

# **CITY OF WINNSBORO, TEXAS**

**ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2018**

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**CITY OFFICIALS**

**C I T Y   C O U N C I L**

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**RICHARD PARRISH**  
**Mayor**

**BRENDA SHIRLEY**  
**Mayor Pro-Tem**

**MICHAEL JAYNES**  
**Councilmember**

**JOAN MORRIS**  
**Councilmember**

**KATY PEREZ**  
**Councilmember**

**JIM HOLLOWELL**  
**Councilmember**

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## **FINANCIAL SECTION**

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# H O L L I D A Y , L E M O N S & C O X , P . C .

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council  
And Honorable Camron Wilcox, Mayor  
City of Winnsboro, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Winnsboro, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Winnsboro, Texas'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 audits 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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Winnsboro, Texas as of September 30, 2018 and, the respective changes in financial position, the budgetary comparison for the General Fund, 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 and pension plan trend information on pages 11 through 19 and pages 66 through 67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Winnsboro, Texas's basic financial statements. The introductory section is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, on our consideration of the City of Winnsboro, Texas'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 solely 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 the effectiveness of the City of Winnsboro, Texas's internal control over financial reporting or

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on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Winnsboro, Texas's internal control over financial reporting and compliance.

*Holiday, Lemon & Cox, P.C.*

November 25, 2019

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Winnsboro's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2018. Please read this in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- On the government-wide Statement of Net Position, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources by \$6,206,399 (net position).
- As of September 2018, the City's total governmental funds reported ending fund balances of \$1,486,428. The General Fund's fund balance of \$1,261,343 decreased by \$198,553 during the fiscal year. The General Fund has an unassigned fund balance of \$1,161,248 at September 30, 2018.
- The Enterprise Fund's total net position totaled \$4,546,325 at September 30, 2018 and the unrestricted net position totaled \$619,782.

Sales tax revenue and property tax revenue increased during this fiscal year. Increases in sales tax revenue are a result of increased retail and restaurant sales throughout the City. The Winnsboro Economic Development Corporation funded several events that helped increase tourism in the community. The Wood County property tax assessments for fiscal year 2018 were higher than 2017, reflecting a needed increase in property values that resulted in higher property tax revenues without increasing tax rates.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two 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 fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 police, fire, streets, sanitation, animal control,

farmers market, maintenance, parks and recreation, airport, library, and general administrative services. The business-type activities of the City include water and sewer operations.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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 four governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is the only major governmental fund. Data from the other three funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

**Proprietary Funds.** The City maintains two different types of proprietary funds. An enterprise fund reports the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its Equipment Replacement programs. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements in more detail. The proprietary fund financial statements provide separate information for the Utilities Fund, which is considered to be a major fund of the City. The Utilities Fund is presented in the business-type activities in the government-wide financial statements.

**Notes to the Financial Statements** – The notes provide additional information that is essential to 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 certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Winnsboro, Texas, assets exceeded liabilities by 6,206,399 as of September 30, 2018. The largest portion of the City's net position, \$3,817,241 (62%), reflects its investment in capital assets (e.g., land, buildings and improvements, water and sewer improvements, vehicles and equipment, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF WINNSBORO, TEXAS NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 2,005,042	1,759,014	1,739,172	1,768,388	3,744,214	3,527,402
Capital and non-current assets	2,312,109	2,099,569	9,902,974	10,212,058	12,215,083	12,311,627
Total assets	<u>4,317,151</u>	<u>3,858,583</u>	<u>11,642,146</u>	<u>11,980,446</u>	<u>15,959,297</u>	<u>15,839,029</u>
Deferred outflows of resources:						
Deferred loss on defeasance of debt		1,565	5,380	22,034	5,380	23,599
Deferred outflows from pensions	96,805	245,313	29,171	77,467	125,976	322,780
Deferred outflows from other postemployment benefits	6,730		2,027		8,757	-
Total deferred outflows of resources	<u>103,535</u>	<u>246,878</u>	<u>36,578</u>	<u>99,501</u>	<u>140,113</u>	<u>346,379</u>
Liabilities:						
Current liabilities	297,086	102,838	268,560	262,077	565,646	364,915
Long-term liabilities	2,265,961	2,583,181	6,780,032	7,271,489	9,045,993	9,854,670
Total liabilities	<u>2,563,047</u>	<u>2,686,019</u>	<u>7,048,592</u>	<u>7,533,566</u>	<u>9,611,639</u>	<u>10,219,585</u>
Deferred inflows of resources:						
Deferred inflows from pensions	215,887	27,352	65,485	8,637	281,372	35,989
Total deferred inflows of resources	<u>215,887</u>	<u>27,352</u>	<u>65,485</u>	<u>8,637</u>	<u>281,372</u>	<u>35,989</u>
Net position:						
Net investment in capital assets	562,072	1,880,551	3,255,169	3,178,969	3,817,241	5,059,520
Restricted	385,948	463,320	671,374	-	1,057,322	463,320
Unrestricted	693,732	(951,781)	638,104	1,358,775	1,331,836	406,994
Total net position	<u>\$ 1,641,752</u>	<u>1,392,090</u>	<u>4,564,647</u>	<u>4,537,744</u>	<u>6,206,399</u>	<u>5,929,834</u>

An additional portion of the City's net position of \$1,057,322 (17%) represents resources that are subject to external restrictions on their usage. All restricted assets of the City relating to both governmental activities and business-type activities are being held for purposes established by state and local laws, future construction, and debt service reserve requirements on the City's outstanding debt. The remaining

balance of unrestricted net position in the amount of \$1,331,836 (21%) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole.

### **Governmental Activities:**

The City's total revenue for governmental activities was \$3,139,709, of which 32% was from property taxes; 32% was from sales taxes, franchise taxes, and other taxes; and 29% was from charges for services.

The total expenses for all programs were \$3,074,194. Approximately 31% was for police, 12% was for maintenance, and 18% was for administration.

### **Business-type Activities:**

The City's total revenue for business-type activities was \$2,164,700, including \$2,156,177 for charges for services. Utilities expenses were \$1,905,967.

### **CITY OF WINNSBORO, TEXAS CHANGES IN NET POSITION**

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
<b>Revenues:</b>						
Charges for services	\$ 912,792	801,918	2,156,177	2,140,378	3,068,969	2,942,296
Operating grants and contributions	79,152	68,632			79,152	68,632
Capital grants and contributions	121,895				121,895	-
<b>General revenues:</b>					-	-
Property taxes	1,006,051	965,836			1,006,051	965,836
Other taxes	993,150	982,244			993,150	982,244
Investment earnings	3,553	3,718	8,523	6,820	12,076	10,538
Other	23,116	36,312			105	23,116
<b>Total Revenues</b>	<b>3,139,709</b>	<b>2,858,660</b>	<b>2,164,700</b>	<b>2,147,303</b>	<b>5,304,409</b>	<b>5,005,963</b>
<b>Expenses:</b>						
Administration	568,197	516,725			568,197	516,725
Economic developments	172,803	170,543			172,803	170,543
Fire	183,379	177,232			183,379	177,232
Police	948,153	930,088			948,153	930,088
Animal control	109,118	113,774			109,118	113,774
Farmers market	32,324	29,740			32,324	29,740
Municipal court	88,797	70,169			88,797	70,169
Maintenance	375,409	357,564			375,409	357,564
Sanitation	192,451	232,255			192,451	232,255
Parks and recreation	135,464	95,297			135,464	95,297
Airport	50,861	62,023			50,861	62,023
Library	149,038	137,326			149,038	137,326
Interest on long-term debt	68,200	72,467			68,200	72,467
Water and sewer	-		1,905,967	1,877,033	1,905,967	1,877,033
<b>Total expenses</b>	<b>3,074,194</b>	<b>2,965,203</b>	<b>1,905,967</b>	<b>1,877,033</b>	<b>4,980,161</b>	<b>4,842,236</b>
<b>Change in net position before transfers</b>	<b>65,515</b>	<b>(106,543)</b>	<b>258,733</b>	<b>270,270</b>	<b>324,248</b>	<b>163,727</b>
<b>Transfers in (out)</b>	<b>101,579</b>	<b>100,255</b>	<b>(101,579)</b>	<b>(100,255)</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>167,094</b>	<b>(6,288)</b>	<b>157,154</b>	<b>170,015</b>	<b>324,248</b>	<b>163,727</b>
<b>Net position - beginning, as restated</b>	<b>1,474,054</b>	<b>1,398,378</b>	<b>4,407,493</b>	<b>4,367,729</b>	<b>5,881,547</b>	<b>5,766,107</b>
<b>Net position - ending</b>	<b>\$ 1,742,727</b>	<b>1,492,345</b>	<b>4,463,068</b>	<b>4,437,489</b>	<b>6,205,795</b>	<b>5,929,834</b>

## **Total Statement of Activities**

The total result of the City's activity is an increase in total net position of \$324,248 during the current fiscal year. Net position related to governmental activities increased \$167,094 and business-type activities increased by \$157,154.

