repairs & Maintenance Street	115,182
Recycling	3,667
Criminal Justice Fees	5,204
Dues & Subscriptions	42,481
Election Expense	544
Legal & Professional	38,952
Travel & Training	4,520

	General
Public Works & Police Uniforms	18,689
Fire Department Expenses	133,704
Community Subsidies	42,000
Gasoline	19,218
Gasoline - Police, Ambulance	36,184
Miscellaneous	14,314
Capital Outlay	842,852
Economic Development	32,000
Insurance	42,038
Grant Expenses	13,835
Public Health District	8,062
Total Expenditures	2,676,476
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Financing Uses	131,201
Other Financing Sources - Interfund Transfers	314,966
Excess (Deficit) of Revenues Over (Under) Expenditures	446,167
Fund Balance at Beginning of Year	1,379,042
Prior Period Adjustment	380,371
Fund Balance at End of Year	\$ 2,205,580
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund to the Statement of Activities	
Net Change in Fund Balance - Governmental Fund	826,538
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which which capital outlay of \$842,852 exceeded depreciation of \$325,472 during the current period.	517,380
Change in net position of governmental activities	\$ 1,343,918

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
General Property Taxes	\$ 1,032,000	\$ 1,023,831	\$ (8,169)
Penalty & Interest	30,000	9,446	(20,554)
City Sales Taxes	745,000	903,312	158,312
Alcohol Device Taxes	5,000	7,128	2,128
Franchise Taxes	142,000	139,745	(2,255)
Hotel Taxes	150,000	159,219	9,219
Permits	100,000	4,706	(95,294)
Fines	15,000	19,869	4,869
Animal Control	150	-	(150)
Child Safety Fees	-	3,614	3,614
Fire Department Revenues	-	76,470	76,470
Proceeds from Asset Sales	-	10,900	10,900
Grants	200,000	408,284	208,284
Rental Income	6,000	-	(6,000)
Miscellaneous	5,000	35,270	30,270
Interest	2,500	5,883	3,383
Total Revenues	2,432,650	2,807,677	375,027
Expenditures:			
Salaries	729,535	787,643	(58,108)
Payroll Taxes	66,560	76,064	(9,504)
Benefits - Retirement	71,410	(9,652)	81,062
Benefits - Group Insurance	133,000	87,797	45,203
Utilities	85,000	85,717	(717)
Telephone	20,000	20,066	(66)
Office Supplies	3,000	8,709	(5,709)
Hotel Tax Disbursement	60,000	44,074	15,926
General Supplies	15,000	13,353	1,647
Postage	2,800	1,097	1,703
Street Supplies	2,000	8,999	(6,999)
Animal Control	6,000	6,781	(781)
Code Enforcement	5,000	1,909	3,091
Police Supplies	7,000	13,161	(6,161)
Repairs & Maintenance	175,000	117,312	57,688
Repairs & Maintenance Street	50,000	115,182	(65,182)
Recycling	3,500	3,667	(167)
Criminal Justice Fees	8,000	5,204	2,796
Dues & Subscriptions	36,000	42,481	(6,481)
Election Expense	3,500	544	2,956

	Budget	Actual	Variance Favorable (Unfavorable)
Legal & Professional	100,000	38,952	61,048
Travel & Training	3,000	4,520	(1,520)
Public Works & Police Uniforms	5,500	18,689	(13,189)
Fire Department Expenses	32,000	133,704	(101,704)
Community Subsidies	42,000	42,000	-
Gasoline	13,000	19,218	(6,218)
Gasoline - Police	19,000	36,184	(17,184)
Miscellaneous	12,000	14,314	(2,314)
Capital Outlay	527,000	842,852	(315,852)
Economic Development	45,000	32,000	13,000
Insurance	45,000	42,038	2,962
Grant Expenses	200,000	13,835	186,165
Public Health District Fees	7,000	8,062	(1,062)
Total Expenditures	2,532,805	2,676,476	(204,719)
Excess (Deficit) of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	(100,155)	131,201	231,356
Interfund Transfers	-	314,966	314,966
Excess (Deficit) of Revenues Over (Under) Expenditures	(100,155)	446,167	546,322
Fund Balance at Beginning of Year	1,379,042	1,379,042	-
Prior Period Adjustment	-	380,371	380,371
Fund Balance at End of Year	\$ 1,278,887	\$ 2,205,580	\$ 926,693

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
STATEMENT OF FUND NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2022

