

CITY OF WINNSBORO, TEXAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2021

**CITY OF WINNSBORO, TEXAS
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Rod L. Abbott, CPA PLLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Mayor, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2021, 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 October 11, 2022, 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.

DRAFT

Rod L. Abbott, CPA PLLC
Tom Bean, Texas
October 11, 2022

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, 2021. 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 \$8,323,528 (net position).
- As of September 2021, the City's total governmental funds reported ending fund balances of \$1,142,562. The General Fund's fund balance of \$775,682 increased by \$189,705 during the fiscal year. The General Fund has an unassigned fund balance of \$271,370 at September 30, 2021 compared to \$501,498 in the prior year.
- The Utilities Fund's net position totaled \$4,566,957 at September 30, 2021 and the unrestricted net position totaled \$347,185. Total net position for this fund increased by \$15,970 in 2021.

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, 2021 is \$8,323,528. The largest portion of the City's net position, \$6,423,629 (77%), 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	
	FY21	FY20	FY21	FY20	FY21	FY20
Current and other assets	\$ 1,725,510	\$ 1,239,138	\$ 1,585,798	\$ 1,563,522	\$ 3,311,308	\$ 2,802,660
Capital assets	4,590,235	4,032,579	9,025,582	9,387,033	13,615,817	13,419,612
Total assets	6,315,745	5,271,717	10,611,380	10,950,555	16,927,125	16,222,272
Deferred outflows of resources	178,073	161,511	50,466	45,120	\$ 228,539	206,631
Long-term liabilities	2,196,998	2,095,599	5,727,468	6,089,730	7,924,466	8,185,329
Other liabilities	416,082	268,366	330,004	305,284	746,086	573,650
Total liabilities	2,613,080	2,363,965	6,057,472	6,395,014	8,670,552	8,758,979
Deferred inflows of resources	124,167	164,848	37,417	49,674	161,584	214,522
Net position:						
Net investment in cap. assets	2,938,520	2,428,855	3,485,109	3,462,295	6,423,629	5,891,150
Restricted	773,977	226,516	734,663	723,315	1,508,640	949,831
Unrestricted	44,074	249,044	347,185	365,377	391,259	614,421
Total net position	\$ 3,756,571	\$ 2,904,415	\$ 4,566,957	\$ 4,550,987	\$ 8,323,528	\$ 7,455,402

An additional portion of the City's net position of \$1,508,640 (18%) 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 federal, 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 \$391,259 (5%) 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 \$4,769,729, of which 23% was from property taxes and 27% was from sales taxes, franchise taxes, and other taxes. The total expenses for all programs were \$3,981,388. Approximately 38% was for public safety and court, 14% was for streets and maintenance, and 16% was for administration. Governmental activities showed an increase in net position of \$878,289 compared to an increase of \$539,493 in the prior year. \$408,723 of American Rescue Plan Act grant proceeds were recognized in 2021 and is the main reason why the 2021 increase in net position is higher than in the prior year.

Business-type Activities:

The City's total revenue for business-type activities was \$2,419,024, including \$2,411,655 for charges for services. Total Utilities Fund expenses were \$2,313,106. Business-type activities had a net increase in net position of \$15,970 compared to a decrease of (\$96,765) in the prior year. A \$158,511 increase in charges for services revenue was a main contributor to the Utilities Fund's increase in net position.

	Governmental Activities		Business-type Activities		Total	
	FY21	FY20	FY21	FY20	FY21	FY20
Revenues:						
Program Revenues:						
Charges for services	\$ 1,220,024	\$ 866,990	\$ 2,411,655	\$ 2,253,144	\$ 3,631,679	\$ 3,120,134
Operating grants and contributions	573,513	172,576	-	-	573,513	172,576
Capital grants and contributions	443,654	722,390	-	-	443,654	722,390
General Revenues:						
Property taxes	1,078,492	1,047,651	-	-	1,078,492	1,047,651
Sales taxes and franchise fees	1,296,611	1,185,732	-	-	1,296,611	1,185,732
Investment income	1,429	1,802	7,369	11,562	8,798	13,364
Gain on sold assets	156,006	20,040	-	21,400	156,006	41,440
	<u>4,769,729</u>	<u>4,017,181</u>	<u>2,419,024</u>	<u>2,286,106</u>	<u>7,188,753</u>	<u>6,303,287</u>
Expenses:						
General government	640,097	554,850	-	-	640,097	554,850
Parks	213,339	212,967	-	-	213,339	212,967
Public safety and court	1,530,950	1,442,381	-	-	1,530,950	1,442,381
Streets and maintenance	565,052	484,233	-	-	565,052	484,233
Debt service - interest	33,298	41,187	84,697	210,038	117,995	251,225
Other departments	256,774	246,524	-	-	256,774	246,524
Library	145,419	129,616	-	-	145,419	129,616
Water/Sewer/Sanitation	596,459	365,930	2,228,409	2,172,833	2,824,868	2,538,763
	<u>3,981,388</u>	<u>3,477,688</u>	<u>2,313,106</u>	<u>2,382,871</u>	<u>6,294,494</u>	<u>5,860,559</u>
Excess (deficiency) of revenues over expenditures before transfers	788,341	539,493	105,918	(96,765)	894,259	442,728
Transfers In (Out)	89,948	-	(89,948)	-	-	-
Increase in net position	878,289	539,493	15,970	(96,765)	894,259	442,728
Net position - October 1	2,904,415	2,364,922	4,550,987	4,647,752	7,455,402	7,012,674
Prior period adjustments	(26,133)	-	-	-	(26,133)	-
Net position - September 30	<u>\$ 3,756,571</u>	<u>\$ 2,904,415</u>	<u>\$ 4,566,957</u>	<u>\$ 4,550,987</u>	<u>\$ 8,323,528</u>	<u>\$ 7,455,402</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 \$1,142,562 with a net increase in fund balance of \$312,468. This compares to a (\$560,979) 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 \$271,370, while the total fund balance was \$775,682. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. The unassigned fund balance represents 6% of the total 2021 General Fund expenditures. This same percentage was 13% at September 30, 2020.