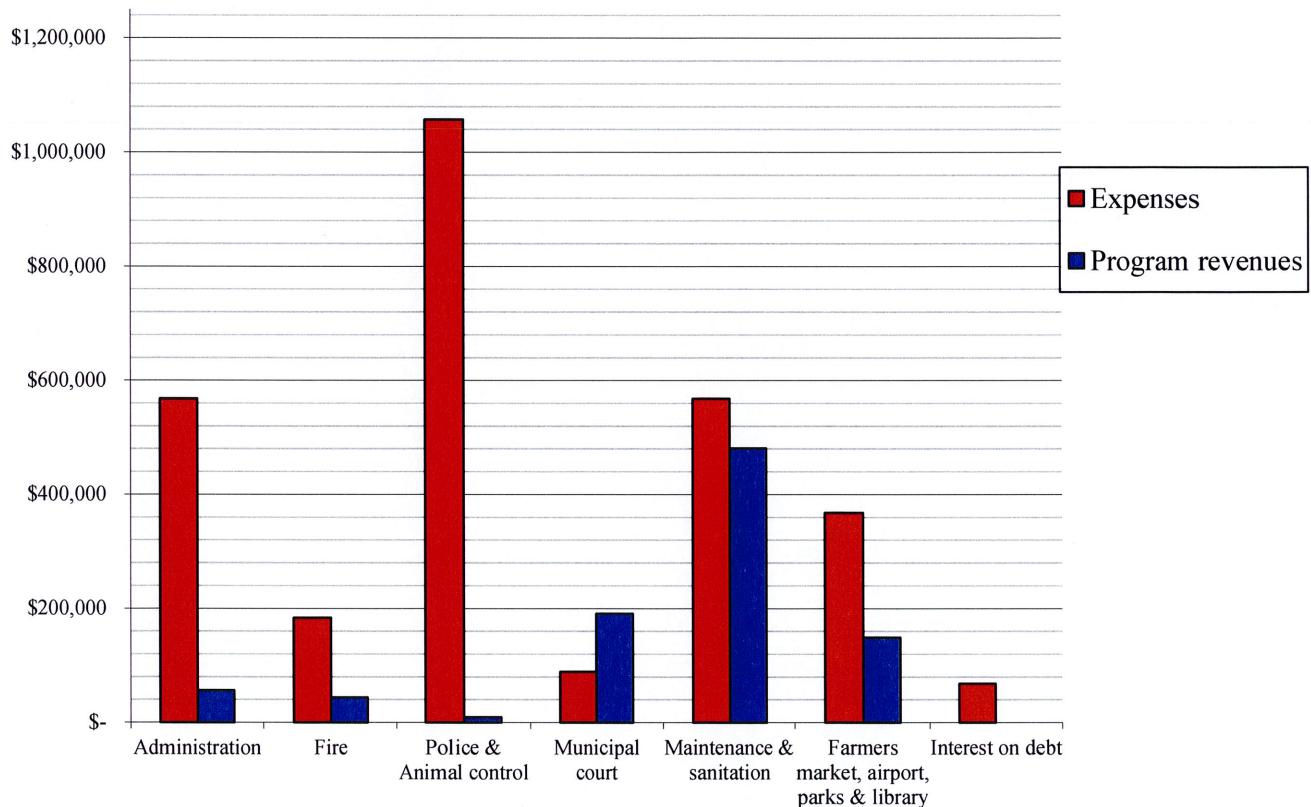
### **Governmental Activities:**

Governmental activities showed an increase in net position of \$167,094. Key elements of this change include increases in revenue for charges of services of \$110,874, capital grants and contributions of \$121,895, and property taxes and other taxes of \$51,121. Governmental activities expenses increased \$108,991 or 4%.

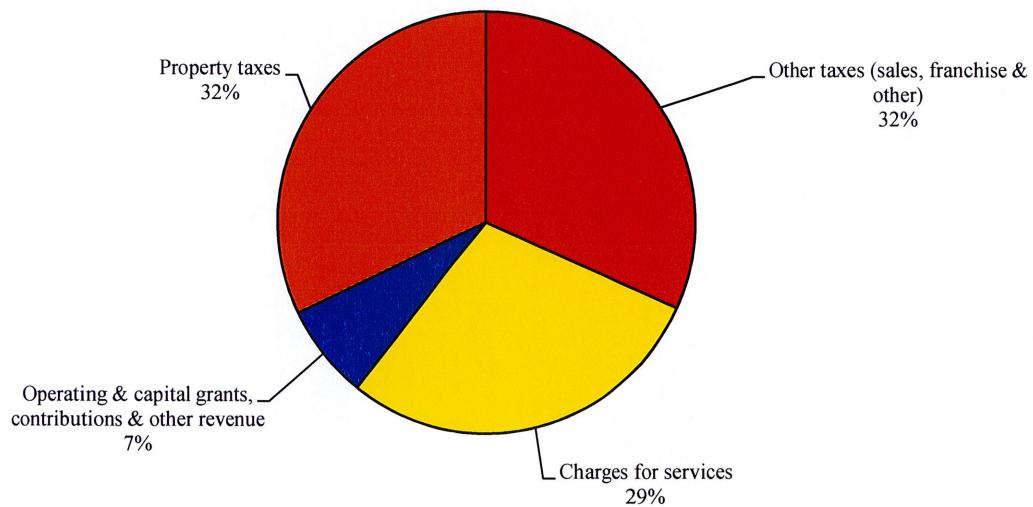
### **Business Type Activities:**

Business type activities had a net increase in net position of \$157,154, with an increase of .74% in operating revenue. Total expenses increased by \$28,934 or 1.54%.

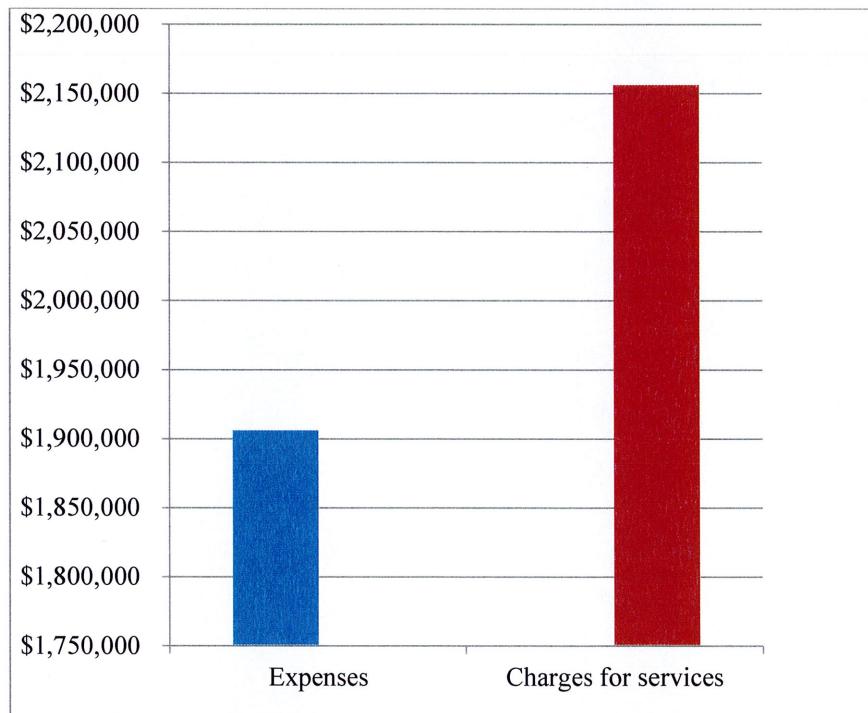
## **EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES**



### REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES



### EXPENSES AND PROGRAM REVENUES – BUSINESS-TYPE ACTIVITIES



## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,486,428 with a net decrease in fund balance of \$187,445. The changes by fund are as follows:

- General fund revenues increased \$233,019 or 8.74%, while general fund expenditures increased \$545,577 or 20.03%, primarily due to the increase in capital outlay expenditures.
- Other governmental funds' revenue remained level at \$168,798 as did expenditures of \$161,622 compared with the prior year's amounts of \$169,690 and \$157,690, respectively.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$1,161,248, while the total fund balance was \$1,261,343. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned and total fund balances to total fund expenditures. Unassigned fund balances represent 36% of the total General Fund expenditures, while total fund balance represents 39% of that same amount.

At the end of the 2018 fiscal year, the City had combined ending fund balances in its other governmental funds of \$225,085, a decrease in fund balance of \$11,108.

### **General Operating Fund Budgetary Highlights**

Total revenues for the year exceeded budget by \$170,207 while the actual expenditures were deficient from the budgeted projections by \$443,758. The net change for the General Fund resulted in a variance of 138,092 when compared with budget whereby the actual amounts were not favorable compared to the budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

#### CITY OF WINNSBORO, TEXAS CAPITAL ASSETS (Net of depreciation)

	<i>Governmental Activities</i>		<i>Business-Type Activities</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Land	\$ 365,259	365,259	100,000	100,000
Building and improvements	409,115	446,273		-
Water and sewer systems			9,588,851	9,967,405
Vehicles and equipment	474,318	395,924	214,123	144,653
Infrastructure	798,415	842,988		
Construction in progress	265,002	49,125		
Total capital assets	<u>\$ 2,312,109</u>	<u>2,099,569</u>	<u>9,902,974</u>	<u>10,212,058</u>

More detailed information about the City's capital assets is presented in the notes to the financial statements.

### Long Term Debt

#### CITY OF WINNSBORO, TEXAS OUTSTANDING DEBT AT YEAR END

	<i>Governmental Activities</i>		<i>Business-type Activities</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Accrued compensated absences	\$ 59,162		18,895	23,219
Leases payable	198,299	219,018		
Bonds payable	1,586,771	1,679,002	5,292,806	5,610,123
Certificates of obligation			1,355,000	1,445,000
Net pension liabilities and other				
postemployment liabilities	377,139	685,161	113,331	216,366
Total debt	<u>\$ 2,221,371</u>	<u>2,583,181</u>	<u>6,780,032</u>	<u>7,294,708</u>

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The FY 2019 budget was approved at a Special City Council meeting, September 11, 2018. The General Fund budget for FY 2019 is \$3,028,944. This is an increase of 7.8% from the FY 2018 final budget.

The City adopted the property tax rate at \$0.5663/100. The FY 2019 budget will raise more revenue from property taxes than last year's budget by \$8,975, which is a 0.93% increase.

Sales taxes are conservatively forecast to be \$717,600, an increase of 6.6% over FY 2018.

The Winnsboro Police Department submitted a grant application for in-car audio and video protection and evidence collection to the Criminal Justice Division of the Texas Governor's Office. The grant will cover the cost of 6 cameras during FY 2019. We anticipate this cost to be between \$30,000 and \$50,000. The city is not required to submit any match for this grant. The current camera systems would be used for the inclement weather vehicles, with the remaining cameras auctioned or donated to another Texas law enforcement agency for use.

Silver Star Animal Assisted Therapy and KSA Engineers requested the use of the Jack Cross Pavilion for a Silver Star Animal Assisted Therapy program to benefit the students of Winnsboro Independent School District (WISD) and the citizens of Winnsboro. This service will be available to WISD students at no cost.

A water study will be performed for a new water line. The primary need for this hydraulic model of the city's potable water distribution system and supporting infrastructure is dictated by the WISD's need for adequate flow for the fire protection of the new WISD high school. There are several secondary but equally important needs for this study. These include: 1) improving the volumes and flow to this particular portion of the community would allow for future residential and commercial development along FM 852, CR 4200, and FM 515; 2) provide for improved fire protection throughout the western side of our community; and 3) be available for future use in the preparation of hydraulic modeling of the city's entire water supply system.

