

CITY OF WINNSBORO, TEXAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2019

**CITY OF WINNSBORO, TEXAS
TABLE OF CONTENTS**

Independent Auditor's Report.....	1
<u>Required Supplementary Information</u>	
Management Discussion and Analysis.....	3
<u>Basic Financial Statements</u>	
<i>Government Wide Statements:</i>	
Statement of Net Position.....	9
Statement of Activities.....	10
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds.....	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	12
Statement of Revenues and Expenditures, and Changes in Fund Balances – Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund balances to the Statement of Activities.....	14
Statement of Net Position - Proprietary Fund.....	15
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund.....	16
Statement of Cash Flows - Proprietary Fund.....	17
Notes to the Financial Statements.....	18
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance: Budgetary Comparison - General Fund.....	41
Schedule of Changes in Net Pension Liability and Related Ratios.....	42
Schedule of Pension Contributions.....	43
Schedule of Changes in Total OPEB Liability and Related Ratios.....	44
Schedule of OPEB Contributions.....	45

**CITY OF WINNSBORO, TEXAS
TABLE OF CONTENTS (CONTINUED)**

Compliance and Internal Control Section

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
Schedule of Findings and Questioned Costs.....	48

Rod L. Abbott, CPA PLLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
of the City of Winnsboro, Texas

I 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 (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules on pages 3-8 and 41-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 14, 2020, on my consideration of the City of Winnsboro, Texas's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Winnsboro, Texas's internal control over financial reporting and compliance.



Rod L. Abbott, CPA PLLC
Tom Bean, Texas
July 14, 2020

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, 2019. 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 \$7,012,674 (net position).
- As of September 2019, the City's total governmental funds reported ending fund balances of \$1,391,073. The General Fund's fund balance of \$1,162,552 decreased by \$98,791 during the fiscal year. The General Fund has an unassigned fund balance of \$1,061,749 at September 30, 2019 compared to \$1,161,248 in the prior year.
- The Enterprise Fund's net position totaled \$4,647,752 at September 30, 2019 and the unrestricted net position totaled \$369,167. Total net position for this fund increased by \$101,427 in 2019.

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, deferred inflows / outflows of resources, liabilities and 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 five 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. Financial balances from the other four funds are combined into a single, aggregated presentation.

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 General Fund budget versus actual results and progress in funding its obligation to provide pension and other post-employment benefits to its employees.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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, total net position as of September 30, 2019 is \$7,012,674. The largest portion of the City's net position, \$4,961,248 (71%), 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.

	Governmental Activities		Business-type Activities		Total	
	FY19	FY18	FY19	FY18	FY19	FY18
Current and other assets	\$ 1,665,921	\$ 2,005,042	\$ 1,514,093	\$ 1,720,850	\$ 3,180,014	\$ 3,725,892
Capital assets	3,134,596	2,312,109	9,795,989	9,902,974	12,930,585	12,215,083
Total assets	4,800,517	4,317,151	11,310,082	11,623,824	16,110,599	15,940,975
Deferred outflows of resources	286,584	103,535	86,359	36,578	\$ 372,943	140,113
Long-term liabilities	2,544,195	2,265,961	6,492,067	6,780,032	9,036,262	9,045,993
Other liabilities	135,142	297,086	243,713	268,560	378,855	565,646
Total liabilities	2,679,337	2,563,047	6,735,780	7,048,592	9,415,117	9,611,639
Deferred inflows of resources	42,841	215,887	12,909	65,485	55,750	281,372
Net position:						
Net investment in cap. assets	1,395,747	562,072	3,565,501	3,255,169	4,961,248	3,817,241
Restricted	223,355	385,948	713,084	671,374	936,439	1,057,322
Unrestricted	745,820	693,732	369,167	619,782	1,114,987	1,313,514
Total net position	\$ 2,364,922	\$ 1,641,752	\$ 4,647,752	\$ 4,546,325	\$ 7,012,674	\$ 6,188,077

An additional portion of the City's net position of \$936,439 (13%) 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 \$1,114,987 (16%) may be used to meet the City's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Governmental Activities:

The City's total revenue for governmental activities was \$3,889,102, of which 26% was from property taxes and 28% was from sales taxes, franchise taxes, and other taxes. The total expenses for all programs were \$3,165,932. Approximately 43% was for public safety and court, 15% was for maintenance, and 17% was for administration. Governmental activities showed an increase in net position of \$723,170 compared to an increase of \$167,698 in the prior year. \$505,921 in non-recurring capital grants was a main contributor to this year over year increase in net position.

Business-type Activities:

The City's total revenue for business-type activities was \$2,264,181, including \$2,164,398 for charges for services. Total Utilities Fund expenses were \$2,162,754. Business type activities had a net increase in net position of \$101,427 compared to an increase of \$157,154 in the prior year. The Utilities Fund expenses was the area that increased the most by \$256,787 (13%).

	Governmental Activities		Business-type Activities		Total	
	FY19	FY18	FY19	FY18	FY19	FY18
Revenues:						
Program Revenues:						
Charges for services	\$ 644,024	\$ 912,792	\$ 2,164,398	\$ 2,156,177	\$ 2,808,422	\$ 3,068,969
Operating grants and contributions	136,563	79,152	-	-	136,563	79,152
Capital grants and contributions	505,921	121,895	-	-	505,921	121,895
General Revenues:						
Property taxes	1,015,006	1,006,051	-	-	1,015,006	1,006,051
Sales taxes and franchise fees	1,101,976	993,150	-	-	1,101,976	993,150
Investment income	2,118	3,553	13,803	8,523	15,921	12,076
Gain on sold assets	482,140	-	85,980	-	568,120	-
Other	1,354	23,116	-	-	1,354	23,116
	<u>3,889,102</u>	<u>3,139,709</u>	<u>2,264,181</u>	<u>2,164,700</u>	<u>6,153,283</u>	<u>5,304,409</u>
Expenses:						
General government	547,904	568,197	-	-	547,904	568,197
Parks	149,189	135,464	-	-	149,189	135,464
Public safety and court	1,370,118	1,220,329	-	-	1,370,118	1,220,329
Streets and maintenance	483,649	375,409	-	-	483,649	375,409
Debt service - interest	72,495	68,200	-	-	72,495	68,200
Other departments	166,643	364,502	-	-	166,643	364,502
Library	180,070	149,038	-	-	180,070	149,038
Water/Sewer/Sanitation	195,864	192,451	2,162,754	1,905,967	2,358,618	2,098,418
	<u>3,165,932</u>	<u>3,073,590</u>	<u>2,162,754</u>	<u>1,905,967</u>	<u>5,328,686</u>	<u>4,979,557</u>
Excess (deficiency) of revenues over expenditures before transfers	723,170	66,119	101,427	258,733	824,597	324,852
Transfers In (Out)	-	101,579	-	(101,579)	-	-
Increase in net position	723,170	167,698	101,427	157,154	824,597	324,852
Net position - October 1	1,641,752	1,474,054	4,546,325	4,389,171	6,188,077	5,863,225
Prior period adjustments	-	-	-	-	-	-
Net position - September 30	<u>\$ 2,364,922</u>	<u>\$ 1,641,752</u>	<u>\$ 4,647,752</u>	<u>\$ 4,546,325</u>	<u>\$ 7,012,674</u>	<u>\$ 6,188,077</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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, unassigned 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 \$1,391,073 with a net decrease in fund balance of \$95,355. This compares to a \$187,445 decrease in governmental fund balances in the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$1,061,749, while the total fund balance was \$1,162,552. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balances to total fund expenditures. Unassigned fund balances represent 27% of the total 2019 General Fund expenditures. This same percentage was 35% at September 30, 2018.