General Fund Budgetary Highlights:

Total revenues for the year exceeded budgeted amounts by \$235,260 while the actual expenditures were below the budgeted projections by \$216,143. Sales tax revenue had a \$143,743 positive budget variance, while general government expenditures experienced a negative (\$127,335) budget variance. These variances, combined with other variances from the "Other Financing Sources" section, resulted in a net positive variance of \$391,685 when compared with budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City constructed or acquired \$749,501 of new capital assets in 2021. Market Street renovations totaling \$355,113 was the most significant capital asset addition for 2021.

For 2021, the City issued \$132,417 of vehicle capital leases. The City also repaid principal on existing debt of \$627,080 in 2021.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors and available resources from property tax revenues, water/sewer revenues, and other income sources when setting the 2022 fiscal year budgets and the property tax rate. The City adopted the property tax rate at \$0.5128 per \$100 of assessed valuation for fiscal year 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Assets				
Cash and cash equivalents	\$ 1,129,550	\$ 531,653	\$ 1,661,203	\$ 344,649
Investments	2,060	83,233	85,293	341,356
Accounts receivables - net	496,685	236,249	732,934	172,838
Notes receivables - net	79,672	-	79,672	29,156
Inventory	17,543	-	17,543	-
Restricted cash	-	39,643	39,643	-
Restricted investments	-	695,020	695,020	-
Capital assets:				
Non-depreciable capital assets	1,338,482	100,000	1,438,482	-
Depreciable capital assets (net)	3,251,753	8,925,582	12,177,335	-
Total assets	<u>6,315,745</u>	<u>10,611,380</u>	<u>16,927,125</u>	<u>887,999</u>
Deferred outflows of resources				
Deferred outflows of resources - Pension	124,357	37,474	161,831	-
Deferred outflows of resources - OPEB	26,606	8,017	34,623	-
Deferred charge on refunding	27,110	4,975	32,085	-
Total deferred outflows of resources	<u>178,073</u>	<u>50,466</u>	<u>228,539</u>	<u>-</u>
Liabilities				
Accounts payable	305,250	65,949	371,199	-
Interest payable	3,079	3,823	6,902	-
Accrued wages and other liabilities	107,753	40,094	147,847	100,000
Customer meter deposits	-	220,138	220,138	-
Non-current liabilities:				
Due within one year - Debt issuances	213,391	540,746	754,137	-
Due in more than one year				
Bonds and capital leases	1,438,324	4,999,727	6,438,051	-
Accrued compensated absences	90,847	50,057	140,904	-
Net pension liability	321,183	96,784	417,967	-
Total OPEB liability	133,253	40,154	173,407	-
Total liabilities	<u>2,613,080</u>	<u>6,057,472</u>	<u>8,670,552</u>	<u>100,000</u>
Deferred inflows of resources				
Deferred inflows of resources - Pension	116,953	35,243	152,196	-
Deferred inflows of resources - OPEB	7,214	2,174	9,388	-
Total deferred inflows of resources	<u>124,167</u>	<u>37,417</u>	<u>161,584</u>	<u>-</u>
Net Position				
Net investment in capital assets	2,938,520	3,485,109	6,423,629	-
Restricted for:				
Court security and technology	58,152	-	58,152	-
Grants	408,723	-	408,723	-
Farmers market	13,091	-	13,091	-
Library	6,803	-	6,803	-
Tourism and museum	22,928	-	22,928	-
Debt service	220,297	734,663	954,960	-
Economic development	43,983	-	43,983	787,999
Unrestricted	44,074	347,185	391,259	-
Total net position	<u>\$ 3,756,571</u>	<u>\$ 4,566,957</u>	<u>\$ 8,323,528</u>	<u>\$ 787,999</u>

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

City of Winnsboro, Texas
Statement of Activities
For the Year Ended September 30, 2021

					Net (Expense) Revenue and			
					Changes in Net Position			
					Primary Government			Component Unit
								Economic
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Development Corporation
Primary government:								
Governmental activities:								
Police	\$ 1,257,600	\$ -	\$ 1,635	\$ -	\$ (1,255,965)	\$ -	\$ (1,255,965)	\$ -
General government	640,947	107,687	486,762	-	(46,498)	-	(46,498)	-
Streets and maintenance	565,052	-	-	168,654	(396,398)	-	(396,398)	-
Sanitation	596,459	870,498	-	-	274,039	-	274,039	-
Fire and code enforcement	194,924	-	43,853	-	(151,071)	-	(151,071)	-
Library	145,149	3,402	24,708	-	(117,039)	-	(117,039)	-
Parks	213,339	38,437	2,685	-	(172,217)	-	(172,217)	-
Animal control	117,927	2,976	4,820	-	(110,131)	-	(110,131)	-
Municipal court	78,426	164,072	-	-	85,646	-	85,646	-
Airport	86,717	32,952	-	-	(53,765)	-	(53,765)	-
Economic development/Farmer's Market	45,128	-	9,050	275,000	238,922	-	238,922	-
Tourism and museum	6,422	-	-	-	(6,422)	-	(6,422)	-
Interest on long-term debt	33,298	-	-	-	(33,298)	-	(33,298)	-
Total governmental activities	3,981,388	1,220,024	573,513	443,654	(1,744,197)	-	(1,744,197)	-
Business-type activities:								
Water and Sewer - operating	2,313,106	2,411,655	-	-	-	98,549	98,549	-
Total business-type activities	2,313,106	2,411,655	-	-	-	98,549	98,549	-
Total primary government	6,294,494	3,631,679	573,513	443,654	(1,744,197)	98,549	(1,645,648)	-
Component unit:								
Economic development corporation	299,520	-	-	-	-	-	-	(299,520)
Total component unit	\$ 299,520	-	-	-	-	-	-	(299,520)
General revenues:								
Property taxes					1,078,492	-	1,078,492	-
Sales taxes					1,028,659	-	1,028,659	514,329
Franchise and other taxes					267,952	-	267,952	-
Investment interest					1,429	7,369	8,798	3,838
Miscellaneous					-	-	-	251
Gain on sale or disposal of assets					156,006	-	156,006	38,745
Transfers in (out)					89,948	(89,948)	-	-
Total general revenues & transfers					2,622,486	(82,579)	2,539,907	557,163
Change in net position					878,289	15,970	894,259	257,643
Net position - beginning					2,904,415	4,550,987	7,455,402	530,356
Prior period adjustments					(26,133)	-	(26,133)	-
Net position - ending					\$ 3,756,571	\$ 4,566,957	\$ 8,323,528	\$ 787,999