O'Reilly Auto Parts is building a new location in Winnsboro which will contribute to increasing sales tax revenues.

The staff recommends a professional services contract be awarded to Gary Traylor and Associates for the development and management of the 2018 TxCDBG Downtown Revitalization and Main Street Sidewalk project grant application. If awarded, the grant would be used for infrastructure improvements in the city. The maximum award for any one project is \$250,000 and requires a maximum of \$75,000 in the local match (cash or in-kind) which would not be required until FY 2020 if awarded.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the City of Winnsboro, Texas, Attn: City Administrator, 501 South Main Street, Winnsboro, Texas 75494.

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## **BASIC FINANCIAL STATEMENTS**

# CITY OF WINNSBORO, TEXAS

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## STATEMENT OF NET POSITION

September 30, 2018

	<i>Primary Government</i>			<i>Component Unit</i>
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,504,674	729,900	2,234,574	183,476
Investments	1,998	80,754	82,752	327,322
Receivables (net of allowances for uncollectibles):				
Taxes	25,607		25,607	
Accounts	69,790	238,821	308,611	
Notes	91,409		91,409	29,875
Due from other governments	312,343		312,343	63,122
Internal balances	(18,322)	18,322	-	
Inventory	17,543		17,543	
Restricted assets:				
Cash		4,588	4,588	
Investments		666,787	666,787	
Capital assets (net of accumulated depreciation):				
Land	365,259	100,000	465,259	
Buildings and improvements	409,115		409,115	
Water and sewer system		9,588,851	9,588,851	
Vehicles and equipment	474,318	214,123	688,441	
Infrastructure	798,415		798,415	
Construction in progress	265,002		265,002	
Total assets	<u>4,317,151</u>	<u>11,642,146</u>	<u>15,959,297</u>	<u>603,795</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on defeasance of debt		5,380	5,380	
Deferred outflow from pensions	96,805	29,171	125,976	
Deferred outflow from other postemployment liabilities	6,730	2,027	8,757	
Total deferred outflows of resources	<u>103,535</u>	<u>36,578</u>	<u>140,113</u>	<u>-</u>

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

	<i>Primary Government</i>			
	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Component Unit</i>
<b>LIABILITIES</b>				
Accounts payable	270,906	43,573	314,479	77,876
Accrued liabilities	26,180	9,430	35,610	
Accrued interest payable		10,137	10,137	
Customer deposits		205,420	205,420	
Long-term liabilities:				
Due within one year:				
Accrued compensated absences	39,651	18,895	58,546	
Lease payable	49,544		49,544	
Bonds payable	95,000	335,000	430,000	
Certificates of obligation		75,000	75,000	
Due in more than one year:				-
Accrued compensated absences	19,511		19,511	
Lease payable	193,345		193,345	
Bonds payable	1,491,771	4,957,806	6,449,577	
Certificates of obligation		1,280,000	1,280,000	
Net pension liabilities and other postemployment liabilities	377,139	113,331	490,470	
Total liabilities	<u>2,563,047</u>	<u>7,048,592</u>	<u>9,611,639</u>	<u>77,876</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pensions	215,887	65,485	281,372	
Total deferred inflows of resources	<u>215,887</u>	<u>65,485</u>	<u>281,372</u>	<u>-</u>
<b>NET POSITION</b>				
Net invested in capital assets	562,072	3,255,169	3,817,241	
Restricted for				
Noncurrent notes receivable	80,769		80,769	
Debt service	78,523	671,374	749,897	
Capital improvement	81,160		81,160	
Municipal court	38,932		38,932	
Farmers market	3,942		3,942	
Parks	1,126		1,126	
Library	35,703		35,703	
Tourism	25,578		25,578	
Economic development	40,215		40,215	525,919
Unrestricted	693,732	638,104	1,331,836	
Total net position	<u>1,641,752</u>	<u>4,564,647</u>	<u>6,206,399</u>	<u>525,919</u>

# CITY OF WINNSBORO, TEXAS

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## STATEMENT OF ACTIVITIES For the Year Ended September 30, 2018

Functions/Programs	<u>Expenses</u>	<i>Program Revenues</i>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government</b>				
Governmental activities:				
Administration	\$ 568,197	55,510	725	
Economic development	172,803	184,484	100	
Fire	183,379		43,853	
Police	948,153		1,936	
Animal control	109,118	5,862	1,159	
Farmers market	32,324	32,275	1,705	
Municipal court	88,797	190,513		
Maintenance	375,409	880		121,895
Sanitation	192,451	358,219		
Parks and recreation	135,464	47,269		
Airport	50,861	33,287		
Library	149,038	4,493	29,674	
Interest on long-term debt	68,200			-
Total governmental activities	<u>3,074,194</u>	<u>912,792</u>	<u>79,152</u>	<u>121,895</u>
Business-type activities:				
Utilities	1,905,967	2,156,177		
Total business-type activities	<u>1,905,967</u>	<u>2,156,177</u>	<u>-</u>	<u>-</u>
Total primary government	<u>4,980,161</u>	<u>3,068,969</u>	<u>79,152</u>	<u>121,895</u>
<b>Component unit</b>				
Winnsboro Economic Development Corporation (WEDC)	<u>346,347</u>	<u>  </u>	<u>9,870</u>	<u>  </u>
<b>General Revenues</b>				
Property taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position beginning of year, as previously reported				
Prior period adjustments				
Net position beginning of year, as restated				
Net position end of year				

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

<i>Changes in Net Position</i>			<i>Component</i>
<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>	<i>Unit</i>
			<i>WEDC</i>
(511,962)		(511,962)	
11,781		11,781	
(139,526)		(139,526)	
(946,217)		(946,217)	
(102,097)		(102,097)	
1,656		1,656	
101,716		101,716	
(252,634)		(252,634)	
165,768		165,768	
(88,195)		(88,195)	
(17,574)		(17,574)	
(114,871)		(114,871)	
(68,200)		(68,200)	
<u>(1,960,355)</u>	<u>-</u>	<u>(1,960,355)</u>	
	250,210	250,210	
<u>-</u>	<u>250,210</u>	<u>250,210</u>	
<u>(1,960,355)</u>	<u>250,210</u>	<u>(1,710,145)</u>	
			<u>(336,477)</u>
1,006,051		1,006,051	
721,129		721,129	358,896
263,101		263,101	
8,920		8,920	
3,553	8,523	12,076	4,845
23,116		23,116	
<u>101,579</u>	<u>(101,579)</u>	<u>-</u>	
<u>2,127,449</u>	<u>(93,056)</u>	<u>2,034,393</u>	<u>363,741</u>
<u>167,094</u>	<u>157,154</u>	<u>324,248</u>	<u>27,264</u>
1,392,090	4,537,744	5,929,834	700,272
<u>81,964</u>	<u>(130,251)</u>	<u>(48,287)</u>	<u>(201,617)</u>
<u>1,474,054</u>	<u>4,407,493</u>	<u>5,881,547</u>	<u>498,655</u>
<u><b>\$ 1,641,148</b></u>	<u><b>4,564,647</b></u>	<u><b>6,205,795</b></u>	<u><b>525,919</b></u>

# CITY OF WINNSBORO, TEXAS

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## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,235,067	131,965	1,367,032
Temporary investments	1,998		1,998
Receivables (net of allowances):			
Taxes	17,781	7,826	25,607
Accounts	69,790		69,790
Notes		91,409	91,409
Due from other governments	312,343		312,343
Restricted cash and temporary investments			-
Inventory	17,543		17,543
<b>Total assets</b>	<b>1,654,522</b>	<b>231,200</b>	<b>1,885,722</b>

## LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES

### LIABILITIES

Accounts payable	270,906		270,906
Accrued payroll	20,589		20,589
Accrued liabilities	5,593		5,593
<b>Total liabilities</b>	<b>297,088</b>	<b>-</b>	<b>297,088</b>

### DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - property taxes	17,781	6,115	23,896
Unavailable revenue - grants	78,310		78,310
<b>Total deferred inflows of resources</b>	<b>96,091</b>	<b>6,115</b>	<b>102,206</b>

### FUND BALANCES

Nonspendable fund balances			
Inventory	17,543		17,543
Restricted fund balances			
Noncurrent notes receivable		80,769	80,769
Debt service		78,523	78,523
Capital improvements	2,850		2,850
Farmers market	3,941		3,941
Park	1,126		1,126
Library	35,703		35,703
Court security	11,675		11,675
Court technology	27,257		27,257
Economic development		40,215	40,215
Tourism		25,578	25,578
Unassigned	1,161,248		1,161,248
<b>Total fund balances</b>	<b>1,261,343</b>	<b>225,085</b>	<b>1,486,428</b>
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 1,654,522</b>	<b>231,200</b>	<b>1,885,722</b>

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

# CITY OF WINNSBORO, TEXAS

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## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

September 30, 2018

Total governmental fund balances	\$ 1,486,428
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,157,041
Receivables reported in the statement of net position that are not available to provide current financial resources are not reported as receivables in the funds	102,210
The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.	274,386
Long-term liabilities, including bonds payable, are not due in the current period are not reported in the funds.	<u>(2,378,313)</u>
Net position of governmental activities	<u>\$ 1,641,752</u>