	Water & Sewer Fund
ASSETS:	
Current Assets:	
Cash on Hand and in Banks	\$ 378,471
Investments	4,062,396
Accounts Receivable	146,468
Note Receivable	102,345
Inventory	80,126
Total Current Assets	<u>4,769,806</u>
Restricted Assets:	
Cash in Banks	1,255,618
Investments	68,858
Total Restricted Assets	<u>1,324,476</u>
Other Assets	
Note Receivable	1,125,316
Net Pension Asset	87,658
Reserved Water Rights, net of Accumulated Amortization	866,315
Total Other Assets	<u>2,079,289</u>
Capital Assets:	
Land	151,098
Other Capital Assets, net of Accumulated Depreciation	14,507,253
Total Capital Assets	<u>14,658,351</u>
Total Assets	<u><u>\$22,831,922</u></u>
Deferred Inflow of Resources	32,200
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 195,764
Meter Deposits Payable	176,534
Notes Payable	29,884
Revenue Bonds Payable	365,000
Total Current Liabilities	<u>767,182</u>
Long-Term Liabilities:	
OPEB Payable	24,828
Note Payable	1,125,316
Revenue Bonds Payable	2,585,000
Total Long-Term Liabilities	<u>3,735,144</u>
Total Liabilities	4,502,326
NET POSITION:	
Invested in Capital Assets, Net of Related Debt	11,708,351
Restricted	1,324,476
Unrestricted	5,264,569
Total Net Position	<u><u>\$ 18,297,396</u></u>

The accompanying notes are an integral part of this financial statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Water and Sewer
Operating Revenues:	
Water Sales	\$ 1,099,051
Sewer Service	383,635
Water Tap Fees	13,300
Sewer Tap Fees	4,500
Late Charges	35,525
Property Taxes	245,000
Grants	27,020
Collection Fees	29,639
Miscellaneous	10,142
	<hr/>
Total Operating Revenues	\$ 1,847,812
Cost of Water Purchased	<hr/> 253,048
Gross Profit	\$ 1,594,764
Operating Expenses:	
Salaries	274,460
Payroll Taxes	20,980
Retirement	(4,137)
Group Insurance	40,872
Utilities	115,175
Telephone	14,357
Office Supplies	2,771
Computer Supplies	520
General Supplies	116,212
Postage	6,307
Chlorine Supplies	35,494
Repairs & Maintenance	83,652
Dues & Subscriptions	17,969
Legal & Professional	13,556
Travel & Training	2,782
Public Works Uniforms	545
Laboratory Fees	16,996

	Water and Sewer
Gasoline	<u>12,072</u>
Miscellaneous	14,010
Insurance	44,370
Bad Debts	-
Grant Expenses	9,000
Interest	148,913
Amortization	40,153
Depreciation	<u>737,829</u>
Total Operating Expenses	<u>1,764,858</u>
Operating Income (Loss)	\$ (170,094)
Nonoperating Revenues (Expenses)	
Interest Income	93,421
Interfund Transfers	<u>(314,966)</u>
Net Income (Loss)	(391,639)
Beginning Net Position	<u>18,689,035</u>
Ending Net Position	<u><u>\$ 18,297,396</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Water and Sewer</u>
Cash Flows From Operating Activities:	
Cash Receipts From Customers	\$ 1,569,293
Cash Receipts From Property Taxes	245,000
Cash Payments to Vendors	(394,269)
Cash Payments to Employees	(274,460)
Cash Payments for Interest	<u>(148,913)</u>
Net Cash Flows From Operating Activities	996,651
Cash Flows From Capital and Related Financing Activities:	
Receipt of Grant	27,020
Purchases of Capital Assets	(2,109,289)
Payment of Note	(28,614)
Payment of Revenue Bonds	<u>(385,000)</u>
Net Cash Flows From Capital and Related Financing Activities	(2,495,883)
Cash Flows Used By Noncapital Financing Activities:	
Interfund Transfers	(314,966)
Cash Flows From Investing Activities:	
Interest Income	<u>93,421</u>
Net Increase (Decrease) in Cash	(1,720,777)
Cash and Equivalents, Beginning of Year	<u>7,486,120</u>
Cash and Equivalents, End of Year	<u><u>\$ 5,765,343</u></u>

The accompanying notes are an integral part of this financial statement.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

1. Summary of Significant Accounting Policies

A. Reporting Entity

For financial reporting purposes, in conformity with generally accepted accounting principles, the City of West, Texas includes all funds, account groups, and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City.

Based on the foregoing criteria, the following component unit is included in the accompanying financial statements:

Volunteer Fire Department - The City owns the Department's assets, subsidizes their operations annually, is morally responsible to fund operating deficits, and controls their facilities.

The following related organizations are not component units of the City and are excluded from the accompanying financial statements:

Volunteer Ambulance Association - The Association's expenses are financed entirely by outside sources, with the exception of the subsidy reported in the accompanying financial statements. The City is not involved in determining charges for services, funding operating deficits, or choosing its governing officials.

Community Library - The Library's expenses are financed entirely by outside sources, with the exception of occasional subsidies reported in the accompanying financial statements. The City is not involved in determining charges for services, funding operating deficits, or choosing its governing officials or employees, but does insure the building, and would assume ownership of the building if the Library ceased operations.

Hospital Authority - The City appoints four of the Authority's ten directors, but meets none of the other criteria for inclusion in the City's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of net activities. These statements report financial information for the City as a whole. The statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed with fees charged to external customers.

Fund financial statements are provided for governmental and proprietary funds.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

C. Fund Accounting

The accounts of the City are organized into funds, each of which is considered to be a separate accounting entity. The following fund types are used by the City.