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

City of Winnsboro, Texas
Balance Sheet - Governmental Type Funds
September 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 699,169	\$ 287,208	\$ 986,377
Investments	2,060	-	2,060
Accounts receivable - net	492,865	3,820	496,685
Notes receivable - net	-	79,672	79,672
Inventory	17,543	-	17,543
Total assets	<u>\$ 1,211,637</u>	<u>\$ 370,700</u>	<u>\$ 1,582,337</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 305,250	\$ -	\$ 305,250
Accrued payroll liabilities	55,994	-	55,994
Accrued wages	51,759	-	51,759
Total current liabilities	<u>413,003</u>	<u>-</u>	<u>413,003</u>
Deferred Inflows of Resources			
Unavailable revenue - Property taxes	<u>22,952</u>	<u>3,820</u>	<u>26,772</u>
Fund Balances			
Non-spendable:			
Inventory	17,543	-	17,543
Non-current notes receivable	-	79,672	79,672
Restricted for:			
Court security and technology	58,152	-	58,152
Grants	408,723	-	408,723
Debt service	-	220,297	220,297
Economic development	-	43,983	43,983
Farmers market	13,091	-	13,091
Library	6,803	-	6,803
Tourism and museum	-	22,928	22,928
Unassigned	271,370	-	271,370
Total fund balances	<u>775,682</u>	<u>366,880</u>	<u>1,142,562</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,211,637</u>	<u>\$ 370,700</u>	<u>\$ 1,582,337</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, 2021

Fund balances of governmental funds	\$	1,142,562
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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.		4,590,235
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Deferred outflows of resources related to pension, OPEB, and charges on refundings balances do not provide current financial resources and, therefore, are not reported in the governmental funds.		178,073
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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.		(124,167)
--	--	-----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(2,196,998)
--	--	-------------

Accrued interest payable for governmental-type long-term debt is recognized in the governmental activities in the statement of net position.		(3,079)
--	--	---------

The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		143,173
--	--	---------

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.		26,772
---	--	--------

Net position of governmental activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">3,756,571</div>
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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, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 926,243	\$ 155,493	\$ 1,081,736
Sales	1,028,659	-	1,028,659
Franchise	254,880	-	254,880
Other	8,077	4,995	13,072
Sanitation	870,498	-	870,498
Licenses, fees, and permits	115,315	-	115,315
Court and police	164,072	-	164,072
Rents and leases	53,849	-	53,849
Grants	821,364	-	821,364
Intergovernmental	152,903	-	152,903
Investment earnings	443	971	1,414
Donations and other income	42,005	895	42,900
Total revenues	<u>4,438,308</u>	<u>162,354</u>	<u>4,600,662</u>
Expenditures			
Current:			
General government	626,632	-	626,632
Police	1,170,354	-	1,170,354
Streets and maintenance	455,443	-	455,443
Sanitation	596,459	-	596,459
Fire and code enforcement	181,550	-	181,550
Library	139,476	-	139,476
Parks and recreation	195,370	-	195,370
Animal control	109,982	-	109,982
Municipal court	78,426	-	78,426
Airport	47,622	-	47,622
Farmers market	5,047	-	5,047
Museum and tourism	-	6,422	6,422
Economic development	40,081	-	40,081
Capital outlays	699,865	-	699,865
Debt service:			
Principal retirement	127,527	104,600	232,127
Interest and fees	15,054	17,018	32,072
Total expenditures	<u>4,488,888</u>	<u>128,040</u>	<u>4,616,928</u>
Excess of revenues over (under) expenditures	(50,580)	34,314	(16,266)
Other financing sources (uses)			
Capital lease issuances	82,780	-	82,780
Proceeds from sold assets	156,006	-	156,006
Transfers in (out)	1,499	88,449	89,948
Total other financing sources(uses)	<u>240,285</u>	<u>88,449</u>	<u>328,734</u>
Net changes in fund balances	189,705	122,763	312,468
Fund balances - beginning	585,977	244,117	830,094
Fund balances - ending	<u>\$ 775,682</u>	<u>\$ 366,880</u>	<u>\$ 1,142,562</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, 2021

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

Net change in fund balances - total governmental funds	\$ 312,468
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.	383,448
Current year changes in accrued interest does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	2,720
Charges of the internal service fund are included in governmental activities in the statement of activities.	16,305
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.	(82,780)
Principal payments on long-term debt are an expenditure for the governmental funds, but this expenditure is removed for the government-wide financial statements.	232,118
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.	(25,324)
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 increase net position.	39,334
Change in net position of governmental activities:	<u>\$ 878,289</u>

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

City of Winnsboro, Texas
Statement of Net Position - Proprietary Fund
September 30, 2021

	<i>Enterprise Fund - Utilities Fund</i>	<i>Internal Service Fund - Equipment Replacement Fund</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 531,653	\$ 143,173
Investments	83,233	-
Accounts receivable - net	236,249	-
Total current assets	851,135	143,173
Noncurrent assets:		
Restricted Cash	39,643	-
Restricted Investments	695,020	-
Total Restricted assets:	734,663	-
Capital assets (non-depreciable):		
Land	100,000	-
Capital assets (net of depreciation):		
Plants, machinery, and equipment	8,925,582	43,497
Total capital assets	9,025,582	43,497
Total noncurrent assets	9,760,245	43,497
Total assets	10,611,380	186,670
Deferred outflows of resources		
Deferred outflows of resources - Pension	37,474	-
Deferred outflows of resources - OPEB	8,017	-
Deferred charge for refunding	4,975	-
Total deferred outflows of resources	50,466	-
Liabilities		
Current liabilities:		
Accounts payable	65,949	-
Accrued payroll and other liabilities	40,094	-
Accrued interest	3,823	-
Customer deposits	220,138	-
Current portion of long-term debt	540,746	-
Total current liabilities	870,750	-
Noncurrent liabilities:		
Accrued compensated absences	50,057	-
Net pension liability	96,784	-
Total OPEB liability	40,154	-
Bonds, leases, and certificates of obligation	4,999,727	-
Total noncurrent liabilities	5,186,722	-
Total liabilities	6,057,472	-
Deferred inflows of resources		
Deferred inflows of resources - Pension	35,243	-
Deferred inflows of resources - OPEB	2,174	-
Total deferred inflows of resources	37,417	-
Net position		
Net investment in capital assets	3,485,109	43,497
Restricted for debt service	734,663	-
Unrestricted	347,185	143,173
Total net position	\$ 4,566,957	\$ 186,670