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

# CITY OF WINNSBORO, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS For the Year Ended September 30, 2018

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>REVENUES</b>			
Property taxes	\$ 853,697	158,637	1,012,334
Sales tax	721,129		721,129
Franchise tax	263,101		263,101
Other taxes		8,920	8,920
Fines and forfeitures	234,617		234,617
Licenses and permits	25,964		25,964
Sanitation fees	358,219		358,219
Intergovernmental	215,929		215,929
Investment income	2,202	1,241	3,443
Airport	33,287		33,287
Rents	43,770		43,770
Donations	77,716		77,716
Grants	48,847		48,847
Miscellaneous	20,296		20,296
Total revenues	<u>2,898,774</u>	<u>168,798</u>	<u>3,067,572</u>
<b>EXPENDITURES</b>			
Current:			
Administration	544,535		544,535
Economic development	192,411	4,500	196,911
Fire	128,510		128,510
Police	932,545		932,545
Animal control	108,598		108,598
Farmers market	32,324		32,324
Municipal court	87,600		87,600
Maintenance	324,714		324,714
Sanitation	192,451		192,451
Parks and recreation	129,584		129,584
Airport	33,231		33,231
Library	148,317		148,317
Debt service:			
Principal	45,670	90,000	135,670
Interest and fees	7,824	63,190	71,014
Capital outlay	360,737		360,737
Total expenditures	<u>3,269,051</u>	<u>157,690</u>	<u>3,426,741</u>
Excess (deficiency) of revenues over expenditures	<u>(370,277)</u>	<u>11,108</u>	<u>(359,169)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	128,577		128,577
Transfers out	(26,998)		(26,998)
Capital lease proceeds	70,145		70,145
Total other financing sources (uses)	<u>171,724</u>	<u>-</u>	<u>171,724</u>
Net change in fund balances	<u>(198,553)</u>	<u>11,108</u>	<u>(187,445)</u>
Fund balances at beginning of year, as originally reported	1,303,399	213,977	1,517,376
Prior period adjustment	156,497		156,497
Fund balances at end of year, as restated	<u>1,459,896</u>	<u>213,977</u>	<u>1,673,873</u>
Fund balances at end of year	<u>\$1,261,343</u>	<u>225,085</u>	<u>1,486,428</u>

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

# CITY OF WINNSBORO, TEXAS

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended September 30, 2018

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

Net change in fund balances - total governmental funds	\$ (187,445)
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 effect of those differences.	167,152
Revenues for property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,284)
Some revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. On the accrual basis, however, those revenues would be recognized, regardless of when they are collected. This is the net amount of the revenue differences as a result of deferrals because of the availability criterion under the modified accrual basis of accounting.	78,310
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 transactions, however, has any affect on net position. Also governmental funds report the net effect of premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net affect of these differences in the treatment of long-term debt and related items.	68,943
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as a expenditure in the governmental funds.	(28,760)
Net pension and other postemployment obligations reported in the statement of activities do not require the use of current financial resources and are therefore no reported as expenditures in the governmental funds.	59,063
Internal service funds are used by management to charge the costs of replacement and maintenance of vehicles and equipment to individual funds. The net revenue of certain activities of internal service funds is reported with governmental funds.	16,719
Change in net position of governmental activities	\$ 167,698

*The accompanying notes are an integral part of these financial statements.*

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# CITY OF WINNSBORO, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended September 30, 2018

	<i>Budgeted Amounts</i>			<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
<b>REVENUES</b>				
Property taxes	\$ 882,334	844,815	853,697	8,882
Sales taxes	717,600	674,000	721,129	47,129
Franchise receipts	267,300	264,900	263,101	(1,799)
Fines and forfeitures	250,750	169,200	234,617	65,417
Licenses and permits	21,400	17,400	25,964	8,564
Sanitation fees	364,300	346,500	358,219	11,719
Intergovernmental	188,202	232,185	215,929	(16,256)
Investment income	1,040	40	2,202	2,162
Airport	34,000	25,500	33,287	7,787
Rents	43,390	48,600	43,770	(4,830)
Donations	70,500	65,920	77,716	11,796
Grants	8,400	1,800	48,847	47,047
Other	24,666	37,707	20,296	(17,411)
Total revenues	<u>2,873,882</u>	<u>2,728,567</u>	<u>2,898,774</u>	<u>170,207</u>
<b>EXPENDITURES</b>				
Current:				
Administration	557,152	493,507	544,535	(51,028)
Economic development	197,395	172,621	192,411	(19,790)
Fire	155,594	139,953	128,510	11,443
Police	973,518	919,084	932,545	(13,461)
Animal control	119,059	111,640	108,598	3,042
Farmers market	32,550	31,800	32,324	(524)
Municipal court	67,400	73,107	87,600	(14,493)
Maintenance	382,645	339,979	324,714	15,265
Sanitation	188,500	188,500	192,451	(3,951)
Parks and recreation	100,372	98,530	129,584	(31,054)
Airport	43,541	37,560	33,231	4,329
Library	171,788	175,896	148,317	27,579
Debt service:				
Principal	25,763	25,160	45,670	(20,510)
Interest and fees	4,653	5,256	7,824	(2,568)
Capital outlay	23,514	12,700	360,737	(348,037)
Total expenditures	<u>3,043,444</u>	<u>2,825,293</u>	<u>3,269,051</u>	<u>(443,758)</u>
Excess (deficiency) of revenues over expenditures	<u>(169,562)</u>	<u>(96,726)</u>	<u>(370,277)</u>	<u>(273,551)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	93,765	93,765	128,577	34,812
Transfers out	(57,500)	(57,500)	(26,998)	30,502
Capital lease proceeds			70,145	70,145
Total other financing sources (uses)	<u>36,265</u>	<u>36,265</u>	<u>171,724</u>	<u>135,459</u>
Net change in fund balances	<u>(133,297)</u>	<u>(60,461)</u>	<u>(198,553)</u>	<u>(138,092)</u>
Fund balances at beginning of year, as originally reported	1,303,399	1,303,399	1,303,399	-
Prior period adjustment	156,497	156,497	156,497	-
Fund balances at end of year, as restated	<u>1,459,896</u>	<u>1,459,896</u>	<u>1,459,896</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,326,599</u>	<u>1,399,435</u>	<u>1,261,343</u>	<u>(138,092)</u>

*The accompanying notes are an integral part of these financial statements.*

# CITY OF WINNSBORO, TEXAS

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## STATEMENT OF NET POSITION

### PROPRIETARY FUND

September 30, 2018

	<i>Enterprise Fund</i>	<i>Internal Service Fund</i>
	<i>Utilities Fund</i>	<i>Equipment Replacement Fund</i>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 729,900	137,640
Investments	80,754	
Account receivables (net of allowances)	238,821	
Total current assets	<u>1,049,475</u>	<u>137,640</u>
Noncurrent assets:		
Restricted assets:		
Cash	4,588	
Investments	<u>666,787</u>	
Total restricted assets	<u>671,375</u>	-
Capital assets (net of accumulated depreciation):		
Land	100,000	
Water and sewer system	9,588,851	
Vehicles and equipment	214,123	155,068
Total capital assets, net of accumulated depreciation	<u>9,902,974</u>	<u>155,068</u>
Total assets	<u>11,623,824</u>	<u>292,708</u>
<b>DEFERRED RESOURCE OUTFLOWS</b>		
Loss on defeasance of debt	5,380	
Deferred outflows from pensions	29,171	
Deferred outflows from other post employment benefits	2,027	
Total deferred resource outflows	<u>36,578</u>	-

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

	<i>Enterprise Fund</i>	<i>Internal Service Fund</i>
	<i>Utilities Fund</i>	<i>Equipment Replacement Fund</i>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	43,573	
Accrued payroll	8,033	
Accrued liabilities	1,397	
Accrued interest	10,137	
Total current liabilities	<u>63,140</u>	<u>-</u>
Noncurrent liabilities		
Customer deposits	205,420	
Due within one year:		
Accrued compensated absences	18,895	
Bonds payable	335,000	
Certificates of obligation	75,000	
Due in more than one year:		
Bonds payable	4,957,806	
Certificate of obligation	1,280,000	
Net pension and other postemployment liabilities	<u>113,331</u>	<u>-</u>
Total noncurrent liabilities	<u>6,985,452</u>	<u>-</u>
Total liabilities	<u>7,048,592</u>	<u>-</u>
<b>DEFERRED RESOURCE INFLOWS</b>		
Deferred inflows from pensions	<u>65,485</u>	<u>-</u>
Total deferred inflows	<u>65,485</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	3,255,169	155,068
Restricted:		
Debt service	671,374	
Unrestricted	619,782	137,640
Total net position	<u>\$ 4,546,325</u>	<u>292,708</u>

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# CITY OF WINNSBORO, TEXAS

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## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND For the Year Ended September 30, 2018

	<i>Enterprise Fund</i>	<i>Internal Service Fund</i>
	<i>Utilities Fund</i>	<i>Equipment Replacement Fund</i>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 2,127,474	72,680
Penalties	25,756	
Miscellaneous	2,947	
Total operating revenues	<u>2,156,177</u>	<u>72,680</u>
<b>OPERATING EXPENSES</b>		
Personnel costs	522,553	
Contractual services	305,814	
Supplies and other expenses	405,391	
Administration	60,749	
Depreciation	398,029	34,055
Total operating expenses	<u>1,692,536</u>	<u>34,055</u>
Operating income	<u>463,641</u>	<u>38,625</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest revenue	8,523	109
Interest expenses	(235,449)	
Total nonoperating revenues (expenses)	<u>(226,926)</u>	<u>109</u>
Income before transfers	236,715	38,734
Transfers in	217,000	
Transfers out	(318,579)	
Change in net position	<u>135,136</u>	<u>38,734</u>
Net position, beginning of year, as previously reported	4,402,375	253,974
Prior period adjustment	8,814	
Net position, beginning of year, as restated	<u>4,411,189</u>	<u>253,974</u>
Net position, end of year	<u>\$ 4,546,325</u>	<u>292,708</u>

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

# CITY OF WINNSBORO, TEXAS

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## STATEMENT OF CASH FLOWS PROPRIETARY FUND For the Year Ended September 30, 2018

	<i>Enterprise Fund</i>	<i>Internal Service Fund</i>
	<i>Utilities Fund</i>	<i>Equipment Replacement Fund</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 2,153,221	72,680
Cash paid to suppliers	(903,287)	
Cash paid to employees	(396,531)	
Net cash provided from operating activities	<u>853,403</u>	<u>72,680</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers from (to) other funds	<u>(101,579)</u>	
Net cash provided (used) by non-capital financing activities	<u>(101,579)</u>	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on debt	(400,000)	
Interest and fees paid on debt	(225,263)	
Acquisition or construction of capital assets	(149,374)	
Net cash provided (used) by capital and related financing activities	<u>(774,637)</u>	-
Capital contributions received		
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Investment earnings	8,523	109
Purchase of investments	<u>(7,717)</u>	
Net cash provided from investing activities	<u>806</u>	<u>109</u>
Net increase (decrease) in cash and cash equivalents	(22,007)	72,789
Cash at beginning of year	756,495	64,851
Cash at end of year	<u>\$ 734,488</u>	<u>137,640</u>
Unrestricted cash	\$ 729,900	137,640
Restricted cash	4,588	-
Total cash	<u>\$ 734,488</u>	<u>137,640</u>