(A) Governmental Fund Type:

Governmental Funds are those through which most governmental functions typically are financed.

1. General Fund

The General fund is the primary operating fund of the City. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property, sales, franchise, and other local taxes.

(B) Proprietary Fund Type:

1. Water and Sewer Fund

The Water and Sewer Fund accounts for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets.

The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the balance sheet. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

The modified accrual basis of accounting is used by governmental fund types. Under the modified accrual basis of accounting, revenues are when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

The accrual basis of accounting is used by the proprietary fund type. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

E. Budgets and Budgetary Accounting

The City adopts annual budgets for the General Fund and the Water and Sewer Fund. The annual budget for the general fund is prepared on the modified accrual basis of accounting. The budget for the Water and Sewer Fund is prepared under a basis consistent with GAAP, except that depreciation is not considered, but capital expenses and liability reductions are considered.

F. Inventory of Parts and Supplies

Inventory of parts and supplies held for consumption are recorded at cost on a first-in, first-out basis in the Water and Sewer Fund.

G. Property Taxes

Property taxes attach as enforceable liens on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent on February 1 of the following year. The City's taxes are billed and collected by the McLennan County Tax Office. City property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectibility is improbable. At September 30, 2022, this allowance is \$60,009.

H. Property, Plant, Equipment, and Infrastructure

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their fund financial statements. Donated assets are stated at fair value on the date donated. The costs of

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Structures	20-40 Years
Vehicles	3-5 Years
Fire Trucks	10 Years
Equipment	5-15 Years
Underground Pipes	35 Years

I. Water Reservation Rights

In 2005, the City bought the rights to purchase surface water from the City of Waco through 2045. These rights are amortized using the straight-line method over forty years.

J. Statement of Cash Flows

For the purposes of the Statement of Cash Flows of the Water and Sewer Fund, the City considers all highly liquid investments with initial maturities of three months or less when purchased to be cash equivalents.

K. Pension Coverage

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 the TMRS' fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is recorded 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.

2. Cash, Investments, and Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The *Public Funds Investment Act* and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The *Public Funds Investment Act* requires that a financial institution secure deposits made by state or

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

2. Cash, Investments, and Custodial Credit Risk (continued)

local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must at least equal the bank balances less the FDIC insurance at all times.

As of September 30, 2022, the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized. The book balances of the City's deposits were \$3,440,966, of which \$500,000 were covered by FDIC insurance and \$2,940,966 were collateralized by United States Government securities and other securities with market values of \$3,689,237, held by one of the financial institutions and one independent institution.

All amounts reported under the caption "Investments" in the City's financial statements are investments in the Local Government Investment Cooperative (LOGIC), a public funds investment pool administered by FirstSouthwest and JPMorgan Chase. LOGIC was organized in conformity with the *Interlocal Cooperation Act*, Chapter 791 of the Texas Government Code and the *Public Funds Investment Act*, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and authorize eligible governmental entities to invest their public funds and funds under their control through the investment pools, and are considered Level 2 Investments.

For financial reporting purposes, LOGIC uses the fair value method to report its investments. Under the fair value method, fixed-income securities are valued each day by independent or affiliated commercial pricing services or third party broker-dealers. The pricing services or broker-dealers use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services or broker-dealers may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services or broker-dealers also utilize proprietary valuation models which may consider market transactions in comparable securities and the various relationships between securities in determining value and/or market characteristics such as benchmark yield curves, option adjusted spreads, credit spreads, estimated default rates, coupon rates, estimated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair values.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally-recognized statistical rating organization. At September 30, 2022, the City's investments in LOGIC totaled \$4,359,501, and were rated AAA by Standard & Poor's.

3. Components of Restricted Assets

Revenue Bond Certificate Funds	\$ 226,910
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The ordinances authorizing the 2012 tax and revenue refunding bonds require that the City establish a certificate fund for the purpose of paying principal and interest on these bonds.

Disaster Recovery Funds	\$ 1,097,567
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The State of Texas requires that the City only spend these funds for disaster recovery.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

4. Changes in Capital Assets

The following is a summary of changes in capital assets used in governmental activities for the fiscal year:

	Balance September 30, 2021	Additions	Retirements	Balance September 30, 2022
Land	\$194,129	\$ -	\$ -	\$194,129
Streets and Bridges	1,641,255	260,953		1,902,208
Buildings and Improvements	1,447,109	211,150		1,658,259
City Park	263,765			263,765
Community Center	611,991			611,991
Street Department Equipment	1,031,867	40,313	20,004	1,052,176
Fire Department Equipment	1,712,112	323,836		2,035,948
Police Department Equipment	438,204	6,600		444,804
Office Equipment	63,065			63,065
Accumulated Depreciation	(3,032,900)	(325,472)	(20,004)	(3,338,368)
Net Capital Assets	<u>\$4,370,597</u>	<u>\$517,380</u>	<u>\$0</u>	<u>\$4,887,977</u>

Depreciation recognized during the year was \$325,472. Construction in Progress at September 30, 2022 was \$164,078, consisting of costs of building a new police station..