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, 2021

	<i>Enterprise Fund - Utilities Fund</i>	<i>Internal Service Fund - Equipment Replacement Fund</i>
Operating revenues:		
Water income	\$ 1,634,442	\$ -
Sewer income	680,915	-
Other charges for services	17,769	16,290
Penalties, fees, and other operating income	78,529	-
Total operating revenues	<u>2,411,655</u>	<u>16,290</u>
Operating expenses:		
Personnel costs	692,317	-
Cost of water	187,417	-
Administration	174,110	-
Depreciation	437,140	24,593
Repairs and maintenance	72,405	-
Supplies	119,045	-
Contractual services	82,831	-
Leases and rentals	58,721	-
Utilities	102,389	-
Lab and chemicals	177,801	-
Permits and fees	45,832	-
Other operating expenses	37,412	-
Bad debt	9,340	-
Insurance	31,649	-
Total operating expenses	<u>2,228,409</u>	<u>24,593</u>
Operating income	<u>183,246</u>	<u>(8,303)</u>
Non-operating revenues (expenses):		
Interest income	7,369	15
Interest expense and fiscal charges	(84,697)	-
Total non-operating revenues (expenses)	<u>(77,328)</u>	<u>15</u>
Income (loss) before contributions and transfers	105,918	(8,288)
Transfers in (out)	(89,948)	-
Capital contributions	<u>-</u>	<u>-</u>
Change in net position	15,970	(8,288)
Total net position - beginning	4,550,987	194,958
Total net position - ending	<u><u>\$ 4,566,957</u></u>	<u><u>\$ 186,670</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, 2021

	<i>Enterprise Fund - Utilities Fund</i>	<i>Internal Service Fund - Equipment Replacement Fund</i>
Operating Activities:		
Receipts from customers and users	\$ 2,450,458	\$ 16,290
Payments to suppliers	(1,229,146)	-
Payments to employees	(549,735)	-
Net cash provided (used) by operating activities	<u>671,577</u>	<u>16,290</u>
Capital and Related Financing Activities:		
Interest paid on capital debt	(92,338)	-
Principal payments on long-term debt	(463,160)	-
Net cash provided (used) by capital and related financing activities	<u>(555,498)</u>	<u>-</u>
Non-capital and Related Financing Activities		
Transfers (to) from other funds	(89,948)	-
Net cash provided (used) by non-capital and related financing activities	<u>(89,948)</u>	<u>-</u>
Investing Activities:		
Interest received	7,369	15
Net cash provided (used) by investing activities	<u>7,369</u>	<u>15</u>
Net increase (decrease) in cash and cash equivalents	33,500	16,305
Cash and cash equivalents, October 1	537,796	126,868
Cash and cash equivalents, September 30	<u><u>\$ 571,296</u></u>	<u><u>\$ 143,173</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 183,246	\$ (8,303)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	437,140	24,593
Decrease (increase) in accounts receivable	18,442	-
Increase (decrease) in accounts payable	12,388	-
Increase (decrease) in other liabilities	25,989	-
Increase (decrease) in pension and OPEB balances	(7,253)	-
Increase (decrease) in customer deposits	1,625	-
Net cash provided by operating activities	<u><u>\$ 671,577</u></u>	<u><u>\$ 16,290</u></u>
<u>Reconciliation with Statement of Net Position Balances:</u>		
Unrestricted cash	\$ 531,653	\$ 143,173
Restricted cash	39,643	-
Total cash	<u><u>\$ 571,296</u></u>	<u><u>\$ 143,173</u></u>
Non-cash capital activities:		
Capital lease issuances	<u><u>\$ 49,636</u></u>	<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 at each fiscal year-end.

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 \$53,550 for the City and \$0 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 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 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.

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:

<u>Asset Category</u>	<u>Depreciable Life in Years</u>
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 not in compliance with this policy at September 30, 2021.

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, 2021.

9. Estimates

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. There are the deferred pension inflows/outflows and deferred inflows/outflows from other post-employment benefits reported on the statement of net position. There is also a deferred outflow of resources related to deferred charges on refunded bonds.

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, and are reflected in the official minutes of the City Council.

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

Departmental expenditures in the General Fund exceeded appropriations as follows: General Government - \$127,335, Police - \$93,933, Library - \$25,461, Court - \$2,997, and Economic Development - \$41,003. Total General Fund expenditures exceeded budgeted amounts by \$19,117.

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, 2021.

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	\$ 2,481,159
Less: petty cash	(2,551)
Deposits with financial institutions (carrying balances)	<u>\$ 2,478,608</u>
 <u>Deposits with financial institutions (bank balances)</u>	
Deposits insured by the F.D.I.C	500,000
Securities pledged by the bank depository	<u>2,051,638</u>
Bank deposits at-risk at September 30, 2021:	<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:

Investment Type	Issuer	Fair Value	% of Total Investments
Certificates of deposit (City)	First National Bank of Winnsboro	\$780,302	100%
Certificates of deposit (WEDC)	First National Bank of Winnsboro	\$341,356	100%

NOTE 4- CAPITAL ASSETS

Governmental fund type capital asset activity for the year ended September 30, 2021 is as follows:

	Beginning Balance	Additions	Retirements and Reclasses	Ending Balance
Nondepreciable assets:				
Land	\$ 689,808	\$ -	\$ -	\$ 689,808
Construction in progress	59,721	588,953	-	648,674
Depreciable assets:				
Infrastructure	3,053,220	-	-	3,053,220
Buildings and improvements	2,962,567	13,725	-	2,976,292
Vehicles and equipment	2,333,714	97,188	-	2,430,902
Total capital assets being depreciated	8,349,501	110,913	-	8,460,414
Less: Accumulated depreciation	(4,896,188)	(312,473)	-	(5,208,661)
Net assets being depreciated	3,453,313	(201,560)	-	3,251,753
Total governmental capital assets,	\$ 4,202,842	\$ 387,393	\$ -	\$ 4,590,235