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

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	<i>Enterprise Fund</i>	<i>Internal Service Fund</i>
	<i>Utilities Fund</i>	<i>Equipment Replacement Fund</i>
<b><u>Reconciliation of operating income to net cash provided by operating activities</u></b>		
Operating income	<u>\$ 463,641</u>	<u>38,625</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	398,029	34,055
Changes in assets and liabilities		
Decrease (increase) in receivables	(8,714)	
Decrease (increase) in deferred outflows	46,269	
Increase (decrease) in accounts payable	21,861	
Increase (decrease) in accrued payroll	(163)	
Increase (decrease) in accrued liabilities	1,397	
Increase (decrease) in customer deposits	5,758	
Increase (decrease) in accrued compensated absences	(4,324)	
Increase (decrease) in pension liabilities	(131,192)	
Increase (decrease) in other postemployment liabilities	3,994	
Increase (decrease) in deferred inflows	56,847	
Total adjustments	<u>389,762</u>	<u>34,055</u>
Net cash provided from operating activities	<u>\$ 853,403</u>	<u>72,680</u>

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. REPORTING ENTITY

The City of Winnsboro, Texas was formed in 1854. The City of Winnsboro is a Type A general-law municipality. The Administration is responsible for the overall operation of the City and implementing the policies established by the Mayor and the City Council. The six-member at-large Council serves two-year terms with annual elections. The City provides the following services: police, fire, streets, sanitation, animal control, farmers market, maintenance, parks and recreation, airport, library, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Winnsboro, Texas (the primary government) and its component unit, an entity for which the government is considered financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The City does not have any blended component units. A discretely presented component unit is one reported in a separate column of the financial statements to emphasize it is legally separate from the government.

**Discretely Presented Component Unit.** The Winnsboro Economic Development Corporation (WEDC) is a Texas nonprofit corporation organized for the purpose of benefitting and accomplishing public purposes of the City of Winnsboro, Texas, by promoting, assisting, and enhancing economic development activities for the City. The board members are appointed by the City of Winnsboro City Council. WEDC is funded by a one-half cent sales tax levied on taxable sales within the City of Winnsboro. This tax was enacted by popular vote in 1995 and may be repealed by popular vote. Separate financial statements of WEDC can be obtained directly from their administrative offices in Winnsboro, Texas. WEDC is reported in a separate column to emphasize that it is legally separate from the City.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements consist of the statement of net position and the statement of activities. The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services. Similarly, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or

# CITY OF WINNSBORO, TEXAS

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## *Notes to the financial statements continued.*

directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. BASIS OF ACCOUNTING**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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.

Government fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue 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 when payment is due.

Revenue sources such as property taxes, sales tax, 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

**General Fund** – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

**Utilities Fund** – This fund is used to account for water and sewer services provided to the citizens of Winnsboro, Texas. The fund operates the water distribution system, the sewage treatment plant, sewage pumping stations, and collection systems for which commercial and residential users are charged fees.

Additionally, the City reports the following types of funds:

**Internal Service Fund** – The Equipment Replacement fund is established to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City. The

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

fund is used to account for the maintenance and replacement of vehicles and equipment to the other departments of the City.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Any residual balances outstanding at year-end are reported as due from/to 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 an internal balance 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 an internal balance in the business-type activities column.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. All taxes are included as general revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities Fund, as well as the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the personnel expenses, contractual services, supplies and other expenses, administration, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## **D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLows OF RESOURCES, AND NET POSITION OR EQUITY**

### **1. Deposits and Investments**

The City's cash and cash equivalents include amounts in demand and time deposit accounts. The City classifies all certificates of deposit as investments. The City is authorized to invest in obligations collateralized by the FDIC; the U.S. Government; the State of Texas; or obligations of Texas counties, cities, or other political subdivisions the State of Texas with a quality rating of not less than "A". The City's investment policy authorizes the Investment Committee to invest the City's funds in certificates of deposit with depository banks of the City, other state or national banks domiciled in Texas with offices in Winnsboro that are insured by FDIC, investment pools with a rating of AAA or AAAm, or treasury securities issued by the federal government.

# CITY OF WINNSBORO, TEXAS

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*Notes to the financial statements continued.*

## **2. Receivables and Payables**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the City’s governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property taxes receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 60 percent of outstanding property taxes as of September 30, 2018.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Notes receivable are recorded net of an allowance for uncollectible notes of \$82,817.

## **3. Inventories and Prepaid Items**

Inventories of the governmental funds are valued at cost using the average cost method. Inventory in the General Fund consists of airport fuel recorded at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

## **4. Restricted Assets**

Certain proceeds of enterprise fund revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Each of the enterprise funds reports such proceeds of revenue bond issuances that are restricted for use in construction, debt service, and capital maintenance. Restricted assets also include interest accrued on unexpended bond proceeds.

## **5. Capital Assets**

Capital assets which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns of the government-wide financial statements.

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

## *Governmental activities:*

Capital assets are defined by governmental activities as assets with a normal service life greater than one year and an initial individual cost of more than \$5,000.

Such assets are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Donated assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value.

As a result of the implementation of GASB 34, the City began accounting for infrastructure assets on its financial statement. The government-wide financial statements include those infrastructure assets that were completed subsequent to the implementation of GASB 34. However, the government-wide financial statements do not reflect those infrastructure assets completed prior to the implementation date.

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

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

<i>Asset Class</i>	<i>Estimated Useful Lives</i>
Buildings and improvements	7-50
Infrastructure	35-50
Vehicles	4-7
Furniture and equipment	5-20

## *Business-type activities:*

Capital assets are defined by business-type activities as assets with an initial, individual cost of more than \$5,000.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest during construction is capitalized to the extent that interest costs exceed interest income on externally restricted bond proceeds. Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

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

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

<i>Asset Class</i>	<i>Estimated Useful Lives</i>
Water and sewer system	7-50
Vehicles	4-7
Furniture & equipment	5-20

Leases are accounted for in accordance with FASB Accounting Standards Codification (ASC) 840. Amortization of the leased assets is recorded in the depreciation accounts.

## 6. Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick pay benefits. The City's full-time employees are granted up to 160 hours of vacation and up to 96 hours of sick leave per year of continuous service. Part-time regular employees are granted up to 60 hours of vacation and 20 hours of sick leave per year of service. A maximum of 160 hours of accrued vacation leave can be vested and carried forward to succeeding calendar years. A maximum of 120 hours of accrued sick leave can be carried forward to succeeding calendar years. A maximum of 160 hours accrued vacation is payable to an employee upon termination after six months of employment, except in cases of involuntary separation from service. Upon retirement, employees shall receive pay for any unused vacation leave accumulated up to 160 hours.

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Governmental Accounting Standards Board Statement No.16, "*Accounting for Compensated Absences*," no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

## 7. Long-term Obligations

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

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

# CITY OF WINNSBORO, TEXAS

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*Notes to the financial statements continued.*

## 8. Fund equity

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. Fund balances may be restricted or unrestricted (the total of committed, assigned, and unassigned fund balance). The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Fund balance for governmental funds can consist of the following:

Non-spendable fund balance – includes those amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

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

Assigned fund balance – includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has taken action to assign fund balance for specific purposes the current fiscal year. The City Council has by resolution authorized the City Administrator to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignment generally only exists temporarily; in other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In the General Fund, the City has a policy to maintain a minimum of twenty-five percent of current year budgeted expenditures in unassigned fund balance. The City was in compliance with this policy at September 30, 2018.

# CITY OF WINNSBORO, TEXAS

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*Notes to the financial statements continued.*

In the Enterprise Fund, the City has a policy to maintain twenty-five percent of the current year's budget appropriation for operation and maintenance in unrestricted net position. The City was in compliance with this policy at September 30, 2018.

## **9. Estimates**

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

## **10. 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 will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. They are the deferred charge on refunding, deferred pension outflows, and deferred outflows from other postemployment benefits reported in the statement of net position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred pension outflows are the deferred outflows of contributions for the amount of contributions made by the City after the liability measurement date, but prior to the City's year end, and the deferred outflows—change in assumptions. The deferred outflows from other postemployment benefits are the change of assumptions.

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 has one item that qualifies for reporting in this category. Accordingly, the deferred pension inflows consist of the differences in projected and actual earnings and expected and actual experience.

## **11. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, and information about the Fiduciary Net Position of the respective retirement plan, and additions to/deductions from the respective Fiduciary Net Position have been determined on the same basis as they are reported by the respective pension plan. 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 WINNSBORO, TEXAS

*Notes to the financial statements continued.*

## NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of certain differences between the governmental fund balance sheet and the government wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance—total governmental funds and net position—governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$2,378,917) difference are as follows:

General obligation bonds payable	\$ (1,560,000)
Add: Issuance premiums (to be amortized over life of debt)	(26,771)
Capital leases	(243,493)
Compensated absences	(59,162)
Net pension and other postemployment liabilities	(377,139)
Less: Deferred pension outflows	103,535
Add: Deferred pension inflows (to be amortized over 5 years)	<u>(215,887)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (2,378,917)</u>

### B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund financial statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances—total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that, “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.” The details of this \$167,152 difference are as follows:

Capital outlay	\$ 360,737
Amounts capitalized included in other functions in capital outlay below the capitalization threshold	11,755
Depreciation expense	<u>(205,340)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 167,152</u>

Another element of that reconciliation states “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

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$68,339 difference are as follows:

Issuance of debt:	
Capital leases	(70,145)
Principal repayments:	
General obligation bonds	90,000
Capital leases	45,670
Amortization of bond premiums and discounts	2,814
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 68,339</u></u>

## NOTE 3 – STEWARDSHIP, COMPLIANCE AND RESPONSIBILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund. All budgeted annual appropriations lapse at year-end and are re-established in the succeeding year.