The following is a summary of changes in proprietary fund capital assets for the fiscal year:

	Balance September 30, 2021	Additions	Retirements	Balance September 30, 2022
Water System	\$ 17,996,364	\$1,962,050	\$ -	\$ 19,958,414
Sewer System	1,386,417	125,329		1,511,746
Vehicles and Equipment	854,030	21,910		875,940
Buildings	1,912,569			1,912,569
Land	151,098			151,098
Accumulated Depreciation	(9,013,586)	(737,830)		(9,751,416)
Net Capital Assets	<u>\$ 13,286,892</u>	<u>\$1,371,459</u>	<u>\$ -</u>	<u>\$14,658,351</u>

Depreciation recognized during the year was \$737,830.

Construction in Progress at September 30, 2022 was \$486,284, consisting of costs of the the Wastewater Treatment Plant Project.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

5. Changes in Long-Term Debt

The following is a summary of debt transactions for the City for the year ended September 30, 2022:

Description:	Balance September 30, 2021	Issued	Retired	Balance September 30, 2022
2012 Tax and Revenue Refunding Bonds, \$2,135,000 originally issued, with interest rate of 2.39%	650,000	-	320,000	330,000
Note Payable to City of Waco for purchase of water reservation rights, 4.35 % imputed interest rate	1,183,814	-	28,614	1,155,200
2015 Combination Tax and Revenue Certificates of Obligation, \$1,545,000 originally issued, with interest rates ranging from 3.25% to 5%	1,420,000	-	20,000	1,400,000
2021 Combination Tax and Revenue Certificates of Obligation, \$1,265,000 originally issued, with interest rates ranging from 2% to 3%	1,265,000	-	45,000	1,220,000
Note Payable for two Police vehicles, with interest at 4.232%	59,245	-	-	59,245
Total	<u>\$ 4,578,059</u>	<u>\$ -</u>	<u>\$ 413,614</u>	<u>\$ 4,164,445</u>

The annual debt requirements as of September 30, 2022, including principal and interest are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2023	\$ 573,895
2024	306,001
2025	310,051
2026	283,478
2027	288,734
2028-32	1,432,337
2033-37	1,150,702
2038-42	730,410
2043.-46	484,490
Total Principal and Interest	5,560,098
Less Interest	<u>1,395,653</u>
Liability at September 30, 2022	<u>\$ 4,164,445</u>

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

6. Note Receivable

On September 20, 2005, the City sold a pump station and water transmission line to the City of Waco, to be paid to the City in installments of \$12,814 monthly for 18 years, and \$6,632 monthly for 22 years. Interest is imputed at 4.35% over the term of the agreement. During the first 18 years, payments of \$6,632 per month will be offset against those due to Waco for water reservation rights. For all 40 years, the payments of \$6,182 per month will be offset by the City's purchase of surface water from Waco.

7. Defined-Benefit Pension Plan

Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined-benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	12
Active Employees	19
Total	42

Covered Payroll	\$ 905,393
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CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(Continued)

7. Defined-Benefit Pension Plan (Continued)

Contributions

Employees of the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rate for the City was 7% and totaled \$66,290 for the year, which equaled the required contributions.

Net Pension Liability (Asset)

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

Actuarial assumptions:

The Total Pension Liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%	per year
Overall payroll growth	2.75%	per year
Investment Rate of Return	6.75%	net of pension plan investment expense, including inflation

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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.

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

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(continued)

7. Defined-Benefit Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public & Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

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.

Changes in the Net Pension Liability (Asset):

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance, December 31, 2020	\$ 2,655,351	\$ 2,738,934	\$ (83,583)
Changes for the year:			
Service Cost	92,078		92,078
Interest	177,018		177,018
Change of Benefit Terms			-
Differences Between Expected and Actual	(16,885)		(16,885)
Changes in Assumptions			-
Benefit Payments	(157,792)		(157,792)
Contributions - Employer		60,842	(60,842)
Contributions - Employee		45,270	(45,270)
Net Investment Income		356,353	(356,353)
Benefit Payments		(157,792)	157,792
Administrative Expense		(1,652)	1,652
Other		10	(10)
Balances, December 31, 2021	\$ 2,749,770	\$ 3,041,965	\$ (292,195)

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

7. Defined-Benefit Pension Plan (Continued)

Sensitivity Analysis:

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, 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%
Net Pension Liability (Asset)	\$ 60,486	\$ (292,195)	\$ (586,355)

Pension Expense:

Service Cost	\$ 92,078
Interest on Total Pension Liability	177,018
Changes in Current Period Benefits	-
Employee Contributions	(45,270)
Projected Earnings on Plan Investments	(184,878)
Administrative Expense	1,652
Other Changes in Fiduciary Net Position	(10)
Recognition of Current Year Outflow (Inflow) of Liabilities	(4,159)
Recognition of Current Year Outflow (Inflow) of Assets	(34,296)
Amortization of Prior Year Outflows (Inflows) of Liabilities	5,610
Amortization of Prior Year Outflows (Inflows) of Assets	(27,217)
Total Pension Expense	<u>\$ (19,472)</u>