General Fund Budgetary Highlights:

Total revenues for the year exceeded budgeted amounts by \$493,639 while the actual expenditures exceeded the budgeted projections by \$543,632. Unbudgeted grant revenues and related grant funded capital outlays were the most significant areas of variance. These variances, combined with other variances from the "Other Financing Sources" section, resulted in a net variance of \$16,041 when compared with budget whereby the actual amounts were overall favorable compared to the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City constructed or acquired \$1,450,661 of new capital assets in 2019. Grants that funded sidewalk improvements and significant insurance claims for roof replacements on City buildings were the two most significant areas of additions.

The City's one 2019 long-term debt addition was a \$60,785 capital lease for two new police vehicles. All principal payments on City debt totaled \$565,012 for fiscal year 2019.

More detailed information about the City's capital assets and long-term debt is presented in the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The FY 2020 budget was approved at a Special City Council meeting, September 24, 2019. The General Fund budget for FY 2020 is \$3,090,106. This is an increase of 2.0% from the FY 2019 final budget.

The City adopted the property tax rate at \$0.5663/100. The FY 2020 budget will raise more revenue from property taxes than last year's budget by \$52,968, which is a 7.2% increase.

Sales taxes are conservatively forecast to be \$792,000, an increase of 9.8% over FY 2019.

Professional services contracts were awarded to Grantworks and KSA Engineers for the submittal of a Texas Department of Agriculture 2020 Community Development Block Grant for drainage improvements on Sherrill Street. If awarded the grant would a 20% match which would be paid from the 2020 or 2021 fiscal year budget.

The 2017 TxDOT Sidewalk improvement program was completed during this fiscal year. The sidewalk runs from Simons Drive to the Winnsboro Elementary School. The City continues to work with the KSA Engineers on the 2018 TxDOT TASA Sidewalk project which will connect the Edgewood subdivision with the recently completed sidewalk. Both projects will enhance future development in the city.

TxDOT Aviation awarded the City a Capital Improvement Program grant for the resurfacing of the Winnsboro Municipal Airport Runway and Taxiway. The project total cost is estimated to be \$480,000 the City's portion is \$48,000. These improvements will be directed by TxDOT aviation as they will manage the bidding for the design, construction, and inspections. The project will be completed in FY2020. Once completed we anticipate this will increase air traffic into Winnsboro which will help foster further economic development.

Housing starts and sales are increasing in the city. Realtors inform the staff that a greater number of homes have sold in the city limits during this fiscal year than in the previous 10 years. We attribute this in part to the construction of the new Winnsboro High School which will be completed in June 2020.

The downtown business district continues to show strength and there is possibility of future development of new businesses further revitalizing the downtown area. The city is working with planners and engineers to develop a revitalization plan for the downtown area. Which include the relocation of city hall, development of pedestrian area on Market Street, development of a hotel and landscaping. We believe that these types development will not only benefit businesses in the downtown, but attract new businesses throughout the city and increase the interest in locating to Winnsboro.

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.

City of Winnsboro, Texas
Statement of Net Position
September 30, 2019

	Primary Government			Component Unit
	Governmental	Business-type		Economic
	Activities	Activities	Total	Development
				Corporation
Assets				
Cash and cash equivalents	\$ 1,216,561	\$ 530,083	\$ 1,746,644	\$ 85,237
Investments	2,021	81,912	83,934	330,390
Accounts receivables - net	341,369	189,013	530,383	79,247
Notes receivables - net	88,429	-	88,429	29,875
Inventory	17,541	-	17,541	-
Restricted cash	-	34,999	34,999	-
Restricted investments	-	678,085	678,085	-
Capital assets:				
Non-depreciable capital assets	527,549	266,473	794,022	-
Depreciable capital assets (net)	2,607,047	9,529,516	12,136,563	-
Total assets	<u>4,800,517</u>	<u>11,310,082</u>	<u>16,110,599</u>	<u>524,749</u>
Deferred outflows of resources				
Deferred outflows of resources - Pension	284,137	85,621	369,758	-
Deferred outflows of resources - OPEB	2,447	738	3,185	-
Total deferred outflows of resources	<u>286,584</u>	<u>86,359</u>	<u>372,943</u>	<u>-</u>
Liabilities				
Accounts payable	55,829	10,010	65,839	49,660
Interest payable	5,790	9,427	15,217	-
Accrued wages and payroll liabilities	73,523	14,333	87,856	-
Customer meter deposits	-	209,943	209,943	-
Non-current liabilities:				
Due within one year - Debt issuances	165,247	425,000	590,247	-
Due in more than one year				
Bonds and capital leases	1,573,602	5,805,489	7,379,091	-
Accrued compensated absences	62,509	37,734	100,243	-
Net pension liability	651,552	196,336	847,888	-
Total OPEB liability	91,285	27,508	118,793	-
Total liabilities	<u>2,679,337</u>	<u>6,735,780</u>	<u>9,415,117</u>	<u>49,660</u>
Deferred inflows of resources				
Deferred inflows of resources - Pension	39,652	11,948	51,600	-
Deferred inflows of resources - OPEB	3,189	961	4,150	-
Total deferred inflows of resources	<u>42,841</u>	<u>12,909</u>	<u>55,750</u>	<u>-</u>
Net Position				
Net investment in capital assets	1,395,747	3,565,501	4,961,248	-
Restricted for:				
Court security and technology	47,842	-	47,842	-
Farmers market	5,327	-	5,327	-
Library	30,093	-	30,093	-
Tourism	27,651	-	27,651	-
Debt service	79,102	713,084	792,186	-
Economic development	33,340	-	33,340	475,089
Unrestricted	745,820	369,167	1,114,988	-
Total net position	<u>\$ 2,364,922</u>	<u>\$ 4,647,752</u>	<u>\$ 7,012,674</u>	<u>\$ 475,089</u>