Proprietary fund type capital asset activity for the year ended September 30, 2021 is as follows:

	Beginning Balance	Additions	Retirements and Reclasses	Ending Balance
Nondepreciable assets:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in progress	-	-	-	-
Depreciable assets:				
Water and sewer system	19,497,306	-	-	19,497,306
Vehicles and equipment	243,426	49,636	-	293,062
Total capital assets being depreciated	19,740,732	49,636	-	19,790,368
Less: Accumulated depreciation	(10,427,726)	(437,140)	-	(10,864,786)
Net assets being depreciated	9,313,006	(387,504)	-	8,925,582
Proprietary fund capital assets, net	\$ 9,413,006	\$ (387,504)	\$ -	\$ 9,025,582

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4- CAPITAL ASSETS - CONTINUED

Depreciation was charged to functions as follows:

Governmental activities:

General government	\$ 19,009
Fire and code enforcement	13,374
Police	99,797
Animal Control	7,945
Streets and Maintenance	109,609
Parks and Recreation	17,971
Airport	39,095
Library	5,673
Total depreciation expense - governmental activities	<u>\$ 312,473</u>

Business-type activities:

Water and sewer	<u>\$ 437,140</u>
Total depreciation expense - business-type activities	<u>\$ 437,140</u>

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

There are no interfund due to/due from balances at September 30, 2021.

Transfers to and from other funds during for the fiscal year ended September 30, 2021, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
Hotel & Motel Tax Fund	General Fund	\$ 1,499	Main Street Project
Utilities Fund	Debt Service Fund	88,449	Debt service assistance
		<u>\$ 89,948</u>	

NOTE 6 – RECEIVABLES

Receivables at September 30, 2021 consisted of the following:

	<u>Primary Government</u>				<u>Component Unit</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Revolving Loan Fund</u>	<u>Proprietary Fund</u>	<u>Economic Development Corporation</u>
Property tax	\$ 57,380	\$ 9,550	\$ -	\$ -	\$ -
Sales tax	162,268	-	-	-	81,134
Notes and other	2,039	-	133,222	-	29,156
Intergovernmental	70,384	-	-	-	-
Unbilled	19,047	-	-	53,583	-
Franchise fees	39,567	-	-	-	-
Due from component unit	100,000	-	-	-	-
Due from primary government	-	-	-	-	91,704
Sanitation and water bills	76,608	-	-	199,346	-
Gross receivables	527,293	9,550	133,222	252,929	201,994
Less: Allowance for uncollectables	(34,428)	(5,730)	(53,550)	(16,680)	-
Net receivables	<u>\$ 492,865</u>	<u>\$ 3,820</u>	<u>\$ 79,672</u>	<u>\$ 236,249</u>	<u>\$ 201,994</u>

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS

A summary of the City's long-term debt obligations at September 30, 2021 is as follows:

<u>Governmental Activities:</u>	Original Amount	Fiscal Year of Issue	Final Maturity	Int. Rate	Balance September 30, 2021
Series 2020 General Obligation Refunding Bonds	\$ 1,334,000	2020	2031	.62-2.08%	\$ 1,329,400
Series 2020 Bond Discount	(9,338)				(8,404)
Capital Lease - Fire Truck	324,491	2014	2025	2.33%	119,742
Capital Leases - Enterprise Vehicles	\$ 281,507	2020/21	2023-26	7.50%	210,978
Total Governmental Activities long-term debt:					<u>\$ 1,651,716</u>

<u>Business-Type Activities:</u>	Original Amount	Fiscal Year of Issue	Final Maturity	Int. Rate	Balance September 30, 2021
Series 2020 General Obligation Refunding Bonds	\$ 4,466,000	2020	2031	.62-2.08%	\$ 4,450,600
Series 2020 Bond Discount	(31,262)				(28,136)
Series 2005 Certificates of Obligation	1,050,000	2005	2025	0.00%	315,000
Series 2015 Certificates of Obligation	1,040,000	2015	2035	0.0-2.04%	740,000
Capital Leases - Enterprise Vehicles	\$ 77,511	2020/21	2025-26	7.50%	63,009
Total Business-Type Activities long-term debt:					<u>\$ 5,540,473</u>

Advance Refunding Bonds:

In fiscal year 2020, the City issued \$5,800,000 of Series 2020 General Obligation Refunding Bonds for the advance refunding of \$5,505,000 of the Series 2011 General Obligation Refunding Bonds. The bonds were issued at a discount of (\$40,600) with interest rates ranging from .627% to 2.082% and matures through 2031. The net proceeds of \$5,611,711 from the sales of the Series 2020 refunding bonds were irrevocably placed in escrow accounts and invested in state and local government securities. As a result of providing for the payment of the principal and interest to maturity, and any redemption premium, \$5,505,000 of the advance refunded bonds are considered to be defeased and, accordingly, the liability is not reported in the government-wide financial statements. The refunding transactions will decrease the City's aggregate debt service payments by \$549,430 for a net present value savings of \$492,332 on the date of issuance.

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. Most Series 2011 principal was refunded in fiscal year 2020 by the Series 2020 General Obligation Refunding Bonds and the final principal payments required by the City were made in fiscal year 2021.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS – CONTINUED

Governmental Activities Long-Term Debt (continued):

General Obligation Refunding Bonds Series 2020 were used to refund \$1,270,000 of the Series 2011 General Obligation Refunding Bonds. 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.

Governmental activities refunding bonds debt service requirements at September 30, 2021, are as follows:

Governmental Activities - General Obligation Refunding Bonds				
	Totals		2020 G.O. Refunding Bonds	
<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 116,150	\$ 18,493	\$ 116,150	\$ 18,493
2023	121,900	17,670	121,900	17,670
2024	120,750	16,659	120,750	16,659
2025	116,150	15,446	116,150	15,446
2026	117,300	14,028	117,300	14,028
FY 2027-31	737,150	36,024	737,150	36,024
	<u>\$ 1,329,400</u>	<u>\$ 118,320</u>	<u>\$ 1,329,400</u>	<u>\$ 118,320</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 2021 under this lease, of which \$27,015 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. The lease was paid in full during fiscal year 2021.