Schedule of Deferred Inflows/Outflows of Resources:

	Total (Inflow) or Outflow of Resources	Current Pension Expense	Deferred (Inflow)/Outflow of Resources
Difference in Expected and Actual Experience	\$ (16,885)	\$ (4,159)	\$ (12,726)
Difference in Changes in Assumptions	-	-	-
Difference in Projected and Actual Earnings	(171,475)	(34,295)	(137,180)
Totals	<u>\$ (188,360)</u>	<u>\$ (38,454)</u>	<u>\$ (149,906)</u>

Amounts currently reported as deferred outflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ending December 31:

2022	\$ (28,700)
2023	(88,676)
2024	(44,553)
2025	(34,544)
thereafter	-
Total	<u>\$ (196,473)</u>

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(continued)

8. Postemployment Benefits Other Than Pensions (OPEB)

TMRS also administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Plan (SDBP). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF program is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

The member 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 prefund retiree term life insurance during employees' entire careers.

As of December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	2
Active employees	19
Total	30

Total OPEB Liability

The City's total OPEB liability of \$82,759 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.5% to 11.5%
Discount rate	1.84%
Retirees' share of benefit-related costs	-
Administrative expenses	Paid through the Pension Trust
Mortality rates	2019 Municipal Retirees of Texas Mortality Tables projected on a fully generational basis with Scale UMP

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period from December 31, 2014 to December 31, 2018.

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(continued)

8. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Changes in the Total OPEB Liability:

Balance, December 31, 2020	\$ 82,437
Changes for the year	
Service Cost	3,893
Interest on Total OPEB Liability	1,671
Changes of benefit terms	-
Differences between expected and actual experience	(5,691)
Changes in assumptions or other inputs	2,079
Benefit payments	(1,630)
Net changes	322
Balance, December 31, 2021	\$ 82,759
Covered Payroll	\$ 905,393
Total OPEB Liability as a Percentage of Covered Payroll	9.14%

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

	1% Decrease 84.00%	Current Discount Rate 1.84%	1% Increase 2.84%
Total OPEB Liability	\$ 97,209	\$ 82,759	\$ 70,823

OPEB Expense:

Service cost	\$ 3,893
Interest on total OPEB liability	1,671
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflow/inflows of resources:	
Differences between expected and actual experience	(3,893)
Changes in assumptions or other inputs	4,012
Total OPEB Expense	\$ 5,683

CITY OF WEST, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022
(continued)

8. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Schedule of Outflows and Inflows - Current and Future Expense

<u>Due to Liabilities:</u>	<u>Recognition Period</u>	<u>Total (Inflow) or Outflow of Resources</u>	<u>Current OPEB Expense</u>	<u>Deferred (Inflow) Outflow</u>
Difference in expected and actual experience	5.58	\$ (5,691)	\$ (1,020)	\$ (4,671)
Change in assumptions	5.58	<u>2,079</u>	<u>373</u>	<u>1,706</u>
Total		<u>\$ (3,612)</u>	<u>\$ (647)</u>	<u>\$ (2,965)</u>

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future OPEB expense:

	<u>Net Deferred Outflows / (Inflows) of Resources</u>
2022	\$ (200)
2023	315
2024	1,543
2025	(165)
2026	(377)
thereafter	<u>-</u>
Total	<u>\$ 1,116</u>

9. Commitments and Contingencies

As of September 30, 2022, the City was committed to spend an additional \$425,741 on a new Police Department building, and an additional \$425,407 on the Wastewater Treatment Plant Project.

10. Prior Period Adjustments

In the year ended September 30, 2022, the Fund Balance of the General Fund was increased by \$394,571 to reflect a grant from the Texas Department of Emergency Management that was applicable to the two prior years, but received in the current year, and decreased by building permit fees of \$14,200 applicable to the previous year.