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

City of Willsboro, Texas
Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						Component Unit
	Program Revenues			Primary Government		Economic Development Corporation	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
Primary government:							
Governmental activities:							
Police	\$ 1,073,061	\$ -	\$ 33,835	\$ -	\$ (1,039,226)	\$ -	\$ -
General government	547,904	60,903	14,503	-	(472,498)	-	(472,498)
Streets and maintenance	483,649	-	-	429,571	(54,078)	-	(54,078)
Sanitation	195,864	367,073	-	-	171,209	-	171,209
Fire	201,678	-	43,853	-	(157,825)	-	(157,825)
Library	180,070	3,725	42,675	-	(133,670)	-	(133,670)
Parks	149,189	17,233	-	-	(131,956)	-	(131,956)
Animal control	103,671	7,275	-	-	(96,396)	-	(96,396)
Municipal court	95,379	162,170	-	-	66,791	-	66,791
Airport	26,859	22,894	-	46,350	42,385	-	42,385
Economic development/Farmer's Market	36,114	2,750	1,697	30,000	(1,667)	-	(1,667)
Interest on long-term debt	72,495	-	-	-	(72,495)	-	(72,495)
Total governmental activities	3,165,932	644,024	136,563	505,921	(1,879,424)	-	(1,879,424)
Business-type activities:							
Water and Sewer - operating	2,162,754	2,164,398	-	-	-	1,644	1,644
Total business-type activities	2,162,754	2,164,398	-	-	-	1,644	1,644
Total primary government	5,328,686	2,808,422	136,563	505,921	(1,879,424)	1,644	(1,877,780)
Component unit:							
Economic development corporation	469,295	-	-	-	-	-	(469,295)
Total component unit	\$ 469,295	-	-	-	-	-	(469,295)

General revenues:

Property taxes	1,015,006	-	-	-	-	1,015,006	-
Sales taxes	827,036	-	-	-	-	827,036	413,531
Franchise and other taxes	274,940	-	-	-	-	274,940	-
Investment interest	2,118	-	-	-	13,803	15,921	4,203
Miscellaneous	1,354	-	-	-	-	1,354	731
Gain on sale or disposal of assets	482,140	-	-	-	85,980	568,120	-
Transfers in (out)	-	-	-	-	-	-	-
Total general revenues & transfers	2,602,594	-	-	-	99,783	2,702,377	418,465
Change in net position	723,170	-	-	-	101,427	824,597	(50,830)
Net position - beginning	1,641,752	-	-	-	4,546,325	6,188,077	525,919
Net position - ending	\$ 2,364,922	-	-	-	\$ 4,647,752	\$ 7,012,674	\$ 475,089

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

City of Winnsboro, Texas
Balance Sheet - Governmental Type Funds
September 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 958,577	\$ 140,092	\$ 1,098,670
Investments	2,021	-	2,021
Accounts receivable - net	336,876	4,493	341,369
Notes receivable - net	-	88,429	88,429
Inventory	17,541	-	17,541
Total assets	<u>\$ 1,315,015</u>	<u>\$ 233,014</u>	<u>\$ 1,548,030</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 55,829	\$ -	\$ 55,829
Accrued payroll liabilities	40,035	-	40,035
Accrued wages	33,489	-	33,489
Total current liabilities	<u>129,352</u>	<u>-</u>	<u>129,352</u>
Deferred Inflows of Resources			
Unavailable revenue - Property taxes	<u>23,111</u>	<u>4,493</u>	<u>27,604</u>
Fund Balances			
Non-spendable:			
Inventory	17,541	-	\$ 17,541
Non-current notes receivable	-	88,429	88,429
Restricted for:			
Court security and technology	47,842	-	47,842
Debt service	-	79,102	79,102
Economic development	-	33,340	33,340
Farmers market	5,327	-	5,327
Library	30,093	-	30,093
Tourism	-	27,651	27,651
Unassigned	1,061,749	-	1,061,749
Total fund balances	<u>1,162,552</u>	<u>228,521</u>	<u>1,391,073</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,315,015</u>	<u>\$ 233,014</u>	<u>\$ 1,548,029</u>

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

City of Winnsboro, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
at September 30, 2019

Fund balances of governmental funds	\$	1,391,073
-------------------------------------	----	-----------

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.		3,134,596
---	--	-----------

Deferred outflows of resources related to pension and OPEB balances do not provide current financial resources and, therefore, are not reported in the governmental funds.		286,584
--	--	---------

Deferred inflows of resources related to pension and OPEB balances do not require the use of current financial resources and, therefore, are not reported in the governmental funds.		(42,841)
--	--	----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(2,544,195)
--	--	-------------

Accrued interest payable for governmental-type long-term debt is recognized in the governmental activities in the statement of net position.		(5,790)
--	--	---------

The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		117,891
--	--	---------

Property taxes not received at year-end are shown as deferred income on the fund financial statements, but the amount should not be shown as deferred on the statement of net position.		27,604
---	--	--------

Net position of governmental activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">2,364,922</div>
---	----	--

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

City of Winnsboro, Texas
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 849,013	\$ 175,816	\$ 1,024,829
Sales	827,036	-	827,036
Franchise	262,832	-	262,832
Other	5,700	6,408	12,108
Sanitation	367,073	-	367,073
Licenses and permits	55,749	-	55,749
Court and police	162,170	-	162,170
Rents and leases	36,137	-	36,137
Grants	509,756	-	509,756
Airport	22,894	-	22,894
Intergovernmental	43,193	-	43,193
Other revenue	1,354	-	1,354
Investment earnings	1,178	940	2,118
Donations	89,398	137	89,535
Total revenues	<u>3,233,484</u>	<u>183,301</u>	<u>3,416,785</u>
Expenditures			
Current:			
General government	511,562	-	511,562
Police	980,918	-	980,918
Streets and maintenance	389,811	-	389,811
Sanitation	195,864	-	195,864
Fire	151,418	-	151,418
Library	174,396	-	174,396
Parks	131,500	-	131,500
Animal control	102,332	-	102,332
Municipal court	77,747	-	77,747
Airport	26,859	-	26,859
Farmers market	25,526	-	25,526
Economic development	7,587	3,000	10,587
Capital outlays	1,121,172	-	1,121,172
Debt service:			
Principal retirement	60,012	95,000	155,012
Interest and fees	8,571	60,365	68,936
Total expenditures	<u>3,965,275</u>	<u>158,365</u>	<u>4,123,640</u>
Excess of revenues over (under) expenditures	(731,791)	24,936	(706,856)
Other financing sources (uses)			
Issuance of capital lease	60,785	-	60,785
Insurance proceeds	486,966	-	486,966
Proceeds from sold assets	3,750	-	3,750
Transfers in	81,500	-	81,500
Transfers (out)	-	(21,500)	(21,500)
Total other financing sources(uses)	<u>633,000</u>	<u>(21,500)</u>	<u>611,500</u>
Net changes in fund balances	(98,791)	3,436	(95,355)
Fund balances - beginning	1,261,343	225,085	1,486,428
Fund balances - ending	<u>\$ 1,162,552</u>	<u>\$ 228,521</u>	<u>\$ 1,391,073</u>

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

City of Winnsboro, Texas
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, 2019

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

Net change in fund balances - total governmental funds	\$ (95,355)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	831,063
Accrued interest does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(5,790)
Certain charges of the internal service fund are included in governmental activities in the statement of activities	(60,000)
New long-term debt issuances are an other financing source for the governmental funds, but this source is removed for the government-wide financial statements.	(60,785)
Principal payments on long-term debt are an expenditure for the governmental funds, but this expenditure is removed for the government-wide financial statements.	155,012
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred revenue and various other items. The net effect of these reclassifications is to decrease net position.	(31,372)
Other modifications are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting for OPEB and pension expense. The net effect of these adjustments is to decrease net position.	(9,603)
Change in net position of governmental activities:	<u>\$ 723,170</u>