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council. Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council, and are not made after fiscal year end. During the year, the budget was amended as necessary. The legal level of budgetary control (i.e., the lowest level at which expenditures may not legally exceed appropriation) is the fund level.

### B. Excess of Expenditures over Appropriations

The expenditures in the General Fund exceeded appropriations by \$443,758.

### C. Restricted by Enabling Legislation

The government-wide Statement of Net Position reports restricted net position, of which \$25,578 is restricted by enabling legislation. This amount consists of unspent hotel/motel taxes, which are restricted for tourism.

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

## NOTE 4 – DEPOSITS AND INVESTMENTS

### Interest Rate Risk

The City, including its component unit, does not have any debt security investments.

### Custodial Credit Risk

For a deposit, custodial credit risk is the risk that, in the event of a failure of a depository institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of the primary government and the component unit's categorizable bank deposits of \$3,497,701, none were uninsured and uncollateralized at September 30, 2018.

The City's policy on custodial credit risk requires that all deposits and investments of the City funds shall be secured by pledged collateral at a level of 102% of the market value of principal and accrued interest on the deposits or investments less an amount insured by the Federal Deposit Insurance Corporation (FDIC).

The City is authorized to invest in obligations collateralized by the FDIC; the U.S. Government; the State of Texas; or obligations of Texas counties, cities, or other political subdivisions the State of Texas with a quality rating of not less than "A".

### Credit Risk

For an investment, credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy authorizes the Investment Committee to invest the City's funds in certificates of deposit with depository banks of the City, other state or national banks domiciled in Texas with offices in Winnsboro that are insured by FDIC, investment pools with a rating of AAA or AAAm, or treasury securities issued by the federal government.

Concentrations of credit risk of over 5% by issuer are as follows:

<i>Investment Type</i>	<i>Issuer</i>	<i>Fair Value</i>	<i>% of Total Investments</i>
Cash and certificates of deposit	First National Bank of Winnsboro	\$3,497,701	100%

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

	<i>Balance at 9/30/2017, as Previously Reported</i>	<i>Prior Period Adjustment</i>	<i>Balance at 9/30/17, as Restated</i>	<i>Additions</i>	<i>Retirements</i>	<i>Balance 9/30/18</i>
Governmental activities:						
Capital assets not being depreciated						
Land	\$ 365,259		365,259			730,518
Construction in progress	49,125		49,125	215,877		265,002
Total capital assets not being depreciated	414,384	-	414,384	215,877	-	630,261
Capital assets being depreciated						
Infrastructure	1,977,356		1,977,356			3,954,712
Buildings and improvements	2,034,916		2,034,916	26,998		2,061,914
Vehicles and equipment	1,582,331	435,414	2,017,745	129,622	(54,698)	2,092,669
Assets under capital lease	315,761	(315,761)	-			-
Total capital assets being depreciated	5,910,364	119,653	6,030,017	156,620	(54,698)	6,131,939
Less accumulated depreciation for:						
Infrastructure	(1,134,368)		(1,134,368)	(44,573)		(1,178,941)
Buildings and improvements	(1,588,642)		(1,588,642)	(64,157)		(1,652,799)
Vehicles and equipment	(1,295,163)	(233,256)	(1,528,419)	(130,666)	40,734	(1,618,351)
Assets under capital lease	(207,005)	207,005	-			-
Total accumulated depreciation	(4,225,178)	(26,252)	(4,251,429)	(239,396)	40,734	(4,450,091)
Total capital assets being depreciated, net	1,685,185	93,403	1,778,588	(82,776)	(13,964)	1,681,848
Governmental activities capital assets, net	\$ 2,099,569	93,403	2,192,972	133,101	(13,964)	2,312,109
Business-type activities:						
Capital assets not being depreciated						
Land	\$ 100,000		100,000			100,000
Total capital assets not being depreciated	100,000	-	100,000	-	-	100,000
Capital assets being depreciated						
Water and sewer system	19,051,412		19,051,412			19,051,412
Vehicles and equipment	242,854	(119,653)	123,201	182,351		305,552
Total assets being depreciated	19,294,266	(119,653)	19,174,613	182,351	-	19,356,964
Less accumulated depreciation for:						
Water and sewer system	(9,084,007)	1,874	(9,082,133)	(380,429)		(9,462,562)
Vehicles and equipment	(98,201)	24,373	(73,828)	(17,600)		(91,428)
Total accumulated depreciation	(9,182,208)	26,247	(9,155,961)	(432,084)	-	(9,553,990)
Total capital assets being depreciated, net	10,112,058	(93,406)	10,018,652	(249,733)	-	9,802,974
Business-type activities capital assets, net	\$ 10,112,058	(93,406)	10,118,652	(249,733)	-	9,902,974

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

Depreciation was charged to functions as follows:

Administration	\$ 37,310
Fire	45,995
Police	73,576
Animal control	1,786
Maintenance	100,157
Parks and recreation	6,725
Airport	17,630
Library	5,480
	<u>\$288,659</u>

## NOTE 6 – CONSTRUCTION PROJECTS

As of September 30, 2018, the City had the following commitment with respect to unfinished capital projects:

	<i>Project Authorization</i>	<i>Expended Through 9/30/2018</i>	<i>Required Future Financing</i>
TxDOT TAP Sidewalk Improvements	\$ 957,361	265,002	692,359

## NOTE 7 – INTERFUND BALANCES AND ACTIVITY

Transfers to and from other funds at September 30, 2018, consisted of the following:

<i>Transfers From</i>	<i>Transfers To</i>	<i>Amount</i>	<i>Purpose</i>
Utilities Fund	General Fund	\$ 101,579	Administrative costs
Library Donations	General Fund	26,998	Capital assets reimbursement
Utilities Debt Service	Utilities Fund	50,000	Bond payment
Utilities Fund	Capital Improvement – Water & Sewer	77,000	SCADA costs
Utilities Fund	Utilities Debt Service	50,000	Bond payments
Utilities Fund	TWDB Sewer System Project	40,000	Bond payments
		<u>\$ 345,577</u>	

## NOTE 8 – LONG-TERM OBLIGATIONS

### Governmental activities:

General obligation bonds at September 30, 2018 are as follows:

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

<i>Title of Issue</i>	<i>Interest Rates</i>	<i>Original Issue</i>	<i>Outstanding September 30, 2018</i>
General Obligation Refunding Bonds, Series 2011 used to refund certain certificates of obligation and bonds which were issued to finance certain capital improvements of the City – due serially in varying amounts from March 15, 2012 through March 15, 2031	2.00 - 4.25%	\$2,090,000	\$ 1,560,000 \$ 1,560,000

Debt service requirements on long-term debt at September 30, 2018, are as follows:

<i>Year Ending September 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	\$ 95,000	59,990	154,990
2020	95,000	56,428	151,428
2021	100,000	52,528	152,528
2022	105,000	48,428	153,428
2023	110,000	44,128	154,128
2024-2028	620,000	151,714	771,714
2029-2032	435,000	27,710	462,710
Totals	\$1,560,000	440,926	2,000,926

## Business-type activities:

General obligation bonds at September 30, 2018 are as follows:

<i>Title of Issue</i>	<i>Interest Rates</i>	<i>Original Issue</i>	<i>Outstanding September 30, 2018</i>
General Obligation Refunding Bonds, Series 2011, net of bond premium of \$87,806, used to refund certain certificates of obligation and bonds which were issued to finance certain capital improvements of the City – due serially in varying amounts from March 15, 2012 through March 15, 2031	2.00 - 4.25%	\$6,855,000	\$5,292,806 \$5,292,806

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

Debt service requirements on Utilities general obligation bonded debt at September 30, 2018, are as follows:

<i>Year Ending September 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	\$ 335,000	200,211	535,211
2020	349,634	187,649	537,283
2021	307,317	174,949	482,266
2022	322,317	162,649	484,966
2023	352,317	149,449	501,766
2024-2028	2,031,585	541,883	2,573,468
2029-2032	1,594,636	101,022	1,695,658
<b>Totals</b>	<b>\$5,292,806</b>	<b>1,517,812</b>	<b>6,810,618</b>

Certificates of obligation at September 30, 2018 are as follows:

<i>Title of Issue</i>	<i>Interest Rates</i>	<i>Original Issue</i>	<i>Outstanding September 30, 2018</i>		
Certificates of Obligation, Series 2005 used for improvements at the wastewater plant – due serially February 15, 2006 through February 15, 2025	0.00%	\$1,050,000	\$465,000		
Certificates of Obligation, Series 2015 used for water and sewer improvements – due serially August 15, 2016 through August 15, 2035	0.00 - 2.04%	\$1,040,000	<table border="1" style="display: inline-table; vertical-align: middle;"> <tr><td>890,000</td></tr> <tr><td><u>\$1,355,000</u></td></tr> </table>	890,000	<u>\$1,355,000</u>
890,000					
<u>\$1,355,000</u>					

Debt service requirements on Utilities certificates of obligation at September 30, 2018, are as follows:

<i>Year Ending September 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2019	\$ 75,000	12,403	87,403
2020	90,000	12,403	102,403
2021	135,000	12,318	147,318
2022	135,000	12,088	147,088
2023	115,000	11,698	126,698
2024-2028	415,000	49,070	464,070
2029-2033	270,000	27,708	297,708
2034-2036	120,000	3,648	123,648
<b>Totals</b>	<b>1,355,000</b>	<b>141,336</b>	<b>1,496,336</b>

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

Changes in long-term obligations for the year ended September 30, 2018, are as follows:

	<i>Balance 9/30/17, as Previously Reported</i>	<i>Prior Period Adjustment</i>	<i>Balance 9/30/17, as Restated</i>	<i>Additions</i>	<i>Retirements/ Deductions</i>	<i>Balance 9/30/18</i>	<i>Due Within One Year</i>
<b>Governmental activities:</b>							
General obligation bonds	\$1,650,000		1,650,000		(90,000)	1,560,000	95,000
Bond premium	29,002		29,002		(2,231)	26,771	
Total general obligation bonds	1,679,002		1,679,002		(92,231)	1,586,771	95,000
Capital leases	219,018		219,018	70,145	(46,274)	242,889	49,544
Accrued compensated absences		30,402	30,402	68,411	(39,651)	59,162	39,651
Net pension liabilities	685,161		685,161		(402,627)	282,534	
Net other postemployment liabilities		81,353	81,353	13,252		94,605	
Total governmental activities	\$2,583,181	111,755	2,694,936	151,808	(580,783)	2,265,961	184,195
<b>Business-type activities:</b>							
General obligation bonds	\$5,515,000		5,515,000		(310,000)	5,205,000	335,000
Bond premium	95,123		95,123		(7,317)	87,806	
Total general obligation bonds	5,610,123		5,610,123		(317,317)	5,292,806	335,000
Certificates of obligation	1,445,000		1,445,000		(90,000)	1,355,000	75,000
Accrued compensated absences	23,219		23,219	27,324	(31,648)	18,895	18,895
Net pension liabilities	216,366		216,366		(131,192)	85,174	
Net other postemployment liabilities		24,163	24,163	3,994		28,157	
Total business-type activities	\$7,294,708	24,163	7,318,871	31,318	(570,157)	6,780,032	428,895

## Capital Leases

In a prior year, the City entered into a capital lease for a fire truck in which the City pays the lessor \$30,416 per year. The term of the lease is February 27, 2013 through November 27, 2024. Accordingly, a total of \$30,416 was paid during fiscal year 2018 under this lease, of which \$25,763 was the principal portion.