SUPPLEMENTARY INFORMATION

CITY OF WEST, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	Years Ended December 31									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service cost	\$ 55,054	\$ 63,110	\$ 64,922	\$ 68,922	\$ 70,280	\$ 99,140	\$ 98,580	\$ 92,078	N/A	N/A
Interest on total pension liability	120,256	122,362	124,630	129,475	131,894	158,400	171,152	177,018	N/A	N/A
Change in benefit terms						295,891				
Difference between expected and actual experience	(22,037)	(17,950)	(11,966)	(50,179)	1,214	43,171	(29,432)	(16,885)	N/A	N/A
Changes in assumptions	-	36,430	-			17,374				
Benefit payments/refunds of contributions	(157,620)	(96,790)	(116,255)	(99,358)	(126,758)	(115,300)	(142,482)	(157,792)	N/A	N/A
Net change in total pension liability	(4,347)	107,162	61,331	48,860	76,630	498,676	97,818	94,419	N/A	N/A
Total pension liability, beginning	1,769,221	1,764,874	1,872,036	1,933,367	1,982,227	2,068,857	2,557,533	2,655,351	N/A	N/A
Total pension liability, ending	<u>\$ 1,764,874</u>	<u>\$ 1,872,036</u>	<u>\$ 1,933,367</u>	<u>\$ 1,982,227</u>	<u>\$ 2,058,857</u>	<u>\$ 2,557,533</u>	<u>\$ 2,655,351</u>	<u>\$ 2,749,770</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position										
Employer contributions	\$ 51,278	\$ 51,722	\$ 43,263	\$ 30,397	\$ 55,503	\$ 42,578	\$ 65,687	\$ 60,842	N/A	N/A
Employee contributions	37,700	37,655	38,325	40,165	40,860	48,885	48,371	45,270	N/A	N/A
Net Investment income	112,128	2,954	134,866	290,246	(70,507)	347,472	194,927	356,353	N/A	N/A
Benefit payments/refunds of contributions	(157,620)	(96,790)	(116,255)	(99,358)	(126,758)	(115,300)	(142,482)	(157,792)	N/A	N/A
Administrative expenses	(1,171)	(1,800)	(1,523)	(1,504)	(1,363)	(1,967)	(1,264)	(1,652)	N/A	N/A
Other	(96)	(88)	(82)	(76)	(71)	(59)	(50)	10	N/A	N/A
Net change in fiduciary net position	42,219	(6,347)	98,594	259,870	(102,336)	321,609	165,189	303,031	N/A	N/A
Fiduciary net position, beginning	1,960,136	2,002,355	1,996,008	2,094,602	2,354,472	2,252,136	2,573,745	2,738,934	N/A	N/A
Fiduciary net position, ending	<u>\$ 2,002,355</u>	<u>\$ 1,996,008</u>	<u>\$ 2,094,602</u>	<u>\$ 2,354,472</u>	<u>\$ 2,252,136</u>	<u>\$ 2,573,745</u>	<u>\$ 2,738,934</u>	<u>\$ 3,041,965</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability / (asset), ending	<u>\$ (237,481)</u>	<u>\$ (123,972)</u>	<u>\$ (161,235)</u>	<u>\$ (372,245)</u>	<u>\$ (193,279)</u>	<u>\$ (16,212)</u>	<u>\$ (83,583)</u>	<u>\$ (292,195)</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	113.46%	106.62%	108.34%	118.78%	109.39%	100.63%	103.15%	110.63%	N/A	N/A
Pensionable covered payroll	\$ 754,008	\$ 753,107	\$ 766,496	\$ 803,292	\$ 817,208	\$ 977,708	\$ 967,416	\$ 905,393	N/A	N/A
Net pension liability as a % of covered payroll	-31.50%	-16.46%	-21.04%	-46.34%	-23.65%	-1.66%	-8.64%	-32.27%	N/A	N/A

CITY OF WEST, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST 10 FISCAL YEARS (WILL ULTIMATELY BE DISPLAYED)

<u>Year Ended September 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	Not Available	\$ 52,499	Not Available	\$ 748,085	7.02%
2016	Not Available	54,696	Not Available	781,373	7.00%
2017	Not Available	24,225	Not Available	807,481	3.00%
2018	Not Available	56,175	Not Available	802,505	7.00%
2019	Not Available	50,608	Not Available	957,306	5.29%
2020	Not Available	58,810	Not Available	936,012	6.28%
2021	Not Available	65,280	Not Available	932,577	7.00%
2022	Not Available	66,290	Not Available	905,393	Not Available
2023	Not Available	Not Available	Not Available	Not Available	Not Available
2024	Not Available	Not Available	Not Available	Not Available	Not Available

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contributions 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	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Different tables used for post-retirement and pre-retirement, both with rates projected on a fully generational basis with scale UMP.

CITY OF WEST, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED
EARNINGS - BUDGET AND ACTUAL - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Water and Sewer		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Water Sales	\$ 1,100,000	\$ 1,099,051	\$ (949)
Sewer Service	380,000	383,635	3,635
Water Tap Fees	20,000	13,300	(6,700)
Sewer Tap Fees	20,000	4,500	(15,500)
Late Charges	20,000	35,525	15,525
Property Taxes	245,000	245,000	-
Grants	-	27,020	27,020
Collection Fees	25,000	29,639	4,639
Miscellaneous	1,500	10,142	8,642
Total Operating Revenues	1,811,500	1,847,812	36,312
Cost of Water Purchased	190,000	253,048	(63,048)
Gross Profit	1,621,500	1,594,764	(26,736)
Operating Expenses:			
Salaries	272,900	274,460	(1,560)
Payroll Taxes	20,222	20,980	(758)
Retirement	19,203	(4,137)	23,340
Group Insurance	43,800	40,872	2,928
Utilities	100,000	115,175	(15,175)
Telephone	12,000	14,357	(2,357)
Office Supplies	3,000	2,771	229
Computer Supplies	1,500	520	980
General Supplies	45,000	116,212	(71,212)
Postage	5,000	6,307	(1,307)
Chlorine Supplies	20,000	35,494	(15,494)
Repairs & Maintenance	200,000	83,652	116,348
Dues & Subscriptions	12,000	17,969	(5,969)
Legal & Professional	12,000	11,368	632
Engineering Fees	45,000	2,188	42,812
Travel & Training	1,000	2,782	(1,782)
Public Works Uniforms	1,500	545	955
Laboratory Fees	20,000	16,996	3,004
Gasoline	10,000	12,072	(2,072)