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

City of Winnsboro, Texas
Statement of Net Position - Proprietary Fund
September 30, 2019

	<i>Enterprise Fund - Utilities Fund</i>	<i>Internal Service Fund - Equipment Replacement Fund</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 530,083	\$ 117,891
Investments	81,912	-
Accounts receivable - net	189,013	-
Total current assets	<u>801,009</u>	<u>117,891</u>
Noncurrent assets:		
Restricted assets:		
Restricted Cash	34,999	-
Restricted Investments	678,085	-
Total Restricted assets:	<u>713,084</u>	<u>-</u>
Capital assets (non-depreciable):		
Land	100,000	-
Construction in progress	166,473	-
Capital assets (net of depreciation):		
Plants, machinery, and equipment	9,529,516	121,013
Total capital assets	<u>9,795,989</u>	<u>121,013</u>
Total noncurrent assets	<u>10,509,074</u>	<u>121,013</u>
Total assets	<u>11,310,082</u>	<u>238,904</u>
Deferred outflows of resources		
Deferred outflows of resources - Pension	85,621	-
Deferred outflows of resources - OPEB	738	-
Total deferred outflows of resources	<u>86,359</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	10,010	-
Accrued payroll and other liabilities	14,333	-
Accrued interest	9,427	-
Customer deposits	209,943	-
Current portion of long-term debt	425,000	-
Total current liabilities	<u>668,713</u>	<u>-</u>
Noncurrent liabilities:		
Accrued compensated absences	37,734	-
Net pension liability	196,336	-
Total OPEB liability	27,508	-
Bonds and certificates of obligation	5,805,489	-
Total noncurrent liabilities	<u>6,067,067</u>	<u>-</u>
Total liabilities	<u>6,735,780</u>	<u>-</u>
Deferred inflows of resources		
Deferred inflows of resources - Pension	11,948	-
Deferred inflows of resources - OPEB	961	-
Total deferred inflows of resources	<u>12,909</u>	<u>-</u>
Net position		
Net investment in capital assets	3,565,501	121,013
Restricted for debt service	713,084	-
Unrestricted	369,167	117,891
Total net position	<u>\$ 4,647,752</u>	<u>\$ 238,904</u>

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

City of Winnsboro, Texas
Statement of Revenues, Expenses, and Changes in
Net Position - Proprietary Fund
For the Year Ended September 30, 2019

	<i>Enterprise Fund - Utilities Fund</i>	<i>Internal Service Fund - Equipment Replacement Fund</i>
Operating revenues:		
Water income	\$ 1,326,595	\$ -
Sewer income	627,610	-
Other charges for services	16,156	40,098
Intergovernmental	145,254	-
Penalties, tap fees, and reconnect fees	48,783	-
Total operating revenues	<u>2,164,398</u>	<u>40,098</u>
Operating expenses:		
Personnel costs	579,270	-
Cost of water	148,400	-
Administration	142,857	-
Depreciation	436,475	34,055
Repairs and maintenance	66,188	-
Supplies	162,937	-
Contractual services	19,746	-
Leases and rentals	23,218	-
Utilities	104,297	-
Lab and chemicals	154,865	-
Sludge pumping and dumpsters	45,030	-
Other operating expenses	46,258	-
Insurance	23,247	-
Total operating expenses	<u>1,952,787</u>	<u>34,055</u>
Operating income	<u>211,611</u>	<u>6,043</u>
Non-operating revenues (expenses):		
Interest income	13,803	153
Gain (loss) from disposal of assets	85,980	-
Interest expense	(209,967)	-
Total non-operating revenues (expenses)	<u>(110,184)</u>	<u>153</u>
Income (loss) before contributions and transfers	<u>101,427</u>	<u>6,196</u>
Transfers (out)	-	(60,000)
Transfers in	-	-
Capital contributions	-	-
Change in net position	101,427	(53,804)
Total net position - beginning	4,546,325	292,708
Total net position - ending	<u><u>\$ 4,647,752</u></u>	<u><u>\$ 238,904</u></u>

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

City of Winnsboro, Texas
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2019

	<i>Enterprise Fund - Utilities Fund</i>	<i>Internal Service Fund - Equipment Replacement Fund</i>
Operating Activities:		
Receipts from customers and users	\$ 2,214,206	\$ 40,098
Payments to suppliers	(1,114,722)	-
Payments to employees	(411,189)	-
Net cash provided (used) by operating activities	<u>688,295</u>	<u>40,098</u>
Capital and Related Financing Activities:		
Cash paid for acquisition and construction of capital assets	(329,490)	-
Interest paid on capital debt	(210,677)	-
Insurance proceeds for damaged capital assets	85,980	-
Principal payments on long-term debt	(417,317)	-
Net cash provided (used) by capital and related financing activities	<u>(871,504)</u>	<u>-</u>
Non-capital and Related Financing Activities		
Transfers (to) from other funds	-	(60,000)
Net cash provided (used) by non-capital and related financing activities	<u>-</u>	<u>(60,000)</u>
Investing Activities:		
Interest received	13,803	153
Net cash provided (used) by investing activities	<u>13,803</u>	<u>153</u>
Net increase (decrease) in cash and cash equivalents	(169,406)	(19,749)
Cash and cash equivalents, October 1	734,488	137,640
Cash and cash equivalents, September 30	<u>\$ 565,082</u>	<u>\$ 117,891</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 211,611	\$ 6,043
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	436,475	34,055
Decrease (increase) in accounts receivable	49,808	-
Increase (decrease) in accounts payable	(33,563)	-
Increase (decrease) in other liabilities	7,010	-
Increase (decrease) in net pension and OPEB liabilities and deferrals	12,432	-
Increase (decrease) in customer deposits	4,523	-
Net cash provided by operating activities	<u>\$ 688,295</u>	<u>\$ 40,098</u>
<u>Reconciliation with Statement of Net Position Balances:</u>		
Unrestricted cash	\$ 530,083	\$ 117,891
Restricted cash	34,999	-
Total cash	<u>\$ 565,082</u>	<u>\$ 117,891</u>
Non-cash capital activities:		
Capital contributions	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

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 City Administrator 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, water, sewer, 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 and the WEDC's operating budget is subject to approval by the City Council. The City does not have a voting majority of the corporation. 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. There are no separately issued financial statements of the WEDC.

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 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.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 fund:

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 fund:

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 type of fund:

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 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.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 non-operating 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 non-operating 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 considers deposits with an initial maturity of ninety days or less to be cash equivalents. 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
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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 uncollectables. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectables. The property tax receivable allowance is equal to 60 percent of outstanding property taxes as of September 30, 2019.

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 for the City and \$235,000 for the WEDC.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 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 City has elected not to report major general infrastructure assets retroactively as permitted by GASB Statement No. 34 for smaller governments. 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. 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 leases are accounted for in accordance with FASB Accounting Standards Codification (ASC) 840. Amortization of the leased assets is recorded in the depreciation accounts.