During the fiscal year 2018, the City entered into a capital lease for two police vehicles in which the City will pay the lessor \$2,098 per month. The term of the lease is November 27, 2017 through October 27, 2020. A total of \$25,176, including \$20,511 of principal, was paid during fiscal year 2018 under this lease.

The following is a summary of future minimum lease payments at September 30, 2018:

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

<b>Fiscal Year Ended</b>	<b>Amount</b>
2019	\$ 56,210
2020	54,370
2021	32,514
2022	30,416
2023	30,416
2024-2025	60,832
 Total minimum lease payments	 264,758
Less: amounts representing interest	(21,869)
 Present value of minimum lease payments	 \$ 242,889

## NOTE 9 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for this insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsurance through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

## NOTE 10 – PENSION PLAN

### A. Plan Description

The City of Winnsboro, Texas participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

### B. 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.

# CITY OF WINNSBORO, TEXAS

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## *Notes to the financial statements continued.*

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 payment 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.

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

Employee deposit rate	5%
Matching ratio (City to employee)	2-1
Updated service credit:	
Rate	100T
Year effective	2015R
COLA increase	70%
Military service credit	1.89
Vesting requirements	5 years
Service requirement eligibilities	5yrs/age 60, 25 yrs/any age
Buy back last approved	2008-03-11
Restricted prior service credit	1.96

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	35
Active employees	37
Total	<u>97</u>

## C. Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.18% and 10.24% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$165,378, and were equal to the required contributions.

# CITY OF WINNSBORO, TEXAS

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*Notes to the financial statements continued.*

## **D. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APR) 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 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 allocations 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 in fiscal year 2018 are summarized in the following table:

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return (Arithmetic)</i>
Domestic equity	17.5%	4.55%
International equity	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.90%
Real return	10.0%	3.80%
Real estate	10.0%	4.50%
Absolute return	10.0%	3.75%
Private equity	5.0%	7.50%
Total	<u>100.00%</u>	

## Discount Rate

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

## Changes in the Net Pension Liability

	<i>Increase (Decrease)</i>		
	<i>Total Pension Liability (a)</i>	<i>Plan Fiduciary Net Position (b)</i>	<i>Net Pension Liability (a) - (b)</i>
Balance at 12/31/16	\$5,199,098	4,297,571	901,527
Changes for the year			
Service cost	180,483		180,483
Interest	347,311		347,311
Change of benefit terms			
Difference between expected and actual experience	(238,855)		(238,855)
Changes of assumptions			
Contributions – employer		154,666	154,666
Contributions – employee		75,982	75,982
Net investment income		595,354	595,354
Benefit payments, including			
refunds of employee contributions	(287,944)	(287,994)	
Administrative expense		(3,087)	(3,087)
Other changes		(156)	(156)
Net changes	945	534,764	(533,819)
Balance 12/31/18	<u>\$6,102,458</u>	<u>4,832,335</u>	<u>367,708</u>

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

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

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

	<i>1% Decrease in Discount Rate</i>	<i>Discount Rate</i>	<i>1% Increase in Discount Rate</i>
City's net pension liability	\$1,048,857	\$367,708	\$(192,876)

## 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.tmrs.com](http://www.tmrs.com).

## E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of \$69,395.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual economic experience		162,870
Changes in actuarial assumptions	1,960	
Difference between projected and actual investment earnings		118,505
Contributions subsequent to the measurement date	127,286	
Total	<u>\$129,247</u>	<u>281,375</u>

The amount of deferred outflows of resources related to pensions in the amount of \$127,286 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2018	\$ (73,710)
2019	(83,549)
2020	(61,104)
2021	(61,052)
2022	
Thereafter	<u>\$(279,415)</u>

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

### A. Plan Description

The City also participates in a defined benefit group-term cost life insurance plan, which is administered by 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 for their 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.

### B. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another 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 does not meet the definition of a trust under GASB No. 75, and as such the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). The retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit plan.

### C. 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 membership at the actuarial valuation and measurement date of December 31, 2017 consists of:

Inactive employees currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	10
Active employees	37
Total	<u>64</u>

The City's contributions to the TMRS SDBF for the years ended 2018, 2017, and 2016 were \$4,183, \$3,738, and \$3,654, respectively, which equaled the required contributions each year.

The summary of actuarial assumptions is as follows:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate (based on Fidelity's Index's "20 year Municipal GO AA Index" rate as of 12/31/17)	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

Mortality rates – service retirees

requirements under GASB Statement No. 68  
RP2000 Combined Mortality Table with Blue  
Collar Adjustment with male rates multiplied by  
109% and female rates multiplied by 103% and  
projected on a fully generational basis with scale  
BB.

Mortality rates – disabled retirees

RP2000 Combined Mortality Table with Blue  
Collar Adjustment with male rates multiplied by  
109% and female rates multiplied by 103% with a  
3 year set-forward for both males and females. The  
rates are projected on a fully generational basis  
with scale BB to account for future mortality  
improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

## D. Total OPEB Liability

The change in the total OPEB liability is as follows:

Balance at December 31, 2016	<u>\$105,516</u>
Changes for the year:	
Service cost	4,829
Interest on the OPEB liability	4,054
Changes of benefit terms	
Differences between expected and actual experience	
Changes in assumptions or other inputs	9,721
Benefit payments	(1,358)
Net changes	17,246
Balance at December 31, 2017	<u><u>\$122,762</u></u>

The sensitivity of the total OPEB liability to changes in the discount rate is shown as follows:

	<i>1% Decrease (2.31%)</i>	<i>Current Discount Rate (3.31%)</i>	<i>1% Increase (4.31%)</i>
Total OPEB liability	\$147,497	\$122,762	\$103,348

The amount of OPEB expense recognized by the City for the fiscal year ended September 30 2018 is \$11,058.

At September 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

	<i>Deferred Outflows of Resources</i>
Changes in actuarial assumptions	\$ 7,546
Contributions subsequent to the measurement date	1,243
Total	<u><u>\$ 8,789</u></u>

Deferred outflows of resources of \$1,243 related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<i>Net Deferred Outflows of Resources</i>
2018	\$2,175
2019	2,175
2020	2,175
2021	1,021
2022	
Thereafter	
Total	<u><u>\$7,546</u></u>

## NOTE 12 – CLASSIFICATION OF GOVERNMENTAL FUND BALANCES

The table below presents a summary of the September 30, 2018, governmental fund balances by fund type and specific purpose. With the exception of nonspendable fund balances, fund balance is presented based on specific purpose. For the General Fund and other governmental funds, the specific purpose of the fund balance is determined by the governmental function for which the funds are restricted, committed, assigned, or unassigned.

	<i>General Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Fund balances:			
Nonspendable for:			
Inventory	\$17,543		17,543
Restricted:			
Noncurrent notes receivable		80,769	80,769
Debt service		78,523	78,523
Capital improvements	2,850		2,850
Farmers market	3,941		3,941
Park	1,126		1,126
Library	35,703		35,703
Court security	11,675		11,675
Court technology	27,257		27,257
Economic development		40,215	40,215
Tourism		25,578	25,578
Unassigned	<u><u>1,161,248</u></u>		<u><u>1,161,248</u></u>
	<u><u>\$1,261,343</u></u>	<u><u>225,085</u></u>	<u><u>1,486,428</u></u>

# CITY OF WINNSBORO, TEXAS

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*Notes to the financial statements continued.*

## NOTE 13 –CONTINGENT LIABILITIES

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

The City is involved in a claim against the City, arising in the normal course of operations. The suit is being handled by counsel appointed by the Texas Municipal League Intergovernmental Risk Pool (TMLIRP). Management believes that attorney fees and any potential liability from the claim will be paid by TMLIRP. Therefore, no provision has been recorded in the accompanying basic financial statements for such claim.

## NOTE 14- SUBSEQUENT PRONOUNCEMENTS

The Governmental Accounting Standards Board recently issued the following statements not yet implemented by the City of Winnsboro, Texas. The statements, which might impact the City, are as follows:

Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016 will be effective for the fiscal year ending September 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable.

Statement No. 84, *Fiduciary Activities*, issued in January 2017, will be effective for the fiscal year September 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

Statement No. 87, *Leases*, issued in June 2017, will be effective for the fiscal year ending September 30, 2021. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangement.

# CITY OF WINNSBORO, TEXAS

*Notes to the financial statements continued.*

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued April 2018 will be effective for the fiscal year ending September 30, 2019. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences and significant subjective acceleration clauses. The Statement also requires that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued in June 2018, will be effective for the fiscal year ending September 30, 2021. The Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with Statement No. 62. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest costs incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, issued in August 2018, will be effective for the fiscal year ending September 30, 2020. The Statement's objective is to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

Statement No. 91, *Conduit Debt Obligations*, issued in May 2019, will be effective for the fiscal year ending September 30, 2022. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

## **NOTE 15 – PRIOR PERIOD ADJUSTMENTS**

### **General Fund and Governmental Activities**

A prior period adjustment was recorded in the General Fund and in the governmental activities financial statement to properly record receivables at September 30, 2017 for sales taxes of \$66,766, intergovernmental receivables of \$53,674, and franchise taxes of \$36,057. The total effect was to increase fund balance and reduce current year revenue by \$156,497.