	Budget	Actual	Variance Favorable (Unfavorable)
Miscellaneous	\$ 1,000	\$ 14,010	\$ (13,010)
Insurance	45,000	44,370	630
Bad Debts	5,000	-	5,000
Bond Interest	63,000	148,913	(85,913)
Grant Expenses	-	9,000	(9,000)
Amortization	-	40,153	(40,153)
Depreciation	-	737,829	(737,829)
Total Operating Expenses	958,125	1,764,858	(806,733)
Operating Income (Loss)	663,375	\$ (170,094)	(833,469)
Nonoperating Revenues (Expenses):			
Interest Income	150,000	93,421	(56,579)
Interfund Transfers	-	(314,966)	(314,966)
Net Income (Loss)	813,375	(391,639)	(1,205,014)
Beginning Net Position	18,689,035	18,689,035	-
Ending Net Position	<u>\$ 19,502,410</u>	<u>\$ 18,297,396</u>	<u>\$ (1,205,014)</u>
Other Budgeted Items:			
Capital Outlay	\$ 1,433,000	\$ 2,109,288	\$ (676,288)
Bond Principal Payments	385,000	385,000	-

**CITY OF WEST, TEXAS
COMBINED SUMMARY OF INVESTMENTS
SEPTEMBER 30, 2022**

	<u>Interest Rate (%)</u>	<u>Dated</u>	<u>Matures</u>	<u>Amount</u>
General Fund:				
Savings Account 8982	0.43			\$ 188,931
Savings Account 7744	0.43			29,353
Savings Account 9019	0.43			4,127
Savings Account 9052	0.43			744
Savings Account 6004345	0.43			556,142
Savings Account 6005607	0.43			15,370
LOGIC Savings 003	2.969			228,247
Savings Account 98061	0.10			230,137
Savings Account 98558	0.10			7,318
Savings Account 98608	0.10			16,984
Certificate of Deposit 710004813	2.97			150,000
Total General Fund				<u>\$ 1,427,353</u>
Water and Sewer Fund:				
Time Deposit 2693	0.30	5/13/2022	11/13/2022	\$ 24,109
Savings Account 50	0.10			101,799
Savings Account 18754	0.10			14,962
LOGIC Savings 001	2.969			167,948
LOGIC Savings 005	2.969			3,894,448
Total Water and Sewer Fund				<u>\$ 4,203,266</u>
Total Unrestricted Funds				<u>\$ 5,630,619</u>
Restricted Funds:				
Time Deposit 18541	0.05	9/10/2022	3/10/2023	203,813
Savings Account 18820	0.10			52,837
Savings Account 18812	0.10			6,745
Savings Account 9720	1.50			6,783
LOGIC Savings 004	2.969			45,761
LOGIC Savings 002	2.969			23,097
Total Restricted Funds				<u>339,036</u>
Total				<u>\$ 5,969,655</u>

**CITY OF WEST, TEXAS
SUMMARY OF 2021 AND 2022 TAX ROLLS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>2021</u>	<u>2022</u>
Real Property Valuation	\$ 246,468,603	\$ 300,505,032
Personal Property Valuation	24,052,070	25,867,950
Less Exemptions	<u>(39,061,856)</u>	<u>(67,846,094)</u>
Net Taxable Valuation	\$ 231,458,817	\$ 258,526,888
Tax Rate (per \$100)	<u>0.552472</u>	<u>0.552472</u>
Gross Tax Roll	<u>\$ 1,194,376</u>	<u>\$ 1,428,289</u>
Less: Current Collections	(1,024,858)	
Delinquent Collections	(232,535)	
Adjustments	<u>82,681</u>	
2021 Delinquent Taxes as of September 30, 2022	<u>\$ 19,664</u>	

**CITY OF WEST, TEXAS
ANALYSIS OF DELINQUENT TAXES RECEIVABLE
SEPTEMBER 30, 2022**

<u>Tax Roll</u>	<u>Taxes Receivable 9/30/21</u>	<u>Additions</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Taxes Receivable 9/30/22</u>
2000-2006	\$ 640	\$ -	\$ -	\$ (23)	\$ 617
2007	518	-	-	-	518
2008	548	-	-	-	548
2009	611	-	-	-	611
2010	556	-	29	(14)	513
2011	5,490	-	30	(4,644)	816
2012	1,512	-	66	-	1,446
2013	2,530	-	215	-	2,315
2014	2,794	-	265	-	2,529
2015	3,036	-	272	-	2,764
2016	4,553	-	886	-	3,667
2017	4,545	-	381	-	4,164
2018	6,184	-	1,078	-	5,106
2019	9,615	-	3,415	531	6,731
2020	17,603	-	8,928	542	9,217
2021	<u>-</u>	<u>1,194,376</u>	<u>1,257,393</u>	<u>82,681</u>	<u>19,664</u>
Totals	<u>\$ 60,735</u>	<u>\$1,194,376</u>	<u>\$1,272,958</u>	<u>\$ 79,073</u>	<u>\$ 61,226</u>
Balance, September 30, 2021				\$ 60,735	
2021 Tax Levy				1,194,376	
Subtotal				<u>\$1,255,111</u>	
Less: Current Collections				(1,024,858)	
Delinquent Collections				(248,100)	
Adjustments				<u>79,073</u>	
Balance, September 30, 2022				<u>\$ 61,226</u>	