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. The lease is secured by the related vehicles.

In fiscal years 2020 and 2021, the City entered into capital leases with Enterprise for five police vehicles and four vehicles in other governmental departments. Monthly vehicle payments to the lessor range from \$576 to \$934. A portion these payments represent maintenance agreements. Lease maturity months range from February of 2023 to October of 2025. The leases are secured by the related vehicles.

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, 2021:

Year Ending September 30,	<u>Governmental Activities</u>		
	Fire Truck	Enterprise Vehicles	Totals
2022	\$ 30,416	\$ 79,507	\$ 109,923
2023	30,416	77,263	107,679
2024	30,416	57,260	87,676
2025	30,416	18,353	48,769
2026	-	1,529	1,529
Future minimum lease payments	121,664	233,913	355,577
Less: amount representing interest	(1,922)	(22,935)	(24,857)
Present value of minimum lease payments	<u>\$ 119,742</u>	<u>\$ 210,978</u>	<u>\$ 330,720</u>
Cost of equipment	\$ 324,491	\$ 281,507	

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.

General Obligation Refunding Bonds Series 2020 were used to refund \$4,235,000 of the Series 2011 General Obligation Refunding Bonds. 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.

In fiscal years 2020 and 2021, the City entered into capital leases with Enterprise for two pickups. The two monthly vehicle payments to the lessor are \$754 and \$1,054. A portion these payments represent maintenance agreements. The lease maturity dates are June 30, 2024 and January 31, 2026. The leases are secured by the related vehicles.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS – CONTINUED

The following is a summary of Utilities Fund future minimum lease payments at September 30, 2021:

<u>Year Ending</u> <u>September 30,</u>	<u>Enterprise</u> <u>Vehicles</u>
2022	\$ 19,136
2023	19,136
2024	17,103
2025	11,005
2026	3,668
Future minimum lease payments	70,048
Less: amount representing interest	(7,039)
Present value of minimum lease payments	<u>\$ 63,009</u>
Cost of equipment	\$ 77,511

Debt service requirements on the Utilities Fund's bonds and certificates of obligation at September 30, 2021, are as follows:

<u>Fiscal Year</u>	<u>Totals</u>	<u>2020 G.O. Refunding</u> <u>Bonds</u>	<u>2015 Certificates of</u> <u>Obligation</u>	<u>2005 Certificates of</u> <u>Obligation</u>
<u>Ending</u>	<u>Principal</u> <u>Interest</u>	<u>Principal</u> <u>Interest</u>	<u>Principal</u> <u>Interest</u>	<u>Principal</u> <u>Interest</u>
2022	\$ 523,850 \$ 73,999	\$ 388,850 \$ 61,911	\$ 50,000 \$ 12,088	\$ 85,000 \$ -
2023	523,100 70,853	408,100 59,155	50,000 11,698	65,000 -
2024	529,250 66,951	404,250 55,773	50,000 11,178	75,000 -
2025	528,850 62,274	388,850 51,711	50,000 10,563	90,000 -
2026	442,700 56,840	392,700 46,962	50,000 9,878	- -
FY 2027-31	2,727,850 157,699	2,467,850 120,600	260,000 37,099	- -
FY 2032-35	230,000 11,708	- -	230,000 11,708	- -
	<u>\$5,505,600 \$ 500,324</u>	<u>\$4,450,600 \$ 396,112</u>	<u>\$740,000 \$ 104,212</u>	<u>\$ 315,000 \$ -</u>

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
General Obligation Refunding Bonds	\$ 1,434,000	\$ -	\$ (104,600)	\$ 1,329,400	\$ 116,150
Bond Premiums (discounts)	(9,338)	-	934	(8,404)	-
Capital Leases	375,457	82,781	(127,518)	330,720	97,241
Accrued Compensated Absences	68,767	22,080	-	90,847	-
Net Pension Liability	323,016	-	(1,833)	321,183	-
Total OPEB Liability	110,499	22,754	-	133,253	-
Total Governmental activities l-t liabilities:	<u>\$2,302,401</u>	<u>\$ 127,615</u>	<u>\$ (233,017)</u>	<u>\$2,196,999</u>	<u>\$ 213,391</u>

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS – CONTINUED

Changes in proprietary-type long-term liabilities for the year ended September 30, 2021, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business activities:</u>					
General Obligation Refunding Bonds	\$4,766,000	\$ -	\$ (315,400)	\$4,450,600	\$ 388,850
Bond Premiums (discounts)	(31,262)	-	3,126	(28,136)	-
Capital Leases	26,133	49,636	(12,760)	63,009	16,896
Certificates of Obligation	1,190,000	-	(135,000)	1,055,000	135,000
Accrued Compensated Absences	33,908	16,149	-	50,057	-
Net Pension Liability	97,337	-	(553)	96,784	-
Total OPEB Liability	33,747	6,407	-	40,154	-
Total Business-type activities liabilities:	<u>\$6,115,863</u>	<u>\$ 72,192</u>	<u>\$ (460,587)</u>	<u>\$5,727,468</u>	<u>\$ 540,746</u>

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. The City carries commercial insurance for all such risks of loss through Traveler's Insurance Company. 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 the past fiscal year.

NOTE 9 - PENSION PLAN

A. Plan Description

The City participates in a 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.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN - CONTINUED

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

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

Inactive employees or beneficiaries currently receiving benefits:	28
Inactive employees entitled to buy, but not yet receiving benefits:	34
Active employees:	<u>42</u>
Total:	104

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 9.1% and 8.67% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$185,030, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

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

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN - CONTINUED

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%

Discount Rate

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN – CONTINUED

Changes in the Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liab./ (Asset) (a) - (b)
Balances at 12/31/2019:	\$ 5,777,877	\$ 5,357,523	\$ 420,354
Changes for the year:			
Service cost	219,555		219,555
Interest	388,548		388,548
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	60,583		60,583
Effect of assumptions changes or inputs	-		-
Refund of contributions	-		-
Benefit payments	(262,776)	(262,776)	-
Administrative expenses		(2,631)	2,631
Member contributions		94,799	(94,799)
Net investment income		406,472	(406,472)
Employer contributions		172,535	(172,535)
Other changes		(103)	103
Balances at 12/31/2020:	\$ 6,183,787	\$ 5,765,819	\$ 417,968

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)	\$ 1,241,196	\$ 417,968	\$ (260,014)

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN - CONTINUED

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

For the year ended September 30, 2021, the City recognized pension expense of \$117,246.