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:

Asset Category	Depreciable Life in Years
Buildings and improvements	10-35
Water & Sewer System infrastructure	7-50
Equipment	4-20
Streets and other infrastructure	35-50

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. Department heads are granted up to 240 hours of vacation. 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 (240 hours for department heads) 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 or 240 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 or 240 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.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

8. Fund equity

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets - Capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted - Consists of assets with constraints placed on the use either by 1) external groups such as creditors, granters, contributors, or laws or regulations of other governments; 2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources, as they are needed.

Unrestricted - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 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, 2019.

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 not in compliance with this policy at September 30, 2019.

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 two items that qualify for reporting in this category. They are the deferred pension inflows/outflows and deferred inflows/outflows from other post-employment benefits reported on the statement of net position.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The deferred pension and OPEB 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 both the pension and OPEB have balances for deferred outflows related to changes in 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. Accordingly, the deferred pension inflows consist of the differences in projected and actual earnings and expected and actual experience.

11. Pensions and Other Postemployment Benefit Plan

For the purposes of measuring the net pension liability/asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported to 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. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. Allocations of pension items to the City's governmental and business-type activities are determined on the basis of employee payroll funding.

The City has another post-employment benefit (OPEB) plan through TMRS (Plan). For purposes of measuring the total OPEB liability of the Plan, deferred outflows of resources and deferred inflows of resources related to the OPEB plan, and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms for the Plan.

NOTE 2 - 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.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - STEWARDSHIP, COMPLIANCE AND RESPONSIBILITY - CONTINUED

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 \$543,632. Most excess of expenditures relate to grant agreement capital outlays that were reimbursed by grant revenues. These grant revenues exceeded budgeted amounts by \$420,831.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value by: (a) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, (b) investing operating funds primarily in short-term certificates of deposit, and (c) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time. It is the City's policy not to invest in securities maturing in more than one year from the date of purchase unless City Council approval is obtained.

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 bank deposits, none were uninsured and uncollateralized at September 30, 2019.

A summary of the primary government's bank deposits is as follows:

<u>Summary of deposits with financial institutions:</u>	
Primary government cash and investments	\$ 2,543,661
Less: petty cash	(2,551)
Deposits with financial institutions (carrying balances)	<u>\$ 2,541,110</u>
 <u>Deposits with financial institutions (bank balances)</u>	
Deposits insured by the F.D.I.C	\$ 2,613,760
Securities pledged by the bank depository	500,000
Bank deposits at-risk at September 30, 2019:	<u>2,113,760</u>
	<u>\$ -</u>

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".

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS - CONTINUED

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:

<u>Investment Type</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Certificates of deposit (City)	First National Bank of Winnsboro	\$762,019	100%
Certificates of deposit (WEDC)	First National Bank of Winnsboro	\$330,390	100%

NOTE 4- CAPITAL ASSETS

Governmental fund type capital asset activity for the year ended September 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Reclasses</u>	<u>Ending Balance</u>
Nondepreciable assets:				
Land	\$ 365,259	\$ 40,378	\$ -	\$ 405,637
Construction in progress	265,002	121,912	(265,002)	121,912
Depreciable assets:				
Infrastructure	1,977,356	354,009	265,002	2,596,367
Buildings and improvements	2,061,914	429,153	-	2,491,067
Vehicles and equipment	2,092,669	175,719	(111,891)	2,156,497
Total capital assets being depreciated	6,131,939	958,881	153,111	7,243,931
Less: Accumulated depreciation	(4,450,091)	(290,108)	103,315	(4,636,884)
Net assets being depreciated	1,681,848	668,773	256,426	2,607,047
Total governmental capital assets, net	<u>\$ 2,312,109</u>	<u>\$ 831,063</u>	<u>\$ (8,576)</u>	<u>\$ 3,134,596</u>

Proprietary fund type capital asset activity for the year ended September 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Reclasses</u>	<u>Ending Balance</u>
Nondepreciable assets:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in progress	-	166,473	-	166,473
Depreciable assets:				
Water and sewer system	19,233,763	70,667	-	19,304,430
Vehicles and equipment	123,201	92,350	-	215,551
Total capital assets being depreciated	19,356,964	163,017	-	19,519,981
Less: Accumulated depreciation	(9,553,990)	(436,475)	-	(9,990,465)
Net assets being depreciated	9,802,974	(273,458)	-	9,529,516
Proprietary fund capital assets, net	<u>\$ 9,902,974</u>	<u>\$ (106,985)</u>	<u>\$ -</u>	<u>\$ 9,795,989</u>

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4- CAPITAL ASSETS - CONTINUED

Depreciation was charged to functions as follows:

<u>Governmental activities:</u>	
General government	\$ 19,033
Fire	50,260
Police	84,644
Animal Control	1,339
Streets and Maintenance	93,838
Parks and Recreation	17,689
Airport	17,630
Library	5,674
Total depreciation expense - governmental activities	<u>\$ 290,108</u>
<u>Business-type activities:</u>	
Water and sewer	\$ 436,475
Total depreciation expense - business-type activities	<u>\$ 436,475</u>

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

There are no interfund due to/due from balances at September 30, 2019.

Transfers to and from other funds during for the fiscal year ended September 30, 2019, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
Hotel & Motel Tax Fund	General Fund	\$ 1,500	Advertising contribution
Internal Service Fund	General Fund	60,000	Vehicle cost assistance
Debt Service Fund	General Fund	20,000	Debt service assistance
		<u>\$ 81,500</u>	

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – RECEIVABLES

Receivables at September 30, 2019 consisted of the following:

	Primary Government				Component Unit
	General Fund	Debt Service Fund	Revolving Loan Fund	Proprietary Fund	Economic Development Corporation
Property tax	\$ 57,777	\$ 11,235	\$ -	\$ -	\$ -
Sales tax	158,468	-	-	-	79,247
Notes and other	4,281	-	171,245	-	264,875
Unbilled	63,519	-	-	46,080	-
Franchise fees	62,672	-	-	-	-
Sanitation and water bills	24,825	-	-	143,628	-
Gross receivables	371,542	11,235	171,245	189,708	344,122
Less: Allowance for uncollectibles	(34,666)	(6,741)	(82,817)	(694)	(235,000)
Net receivables	\$ 336,876	\$ 4,493	\$ 88,429	\$ 189,013	\$ 109,122

NOTE 7 - LONG-TERM OBLIGATIONS

A summary of the City's long-term debt obligations at September 30, 2019 is as follows:

Governmental Activities:

Long-term Debt	Original Amount	Fiscal Year of Issue	Final Maturity	Int. Rate	Balance September 30, 2019
Series 2011 General Obligation Refunding Bonds	\$ 2,090,000	2011	2031	2-4.25%	\$ 1,465,000
Series 2011 Bond Premium	31,233				24,540
Capital Lease - Fire Truck	324,491	2014	2025	2.33%	173,139
Capital Lease - 2017 P.D. Vehicles	70,758	2017	2021	5.15%	26,472
Capital Lease - 2019 P.D. Vehicles	\$ 60,785	2019	2022	7.50%	49,698
Total Governmental Activities long-term debt:					\$ 1,738,849

Business-Type Activities:

Long-term Debt	Original Amount	Fiscal Year of Issue	Final Maturity	Int. Rate	Balance September 30, 2019
Series 2011 General Obligation Refunding Bonds	\$ 6,855,000	2011	2031	2-4.25%	\$ 4,870,000
Series 2011 Bond Premium	102,440				80,489
Series 2005 Certificates of Obligation	1,050,000	2005	2025	0.00%	440,000
Series 2015 Certificates of Obligation	\$ 1,040,000	2015	2035	0.0-2.04%	840,000
Total Business-Type Activities					\$ 6,230,489

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS – CONTINUED

Governmental Activities Long-Term Debt:

General Obligation Refunding Bonds, Series 2011 were used to refund certain certificates of obligation and bonds which were issued to finance certain capital improvements of the City. Principal is due annually in varying amounts each March 15th. Interest is paid semi-annually in varying amounts each March 15th and September 15th. These bonds are secured by the surplus revenues of the City.