**CITY OF WEST, TEXAS
WATER AND SEWER FUND OPERATIONS DATA
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Number of properties connected with the system:

Water	1,143
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Sewer	1,059
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Number of gallons of water pumped into the system:	102,070,000
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Number of gallons of water purchased:	40,492
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Number of gallons of water sold	112,267,559
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**CITY OF WEST, TEXAS
COMPREHENSIVE SCHEDULE OF INSURANCE COVERAGE
SEPTEMBER 30, 2022**

<u>Policy No.</u>	<u>Company Name</u>	<u>Type of Coverage</u>
2593	Texas Municipal League Intergovernmental Risk Pool	General Liability Law Enforcement Liability Errors and Omissions Liability Automobile Liability Comprehensive and Collision Fire and Extended Coverage All Risks Boiler and Machinery Crime Worker's Compensation

<u>Loss Coverage</u>	<u>Coverage Amount</u>	<u>Expiration Date</u>
General Liability	\$ 1,000,000	10/1/22
Property Damage	1,000,000	
Completed Operations	1,000,000	
Automobile Liability	1,000,000	
Automobile Physical Damage	Actual Cash Value	
Real and Personal Property	16,633,422	
Mobile Equipment	1,044,038	
Boiler and Machinery	455,400	
Employee Dishonesty	10,000	
Forgery & Alteration	10,000	
Computer Fraud	10,000	
All Employees	Statutory	
Volunteer Firemen		

**CITY OF WEST, TEXAS
PRINCIPAL OFFICIALS
SEPTEMBER 30, 2022**

<u>Official</u>	<u>Title</u>
City Council:	
Tommy Muska	Mayor
Steve Vanek	Mayor Pro Tem
Joseph Pustejovsky	Alderman
Natalie Kelinske	Alderman
Cody Harris	Alderman
Dave Pratkan	Alderman
Council Appointees:	
Shelly Nors	City Administrator
Charles Buenger	City Attorney
David Pareya	City Judge
C.J. Gillaspie	Director of Public Works
Darryl Barton	Police Chief
Full-Time Policemen:	
Ashley Boyd	Policeman, Interim Chief
Mike Jones	Policeman
Justin Gonzales	Policeman
Richard Milligan	Policeman
Arthur McGilton	Policeman
Katie Stevenson	Policeman
Brandon Worthy	Policeman
Joshua Sexton	Policeman

WILLIAM B. SANDERS
Certified Public Accountant

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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 City Council
City of West, Texas

I have audited the financial statements of the governmental activities and the business-type activities of the City of West, Texas, as of and for the year ended September 30, 2022, which comprise the City of West, Texas' basic financial statements and have issued my report thereon dated January 3, 2023. I conducted my audit in accordance with 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.

Internal Control Over Financial Reporting

Management of the City of West, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the City of West, Texas' internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of West, Texas' internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, I identified a deficiency in internal control over financial reporting that I consider to be a material weakness.

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. I consider the deficiency described below to be a material weakness.

Recently-issued auditing standards have clarified that the components of internal controls are the same for all entities. There is no exemption or special relief given to a smaller entity because of its size or the challenges present when achieving effective internal control. Certain internal controls that have often been overlooked by small businesses relate to the financial reporting process. Annual financial reporting control objectives address the preparation of accurate annual financial statements and related note disclosures in accordance with generally accepted accounting principles. That is to say, the system of internal control over financial reporting does not stop at the entity's general ledger. It includes controls over the actual financial statement preparation, including note disclosures.

I have drafted the annual financial statements and related note disclosures of the City at the City's request. This was done because, due to its limited resources, the City's internal personnel did not possess all the skills and competencies necessary to prepare its own financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. However, I can not be considered part of the City's internal controls. Consequently, the inability of the City to internally prepare its own financial statements and related notes is considered a control deficiency. The fact that I prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

To remedy the control deficiency related to the preparation of the annual financial statements, the City needs to ensure that appropriate personnel are in place and that they have the appropriate knowledge and tools (i.e., current accounting literature, current disclosure checklist, etc.) to be an effective element of the internal control process. Another remedy in this area may be for the City to engage another firm or person to outsource the financial statement preparation portion of the process. Alternatively, management may make a conscious decision to accept the degree of risk in this control deficiency because of cost or other considerations. That decision would not affect my continued drafting of the City's financial statements and notes in the future. However, my responsibility under professional standards includes communicating deficiencies, regardless of management's decisions, as long as the deficiency exists.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West, Texas' financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bill Sanders

West, Texas
January 3, 2023