# CITY OF WINNSBORO, TEXAS

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*Notes to the financial statements continued.*

## **Utilities Fund and Business-type Activities**

A prior period adjustment was recorded in the Utilities Fund to adjust the liability for the other postemployment benefits at September 30, 2017 in accordance with *GASB Statement No 75, Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*, effective for the fiscal year ending September 30, 2018. The effect was to increase the liability and reduce net position for the Utilities Fund and the business-type activities by \$24,163.

A prior period adjustment was recorded in the Utilities Fund and business-type activities to properly record capital assets at September 30, 2017 for \$32,977 as construction in progress. The effect was to increase the capital assets and increase net position by \$32,977.

## **Governmental Activities**

A prior period adjustment was recorded in the governmental activities financial statement to reduce capital assets and net position reported at September 30, 2017 by \$13,964.

A prior period adjustment was recorded in the governmental activities financial statement to increase the accrued compensated absences liability and reduce the related net position reported at September 30, 2017 by \$30,402.

A prior period adjustment was recorded in the governmental activities financial statement to record the liability for the other postemployment benefits at September 30, 2017 in accordance with *GASB Statement No 75, Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*, effective for the fiscal year ending September 30, 2018. The effect was to increase the liability and reduce net position by \$81,353.

A prior period adjustment was recorded to decrease fines receivable and decrease net position for \$87,879. The fines are not expected to be collected and thus were overstated.

## **Governmental Activities and Business-type Activities**

A prior period adjustment was recorded in the governmental activities and business-type activities to record the balances of the internal service activities as a governmental activities function, rather than allocating balances between the governmental and business-type activities. The net effect was to increase cash, capital assets, and net position by \$139,065 in the governmental activities and make a corresponding reduction in the business-type activities as of September 30, 2017.

## **NOTE 16 – SUBSEQUENT EVENTS**

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through November 25, 2019, the date the financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF WINNSBORO, TEXAS

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## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

#### TEXAS MUNICIPAL RETIREMENT SYSTEM – Last 10 Years\*

September 30, 2018

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 180,483	174,025	156,184	118,965
Interest	347,311	333,768	331,354	328,888
Changes in benefit terms				218,452
Difference between expected and actual employee contributions	(238,855)	(9,058)	(4,156)	(131,074)
Changes in assumptions			29,960	
Benefit payments, including refunds of employee contributions	(287,994)	(314,681)	(307,656)	(292,664)
Net change in total pension liability	945	184,054	205,686	242,567
Total pension liability - beginning	5,199,098	5,015,044	4,809,358	4,566,791
Total pension liability - ending	<u>5,200,043</u>	<u>5,199,098</u>	<u>5,015,044</u>	<u>4,809,358</u>
 <b>Plan fiduciary net position</b>				
Contributions - employer	154,666	144,972	146,456	112,224
Contributions - employee	75,982	73,366	68,502	65,782
Net investment income	595,354	278,279	6,211	234,080
Benefit payments, including refunds of employee contributions	(287,994)	(314,681)	(307,656)	(292,664)
Administration expense	(3,087)	(3,144)	(3,783)	(2,444)
Other	(156)	(169)	(188)	(201)
Net change in plan fiduciary net position	534,765	178,623	(90,458)	116,777
Plan fiduciary net position - beginning	4,297,571	4,118,948	4,209,406	4,092,629
Plan fiduciary net position - ending	<u>4,832,336</u>	<u>4,297,571</u>	<u>4,118,948</u>	<u>4,209,406</u>
Net pension liability - ending	<u>\$ 367,707</u>	<u>901,527</u>	<u>896,096</u>	<u>599,952</u>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	92.93%	82.66%	82.13%	87.53%
 <b>Covered payroll</b>	\$ 1,509,058	\$ 1,467,329	\$ 1,370,035	\$ 1,315,636
 <b>Net pension liability as a percentage of covered payroll</b>	24.37%	61.44%	65.41%	45.60%

\*Note to Schedule: The City began to report the above information when it implemented GASB Statement 68 in 2015. This pension schedule is intended to present information for 10 years. Additional information will be displayed as it becomes available.

# CITY OF WINNSBORO, TEXAS

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## SCHEDULE OF CITY CONTRIBUTIONS TEXAS MUNICIPAL RETIREMENT SYSTEM – Last 10 Fiscal Years\* September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 165,378	144,972	147,107	141,383
Contributions in relation to the actuarially determined contribution	<u>(165,378)</u>	<u>(144,972)</u>	<u>(147,107)</u>	<u>(141,383)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 1,576,309	\$ 1,495,112	\$ 1,481,484	\$ 1,395,342
Contributions as a percentage of covered payroll	10.49%	9.70%	9.93%	10.13%

## NOTES TO SCHEDULE OF CONTRIBUTIONS

### Valuation date:

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

### Methods of assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	2.50%
Salary increases	3.5% to 10.5%, 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 2015 valuation pursuant to an experience study of the period 2010-2014.

Mortality      RP2000 Combined Mortality Table with Blue Collar  
Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational

**Other Information**      There were no benefit changes during the year.

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provided the information for those years for which information is available.

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## **OVERALL INTERNAL CONTROL AND COMPLIANCE**

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# H O L L I D A Y , L E M O N S & C O X , P . C .

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S 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 Members of the City Council  
and Honorable Camron Wilcox, Mayor  
City of Winnsboro, Texas

Dear Ladies and Gentlemen:

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Winnsboro, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Winnsboro, Texas's basic financial statements, and have issued our report thereon dated November 25, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Winnsboro, 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 Winnsboro, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Winnsboro, 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 a 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 a 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, which we consider to be a material weakness.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Winnsboro, 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*.

## **City of Winnsboro, Texas's Response to Findings**

The City of Winnsboro, Texas's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Winnsboro, Texas's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 "Adliday, Lemon & Cox, P.C." The signature is cursive and fluid, with "Adliday" on the first line, "Lemon & Cox" on the second line, and "P.C." on the third line.

November 25, 2019

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# CITY OF WINNSBORO, TEXAS

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## **SCHEDULE OF FINDINGS – FINANCIAL STATEMENT AUDIT** **For the Year Ended September 30, 2018** *Financial Policies, Procedures, and Application of Accounting Principles*

### *Reference 2018-001*

#### **Condition**

The following is a selection of the account balances that required significant adjusting entries on the City's financial statements:

1. Deferred outflows of resources and deferred inflows of resources related to net pension liability and other postemployment benefits were not recorded properly at September 30, 2018 for \$134,733 and \$281,372, respectively. A prior period adjustment at September 30, 2017 was required for \$245,312 for the deferred outflows for pensions and for \$27,352 for the deferred inflows for pensions to record the net pension liability in the long term debt fund. A prior period adjustment was made to record the OPEB liability of \$105,516 as required by the adoption of GASB 75. An adjustment was required for a net amount of \$8,757 to record current period other post-employment benefits deferrals.
2. The City did not record sales tax receivable at September 30, 2018 in the amount of \$126,245. A prior period adjustment for sales tax receivable was recorded at September 30, 2017 of \$66,766.
3. Franchise fees receivable were unrecorded at September 30, 2018 in the amount of \$37,106. A prior period adjustment for franchise taxes of \$36,057 was recorded at September 30, 2017.
4. Intergovernmental receivables were not recorded in the amount of \$64,203 at September 30, 2018. A prior period adjustment of \$53,674 at September 30, 2017 was recorded for intergovernmental receivables.
5. Unbilled accounts receivable in the amount of \$46,966 at September 30, 2017 had not been reversed and unbilled accounts receivable in the amount of \$64,638 had not been recorded during the year ended September 30, 2018.
6. The City did not record a lease agreement in the amount of \$70,145 that was entered into during fiscal year 2018 for two police vehicles. The payoff of principal over the course of the year of \$20,511 was also not recorded. This activity required adjustment to the long term debt fund, to capital outlay expense in the general fund, and to capital assets in the fixed assets fund.
7. A lease payment for \$25,159 on an existing lease for a fire truck was recorded twice, requiring adjustment to reverse the portion recorded in error.
8. Accrued compensated absences in the amount of \$28,760 were not recorded as long term debt at September 30, 2018. A prior period adjustment was required in the amount of \$30,402 for the liability at September 30, 2017.

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# **CITY OF WINNSBORO, TEXAS**

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9. Accounts payable in the amount of \$198,576 were not recorded at September 30, 2018. Accrued interest payable was not recorded at September 30, 2018 in the amount of \$10,137.
10. Capital asset additions of \$372,497 and capital asset disposals of \$31,683 were unrecorded at September 30, 2018. A prior period adjustment was required to record additions to the water and sewer system during 2017 in the amount of \$32,977, and current period additions to the water and sewer system were reclassified to capital assets in the amount of \$149,374. An adjustment was also required to record accumulated depreciation for \$4,202,166 on the City's trial balance. Depreciation expense in the amount of \$209,946 was not recorded at September 30, 2018.
11. Grant revenue and the related receivable were not recorded at September 30, 2018 in the amount of \$121,895. Deferred revenue in the amount of \$78,310 was also unrecorded at September 30, 2018.

## **Criteria**

All financial statement accounts should be properly stated prior to close of the year end books and issuance of interim financial statements by the City finance staff. City management is responsible for establishing and maintaining effective internal controls over financial policies.

## **Cause**

Some ending balances may not have been assessed for completeness and accuracy by the City finance staff.

## **Effect**

Potentially material misstatements in the financial statements or material misstatements of assets due to error or fraud could occur and not be prevented or detected in a timely manner. Several accounts were not properly adjusted by the City as of September 30, 2018.

## **Recommendation**

The City finance staff should review all of the financial statement accounts to determine if any adjusting entries are necessary as part of the year end closing process. Generally accepted accounting principles should be applied in order to produce fairly stated financial statements.

## **Views of Responsible Officials and Planned Corrective Action**

City officials will review the recommendations and consider implementing the necessary changes.

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# **CITY OF WINNSBORO, TEXAS**

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## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For the Year Ended September 30, 2018**

### *Reference 2017-01 – Municipal Court*

Current Status: The finding was corrected in the current year.

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