At September 30, 2021, 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	\$ -	\$ 12,063
Changes of assumptions	-	14,763
Net difference between projected and actual earnings	152,196	-
Contributions subsequent to the measurement date	N/A	135,005
Totals:	\$ 152,196	\$ 161,831

The amount of deferred outflows of resources related to pensions in the amount of \$135,005 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, 2022.

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>	
2022	\$ (51,007)
2023	20,640
2024	(86,036)
2025	(8,967)
2026	-
Thereafter	-
	<u>\$ (125,370)</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).

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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.

The membership at the actuarial valuation and measurement date of December 31, 2020 consists of:

Inactive employees or beneficiaries currently receiving benefits:	19
Inactive employees entitled to buy, but not yet receiving benefits:	9
Active employees:	<u>42</u>
Total:	70

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 0.25% in calendar year 2021 and 2020, respectively.

Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2020; actuarial valuation are as follows:

Actuarial Cost Method	Entry Age Normal
Discount Rate	2.0% as of December 31, 2020 (2.5% in prior year)
	Source: Fidelity Index's "20-Year Municipal GO AA Index"
Inflation	2.50%
Salary Increases	3.50% to 11.50%, 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	2019 Municipal Retirees of Texas Mortality Tables. These rates are projected on a fully generational basis with scale UMP.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Mortality rates – disabled retirees 2019 Municipal Retirees of Texas Mortality Tables with a four-year set forward for males and a three-year set forward for females. In addition, a 3.5% and a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis By Scale UMP to account for future mortality improvements subject to the floor.

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

Total OPEB Liability

The City's total OPEB liability of \$173,407 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balances at 12/31/2019:	\$ 143,796	\$ -	\$ 143,796
Changes for the year:			
Service cost	7,205		7,205
Interest	4,038		4,038
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(4,024)		(4,024)
Effect of assumptions changes or inputs	23,530		23,530
Refund of contributions	-		-
Benefit payments	(1,138)		(1,138)
Administrative expenses		-	-
Other changes		-	-
Balances at 12/31/2020:	\$ 173,407	\$ -	\$ 173,407

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 2.0% 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 (1.0%) or 1-percentage-point higher (3.0%) than the current rate:

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB liability \$	213,058	173,407	142,927

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

For the year ended September 30, 2021, the City recognized an OPEB expense of \$18,107.

At September 30, 2021, 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	\$ 9,388	\$ -
Changes of assumptions	-	30,886
Contributions subsequent to the measurement date	N/A	3,737
Totals:	\$ 9,388	\$ 34,623

\$3,737 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense in future fiscal years as follows: 2022 - \$5,710, 2023 - \$6,140, 2024 - \$6,534, and 2025 - \$3,114.

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.

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

The City's net position balance at the beginning of fiscal year 2021 was adjusted as follows:

Governmental-Type Activities Net Position	
Net position - beginning	\$ 2,904,415
Prior period adjustment for capital lease assets	170,262
Prior period adjustment for capital lease liabilities	(196,395)
Net position - beginning as restated	<u>\$ 2,878,282</u>

NOTE 13 - SUBSEQUENT EVENTS

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through October 11, 2022, 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, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes:				
Property	\$ 908,931	\$ 908,931	\$ 926,243	\$ 17,312
Sales	884,916	884,916	1,028,659	143,743
Franchise	245,722	245,722	254,880	9,158
Other	4,800	4,800	8,077	3,277
Sanitation	837,526	837,526	870,498	32,972
Licenses, fees, and permits	109,900	109,900	115,315	5,415
Court and police	174,539	174,539	164,072	(10,467)
Rents and leases	47,040	47,040	53,849	6,809
Grants	795,133	795,133	821,364	26,231
Intergovernmental	165,566	165,566	152,903	(12,663)
Investment earnings	800	800	443	(357)
Donations and other income	28,175	28,175	42,005	13,830
Total revenues	<u>4,203,048</u>	<u>4,203,048</u>	<u>4,438,308</u>	<u>235,260</u>
Expenditures				
Current:				
General government	499,297	499,297	626,632	(127,335)
Police	1,076,421	1,076,421	1,170,354	(93,933)
Streets and maintenance	461,812	461,812	455,443	6,369
Sanitation	619,780	619,780	596,459	23,321
Fire and code enforcement	210,042	210,042	181,550	28,492
Library	114,015	114,015	139,476	(25,461)
Parks and recreation	208,310	208,310	195,370	12,940
Animal control	116,319	116,319	109,982	6,337
Municipal court	75,429	75,429	78,426	(2,997)
Airport	49,325	49,325	47,622	1,703
Farmers market	8,189	8,189	5,047	3,142
Economic development	(922)	(922)	40,081	(41,003)
Capital outlays	873,441	873,441	699,865	173,576
Debt service:				
Principal retirement	143,259	143,259	127,527	15,732
Interest expense	15,054	15,054	15,054	-
Total expenditures	<u>4,469,771</u>	<u>4,469,771</u>	<u>4,488,888</u>	<u>(19,117)</u>
Excess of revenues over (under) expenditures	(266,723)	(266,723)	(50,580)	216,143
Other financing sources (uses)				
Issuance of capital lease	-	-	82,780	82,780
Proceeds from sold assets	30,000	30,000	156,006	126,006
Transfers in (out)	34,743	34,743	1,499	(33,244)
Total other financing sources(uses)	64,743	64,743	240,285	175,542
Net changes in fund balances	(201,980)	(201,980)	189,705	\$ 391,685
Fund balances - beginning	585,977	585,977	585,977	
Fund balances - ending	<u>\$ 383,997</u>	<u>\$ 383,997</u>	<u>\$ 775,682</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, 2021