Governmental activities refunding bonds debt service requirements at September 30, 2019, are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	115,000	39,628	154,628
FY 2025-29	645,000	127,241	772,241
FY 2030-31	295,000	12,554	307,554
	<u>\$ 1,465,000</u>	<u>\$ 380,935</u>	<u>\$ 1,845,935</u>

In 2014, 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 2019 under this lease, of which \$25,763 was the principal portion. The lease is secured by the related vehicle.

In 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 \$23,162 of principal, was paid during fiscal year 2019 under this lease. The lease is secured by the related vehicles.

In fiscal year 2019, the City entered into a capital lease for two police vehicles in which the City will pay the lessor \$1,879 per month. The term of the lease is April 2, 2019 through April 2, 2022. A total of \$13,153, including \$11,087 of principal, was paid during fiscal year 2019 under this lease. The lease is secured by the related vehicles.

Change in Accounting Principle Related to Debt

The City has adopted and implemented the following GASB statement which has become effective for fiscal year 2019:

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

This Statement defines debt for purposes of financial statement disclosure and establishes disclosure requirements for additional information related to debt including balances of unused lines of credit, assets pledged as collateral for debt and significant contractual terms including what would happen in the event of default, significant termination events and any significant subjective acceleration clauses. Adoption of GASB 88 had no effect on the City's financial statements.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS – CONTINUED

The following is a summary of future minimum lease payments at September 30, 2019:

Year Ending September 30,	<u>Governmental Activities</u>				Totals
	Fire Truck	2017 P.D. Vehicles	2019 P.D. Vehicles		
2020	\$ 30,416	\$ 25,176	\$ 22,549	\$	78,141
2021	30,416	2,098	22,549		55,063
2022	30,416	-	9,395		39,811
2023	30,416	-	-		30,416
2024	30,416	-	-		30,416
2025	30,416	-	-		30,416
Future minimum lease payments	182,496	27,274	54,492		264,262
Less: amount representing interest	(9,357)	(802)	(4,794)		(14,953)
Present value of minimum lease payments	\$ 173,139	\$ 26,472	\$ 49,698	\$	249,309
Cost of equipment	\$ 324,491	\$ 70,758	\$ 60,785		

Business-Type Activities Long-Term Debt:

Certificates of Obligation, Series 2005 were used for improvements at the wastewater plant. Principal is due annually in varying amounts each February 15th. Interest is paid semi-annually in varying amounts each February 15th and August 15th. These bonds are secured by the surplus revenues generated by the City's water and sewer system.

General Obligation Refunding Bonds Series 2011 were used to refund certain certificates of obligation and bonds which were issued to finance certain capital improvements of the City. Principal is due annually in varying amounts each March 15th. Interest is paid semi-annually in varying amounts each March 15th and September 15th. These bonds are secured by the surplus revenues generated by the City's water and sewer system.

Certificates of Obligation, Series 2015 were used for water and sewer improvements. Principal is due annually in varying amounts each August 15th. Interest is paid semi-annually in varying amounts each February 15th and August 15th. These bonds are secured by the surplus revenues generated by the City's water and sewer system.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS – CONTINUED

Debt service requirements on the Utilities Fund's bonds and certificates of obligation at September 30, 2019, are as follows:

Fiscal Year	Totals		2011 G.O. Refunding Bonds		2015 Certificates of Obligation		2005 Certificates of Obligation									
	Ending	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest							
2020	\$	425,000	\$	200,052	\$	335,000	\$	187,649	\$	50,000	\$	12,403	\$	40,000	\$	-
2021		435,000		187,267		300,000		174,949		50,000		12,318		85,000		-
2022		450,000		174,737		315,000		162,649		50,000		12,088		85,000		-
2023		460,000		161,147		345,000		149,449		50,000		11,698		65,000		-
2024		475,000		149,727		350,000		138,549		50,000		11,178		75,000		-
FY 2025-29		2,490,000		503,918		2,150,000		458,463		250,000		45,455		90,000		-
FY 2030-34		1,355,000		68,549		1,075,000		45,890		280,000		22,659		-		-
FY 2035		60,000		1,224		-		-		60,000		1,224		-		-
		\$ 6,150,000		\$ 1,446,621		\$ 4,870,000		\$ 1,317,598		\$ 840,000		\$ 129,023		\$ 440,000		\$ -

Changes in long-term liabilities for the year ended September 30, 2019, are as follows:

	Beginning			Ending Balance	Due Within One Year
	Balance	Additions	Reductions		
Governmental activities:					
General Obligation Refunding Bonds	\$ 1,560,000	\$ -	\$ (95,000)	\$ 1,465,000	\$ 95,000
Bond Premiums	26,771	-	(2,231)	24,540	-
Capital Leases	248,536	60,785	(60,012)	249,309	70,247
Accrued Compensated Absences	59,162	3,347	-	62,509	-
Net Pension Liability	282,534	369,018	-	651,552	-
Total OPEB Liability	94,605	-	(3,320)	91,285	-
Total Governmental activities l-t liabilities:	<u>\$ 2,271,608</u>	<u>\$ 433,150</u>	<u>\$ (160,563)</u>	<u>\$ 2,544,195</u>	<u>\$ 165,247</u>

	Beginning			Ending Balance	Due Within One Year
	Balance	Additions	Reductions		
Business activities:					
General Obligation Refunding Bonds	\$ 5,205,000	\$ -	\$ (335,000)	\$ 4,870,000	\$ 335,000
Bond Premiums	87,806	-	(7,317)	80,489	-
Certificates of Obligation	1,355,000	-	(75,000)	1,280,000	90,000
Accrued Compensated Absences	18,895	18,839	-	37,734	-
Net Pension Liability	85,174	111,162	-	196,336	-
Total OPEB Liability	28,157	-	(649)	27,508	-
Total Business-type activities l-t liabilities:	<u>\$ 6,780,032</u>	<u>\$ 130,001</u>	<u>\$ (417,966)</u>	<u>\$ 6,492,067</u>	<u>\$ 425,000</u>

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - 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. Until March 13, 2019, the City was 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 reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance.