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Total Pension Liability							
Service cost	\$ 219,555	\$ 213,653	\$ 187,497	\$ 180,483	\$ 174,025	\$ 156,184	\$ 118,965
Interest on total pension liability	388,548	369,975	348,379	347,311	333,768	331,354	328,888
Effect of plan changes	-	-	-	-	-	-	218,452
Difference between expected and actual experience	60,583	(80,481)	43,166	(238,855)	(9,058)	(4,156)	(131,074)
Effect of assumptions changes or inputs	-	40,001	-	-	-	29,960	-
Benefit payments/Refund of contributions	(262,776)	(279,112)	(265,244)	(287,994)	(314,681)	(307,656)	(292,664)
Net Change in Total Pension Liability	405,910	264,036	313,798	945	184,054	205,686	242,567
Total pension liability, beginning	5,777,877	5,513,841	5,200,043	5,199,098	5,015,044	4,809,358	4,566,791
Total pension liability, ending	\$ 6,183,787	\$ 5,777,877	\$ 5,513,841	\$ 5,200,043	\$ 5,199,098	\$ 5,015,044	\$ 4,809,358
Fiduciary Net Position							
Employer contributions	172,535	162,836	165,612	154,666	144,972	146,456	112,224
Member contributions	94,799	91,071	80,865	75,982	73,366	68,502	65,782
Investment income (net of expenses)	406,472	720,974	(144,672)	595,354	278,279	6,211	234,080
Benefit payments/Refund of contributions	(262,776)	(279,112)	(265,244)	(287,994)	(314,681)	(307,656)	(292,664)
Administrative expenses	(2,631)	(4,076)	(2,798)	(3,087)	(3,144)	(3,783)	(2,444)
Other	(103)	(122)	(146)	(156)	(169)	(188)	(201)
Net Change in Fiduciary Net Position	408,296	691,571	(166,383)	534,765	178,623	(90,458)	116,777
Fiduciary Net Position, beginning	5,357,523	4,665,952	4,832,335	4,297,571	4,118,948	4,209,406	4,092,629
Fiduciary Net Position, ending	5,765,819	5,357,523	4,665,952	4,832,336	4,297,571	4,118,948	4,209,406
Net pension liability / (asset), ending	\$ 417,968	\$ 420,354	\$ 847,889	\$ 367,707	\$ 901,527	\$ 896,096	\$ 599,952
Fiduciary net position as a percentage of total pension liability	93.24%	92.72%	84.62%	92.93%	82.66%	82.13%	87.53%
Covered-employee payroll	\$ 1,895,987	\$ 1,821,427	\$ 1,601,167	\$ 1,509,058	\$ 1,467,329	\$ 1,370,035	\$ 1,315,636
Net pension liability as a percentage of covered payroll	22.04%	23.08%	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.

CITY OF WINNSBORO, TEXAS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 185,030	\$ 166,698	\$ 158,453	\$ 165,378	\$ 144,972	\$ 147,107	\$ 141,383
Contributions in relation to the contractually required contributions	185,030	166,698	158,453	165,378	144,972	147,107	141,383
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 2,106,871	\$ 1,840,538	\$ 1,715,882	\$ 1,576,309	\$ 1,495,112	\$ 1,481,484	\$ 1,395,342
Contributions as a percentage of covered employee payroll	8.78%	9.06%	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, 2021

	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total OPEB Liability				
Service cost	\$ 7,205	\$ 5,829	\$ 5,764	\$ 4,829
Interest on total pension liability	4,038	4,495	4,132	4,054
Effect of plan changes	-	-	-	-
Difference between expected and actual experience	(4,024)	(8,636)	(3,721)	-
Effect of assumptions changes or inputs	23,530	24,408	(8,543)	9,721
Benefit payments/Refund of contributions	(1,138)	(1,093)	(1,601)	(1,358)
Net Change in Total OPEB Liability	29,611	25,003	(3,969)	17,246
Total OPEB liability, beginning	143,796	118,793	122,762	105,516
Total OPEB liability, ending	<u>\$ 173,407</u>	<u>\$ 143,796</u>	<u>\$ 118,793</u>	<u>\$ 122,762</u>
Covered payroll	\$ 1,895,987	\$ 1,821,427	\$ 1,601,167	\$ 1,509,058
Total OPEB liability as a percentage of covered payroll	9.15%	7.89%	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.

CITY OF WINNSBORO, TEXAS
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 5,111	\$ 4,552	\$ 4,235	\$ 4,183
Contributions in relation to the contractually required contributions	<u>5,111</u>	<u>4,552</u>	<u>4,235</u>	<u>4,183</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,106,871	\$ 1,840,538	\$ 1,715,882	\$ 1,576,309
Contributions as a percentage of covered employee payroll	0.24%	0.25%	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, 2021, 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 October 11, 2022.

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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that I consider to be a significant deficiency.

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.

DRAFT

Rod L. Abbott, CPA PLLC
Tom Bean, Texas
October 11, 2022

City of Winnsboro, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section I – Findings Related to the Financial Statements

Reference Number 2021-001

Inadequate Budget Monitoring

Criteria:	The City should have a process to oversee departmental expenditures to ensure the expenditures do not exceed budgeted amounts.
Condition Found:	2021 expenditures in the General Government and Police Departments in the General Fund exceeded budgeted amounts by \$127,335 and \$93,933, respectively. Total General Fund budgeted expenditures exceeded budgeted amounts by \$19,117.
Context:	Texas Local Government Code Section 102.009(b) requires cities to spend funds only in strict compliance with the budget.
Effect:	Non-compliance with Texas Local Government Code Section 102.009(b) and it also has a negative effect on the General Fund's unassigned fund balance available for future spending.
Cause:	Inadequate budget monitoring.
Questioned Costs:	N/A
Recommendation:	I recommend the City closely monitor budget versus actual expenditures throughout the fiscal year and reduce departmental expenditures and/or amend City budgets as needed.
View of Responsible Officials:	The City will strive to better monitor departmental expenditures to maintain budget compliance or amend the budget as needed.

City of Winnsboro, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

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

Reference Number 2020-001

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. Long-term debt, unbilled receivables, capital assets, and fund balances were some of the areas involved in this deficiency.
Context:	Management was unable to properly adjust balances to the correct fiscal year-end 2020 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 a City consultant accountant or the auditor.
Questioned Costs:	N/A
Recommendation:	I recommend the City use a 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 2020 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.
Status of Prior Year Finding:	The prior year findings are considered corrected.