On March 14, 2019, the City's insurance coverage transitioned to Traveler's Insurance Company. The City continues to carry commercial insurance for all risks of loss that were covered through TML. 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 9 - PENSION PLAN

A. Plan Description

The City participates in one of the 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency defined pension plan 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 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 publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

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. At retirement, the benefit is calculated as if the sum of 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. Plan provisions for the City were as follows:

Employee Deposit Rate	5.00%
Matching (District to employee)	2 to 1
Years for full vesting	5
Service requirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	100% repeating, Transfers
Annuity increase (to retirees)	0% of CPI, Repeating

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN - CONTINUED

At the December 31, 2018 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 buy, but not yet receiving benefits:	35
Active employees:	40
Total:	100

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 10.24% and 8.94% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$158,453, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, 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, 2018 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 Table, with male rates multiplied by 109% and female rates multiplied by 103%. For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members and 100% for employers with 11 to 15 members. There is also a load on the life expectancy for employers with less than 5 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN - CONTINUED

For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use $(25 - (20 - 8)) = 13$ year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be $(25 - (20 - 1)) = 6$ years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years. 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 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2018, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75% for the 2015 actuarial valuation. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building - block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return
Domestic Equity	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Return	10.00%	3.78%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	5.00%	7.75%

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN - CONTINUED

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.

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.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability (asset) \$	1,564,304	\$ 847,889	\$ 256,872

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.

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

For the year ended September 30, 2019, the City recognized pension expense of \$166,866.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 51,600	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	251,111
Contributions subsequent to the measurement date	N/A	118,648
Totals:	\$ 51,600	\$ 369,759

The amount of deferred outflows of resources related to pensions in the amount of \$118,648 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN - CONTINUED

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending:</u>		
2020	\$	25,255
2021		46,967
2022		33,119
2023		94,170
2024		-
Thereafter		-
	\$	<u>199,511</u>

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12- month period preceding the month of death); retired employees are insured for \$7,500; this coverage is another postemployment benefit, or OPEB; additionally, retirees are responsible for 100% of the premiums paid for the benefit. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

B. 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.

An irrevocable trust has not been established that meets the criteria in paragraph 4 of GASB Statement No. 75. Therefore, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Employees for the City were required to contribute 0.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.24% and 0.27% in calendar year 2019 and 2018, respectively.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2018, actuarial valuation are as follows:

Actuarial Cost Method	Entry Age Normal
Discount Rate	3.71% as of December 31, 2018 (3.31% in prior year) Source: Fidelity Index's "20-Year Municipal GO AA Index"
Inflation	2.50%
Salary Increases	3.50% to 10.50%, including inflation
Retirees' share of benefit related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	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, 2018 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

The membership at the actuarial valuation and measurement date of December 31, 2018 consists of:

Inactive employees or beneficiaries currently receiving benefits:	17
Inactive employees entitled to buy, but not yet receiving benefits:	10
Active employees:	<u>40</u>
Total:	67

The City's contributions to the TMRS SDBF for the years ended 2019, 2018, and 2017 were \$4,235, \$4,183, and \$3,738, respectively, which equaled the required contributions each year.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

C. Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71% as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

	1% Decrease 2.71%	Current Discount Rate 3.71%	1% Increase 4.71%
Total OPEB liability \$	142,053	\$ 118,793	\$ 100,612

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

For the year ended September 30, 2019, the City recognized an OPEB expense of \$9,328.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 2,889	\$ -
Changes of assumptions	1,261	-
Contributions subsequent to the measurement date	N/A	3,185
Totals:	\$ 4,150	\$ 3,185

\$3,185 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Fiscal Year Ending:	
2020	\$ (568)
2021	(568)
2022	(1,722)
2023	(1,292)
2024	-
Thereafter	-
	<hr/>
	\$ (4,150)

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 -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 City's insurance carrier. Management believes that attorney fees and any potential liability from the claim will be paid by the insurance carrier. Therefore, no provision has been recorded in the accompanying basic financial statements for such claim.

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through July 14, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Winnsboro, Texas
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual - General Fund
For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes:				
Property	\$ 882,334	\$ 882,334	\$ 849,013	\$ (33,321)
Sales	714,100	714,100	827,036	112,936
Franchise	256,500	256,500	262,832	6,332
Other	3,500	3,500	5,700	2,200
Sanitation	364,300	364,300	367,073	2,773
Licenses and permits	62,800	62,800	55,749	(7,051)
Court and police	219,550	219,550	162,170	(57,380)
Rents and leases	25,430	25,430	36,137	10,707
Grants	7,000	88,925	509,756	420,831
Airport	11,500	11,500	22,894	11,394
Intergovernmental	12,066	12,066	43,193	31,127
Other revenue	27,400	27,400	1,354	(26,046)
Investment earnings	2,400	2,400	1,178	(1,222)
Donations	69,040	69,040	89,398	20,358
Total revenues	<u>2,657,920</u>	<u>2,739,845</u>	<u>3,233,484</u>	<u>493,639</u>
Expenditures				
Current:				
General government	459,887	497,251	511,562	(14,311)
Police	906,789	908,789	980,918	(72,129)
Streets and maintenance	373,774	380,574	389,811	(9,237)
Sanitation	188,500	188,500	195,864	(7,364)
Fire	155,594	153,332	151,418	1,914
Library	170,288	171,508	174,396	(2,888)
Parks	100,372	132,372	131,500	872
Animal control	119,059	102,929	102,332	597
Municipal court	67,400	81,600	77,747	3,853
Airport	43,541	43,541	26,859	16,682
Farmers market	26,050	26,050	25,526	524
Economic development	8,693	8,693	7,587	1,106
Capital outlays	166,018	668,965	1,121,172	(452,207)
Debt service:				
Principal retirement	52,886	52,886	60,012	(7,126)
Interest expense	4,653	4,653	8,571	(3,918)
Total expenditures	<u>2,843,504</u>	<u>3,421,643</u>	<u>3,965,275</u>	<u>(543,632)</u>
Excess of revenues over (under) expenditures	<u>(185,584)</u>	<u>(681,798)</u>	<u>(731,791)</u>	<u>(49,993)</u>
Other financing sources (uses)				
Issuance of capital lease	-	-	60,785	60,785
Insurance proceeds	-	486,966	486,966	(0)
Proceeds from sold assets	-	-	3,750	3,750
Transfers in	80,000	80,000	81,500	1,500
Total other financing sources(uses)	<u>80,000</u>	<u>566,966</u>	<u>633,000</u>	<u>66,034</u>
Net changes in fund balances	<u>(105,584)</u>	<u>(114,832)</u>	<u>(98,791)</u>	<u>16,041</u>
Fund balances - beginning	<u>1,261,343</u>	<u>1,261,343</u>	<u>1,261,343</u>	
Fund balances - ending	<u>\$ 1,155,759</u>	<u>\$ 1,146,511</u>	<u>\$ 1,162,552</u>	

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

CITY OF WINNSBORO, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Total Pension Liability					
Service cost	\$ 187,497	\$ 180,483	\$ 174,025	\$ 156,184	\$ 118,965
Interest on total pension liability	348,379	347,311	333,768	331,354	328,888
Effect of plan changes	-	-	-	-	218,452
Difference between expected and actual experience	43,166	(238,855)	(9,058)	(4,156)	(131,074)
Effect of assumptions changes or inputs	-	-	-	29,960	-
Benefit payments/Refund of contributions	(265,244)	(287,994)	(314,681)	(307,656)	(292,664)
Net Change in Total Pension Liability	313,798	945	184,054	205,686	242,567
Total pension liability, beginning	5,200,043	5,199,098	5,015,044	4,809,358	4,566,791
Total pension liability, ending	<u>\$ 5,513,841</u>	<u>\$ 5,200,043</u>	<u>\$ 5,199,098</u>	<u>\$ 5,015,044</u>	<u>\$ 4,809,358</u>
Fiduciary Net Position					
Employer contributions	165,612	154,666	144,972	146,456	112,224
Member contributions	80,865	75,982	73,366	68,502	65,782
Investment income (net of expenses)	(144,672)	595,354	278,279	6,211	234,080
Benefit payments/Refund of contributions	(265,244)	(287,994)	(314,681)	(307,656)	(292,664)
Administrative expenses	(2,798)	(3,087)	(3,144)	(3,783)	(2,444)
Other	(146)	(156)	(169)	(188)	(201)
Net Change in Fiduciary Net Position	(166,383)	534,765	178,623	(90,458)	116,777
Fiduciary Net Position, beginning	4,832,335	4,297,571	4,118,948	4,209,406	4,092,629
Fiduciary Net Position, ending	<u>4,665,952</u>	<u>4,832,336</u>	<u>4,297,571</u>	<u>4,118,948</u>	<u>4,209,406</u>
Net pension liability / (asset), ending	<u>\$ 847,889</u>	<u>\$ 367,707</u>	<u>\$ 901,527</u>	<u>\$ 896,096</u>	<u>\$ 599,952</u>
Fiduciary net position as a percentage of total pension liability	84.62%	92.93%	82.66%	82.13%	87.53%
Covered-employee payroll	\$ 1,601,167	\$ 1,509,058	\$ 1,467,329	\$ 1,370,035	\$ 1,315,636
Net pension liability as a percentage of covered payroll	52.95%	24.37%	61.44%	65.41%	45.60%

Note 1 - GASB 68 requires that information on this schedule be presented on the measurement date basis, which is on a calendar year basis. This schedule will also ultimately present the last ten years of information. The measurement year 2014 is the first year for which this information is available.

Note 2 - The discount rate changed from 7.0% to 6.75% in 2015. There were no changes in benefit terms and no changes in assumptions or other inputs that would affect the measurement of the total pension liability during the measurement period.

**CITY OF WINNSBORO, TEXAS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 158,453	\$ 165,378	\$ 144,972	\$ 147,107	\$ 141,383
Contributions in relation to the contractually required contributions	<u>158,453</u>	<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>	<u>\$ -</u>
City's covered-employee payroll	\$1,715,882	\$1,576,309	\$1,495,112	\$1,481,484	\$1,395,342
Contributions as a percentage of covered employee payroll	9.23%	10.49%	9.70%	9.93%	10.13%

GASB 68 requires that information on this schedule be presented on the City's fiscal year basis. This schedule will also ultimately present the last ten years of information. 2015 is the first year for which this information is available.

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll, Closed

Remaining Amortization Period 27 years

Asset Valuation Method 10 Year smoothed market; 15% soft corridor

Inflation 2.5%

Salary Increases 3.50% to 10.50% including inflation

Investment Rate of Return 6.75%

Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 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 basis with scale BB.

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

CITY OF WINNSBORO, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	December 31, 2018	December 31, 2017
Total OPEB Liability		
Service cost	\$ 5,764	\$ 4,829
Interest on total pension liability	4,132	4,054
Effect of plan changes	-	-
Difference between expected and actual experience	(3,721)	-
Effect of assumptions changes or inputs	(8,543)	9,721
Benefit payments/Refund of contributions	(1,601)	(1,358)
Net Change in Total OPEB Liability	(3,969)	17,246
Total OPEB liability, beginning	122,762	105,516
Total OPEB liability, ending	<u>\$ 118,793</u>	<u>\$ 122,762</u>
Covered payroll	\$ 1,601,167	\$ 1,509,058
Total OPEB liability as a percentage of covered payroll	7.42%	8.14%

Note 1 - GASB 75 requires that information on this schedule be presented on the measurement date basis, which is on a calendar year basis. This schedule will also ultimately present the last ten years of information. The measurement year 2017 is the first year for which this information is available.

Note 2 - There were no changes in benefit terms and no changes in assumptions or other inputs that would affect the measurement of the total OPEB liability during the measurement period.

**CITY OF WINNSBORO, TEXAS
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 4,235	\$ 4,183
Contributions in relation to the contractually required contributions	<u>4,235</u>	<u>4,183</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,715,882	\$ 1,576,309
Contributions as a percentage of covered employee payroll	0.25%	0.27%

Note 1 - GASB 75 requires that information on this schedule be presented on the City's fiscal year basis. This schedule will also ultimately present the last ten years of information. 2018 is the first year for which this information is available.

COMPLIANCE AND INTERNAL CONTROLS SECTION

Rod L. Abbott, CPA PLLC

Certified Public Accountant

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 City Council
City of Winnsboro, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Winnsboro, Texas (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Winnsboro, Texas's basic financial statements and have issued my report thereon dated July 14, 2020.

Internal Control over Financial Reporting

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

My 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 have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that I consider to be a material weakness.

Compliance and Other Matters

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

City of Winnsboro, Texas's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



Rod L. Abbott, CPA PLLC
Tom Bean, Texas
July 14, 2020

**City of Winnsboro, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019**

Section I – Findings Related to the Financial Statements

Reference Number 2019-001

Month and Year-End Accounting Closing Procedures

Criteria:	The City should have a process in place to accurately complete most needed year-end closing adjustments.
Condition Found:	The City did not have a process in place to identify all needed closing entries. Additionally, many posted year-end adjusting entries were not accurate. Long-term debt, transfers, unbilled and sales tax receivables, capital assets, and accrued compensated absences were some of the areas involved in this deficiency.
Context:	Management was unable to properly adjust balances to the correct fiscal year-end 2019 amounts.
Effect:	The lack of accurate closing procedures can lead to misstated City balances both at the fund-level and at the government-wide financial statement level.
Cause:	Year-end closing adjustments have typically been performed by the City's consultant accountant or the auditor.
Questioned Costs:	N/A
Recommendation:	I recommend the City use their consultant accountant on a regular basis for training, to ensure proper closing entries and reconciliations to financial balances, and also review year-end balances for any needed adjustments before closing the fiscal year-end to be audited. The auditor may also be useful for general inquiries and understanding why the 2019 audit adjustments were needed.
View of Responsible Officials:	The City will strive to better utilize the services of the consultant accountant and auditor and to ensure financial misstatements in the areas noted above are reduced in future fiscal years.

Section II - Schedule of Prior Year Findings and Questioned Costs:

Current year finding 2019-001 is considered a recurring finding from the prior year.