

# CITY OF WINDCREST, TEXAS

FINANCIAL STATEMENTS

For the Fiscal Year Ended  
September 30, 2018

PREPARED BY:  
THE FINANCE DEPARTMENT

**abip**

CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**

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**CITY OF WINDCREST, TEXAS**

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## **INTRODUCTORY SECTION**

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**CITY OF WINDCREST, TEXAS**  
**LIST OF PRINCIPAL OFFICIALS**  
**September 30, 2018**

Mayor

Dan Reese

City Council Members

Gerd E. Jacobi  
James McFall  
Jim Shelton  
Frank Archuleta  
Joan Pedrotti

City Manager

Rafael Castillo

Attorney

Ryan Henry

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Windcrest, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas, as of September 30, 2018, 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.

## ***Emphasis of Matter***

As described in Note 1 to the financial statements, in 2018 the City adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## ***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, Schedule of Changes in Net Pension Liability and OPEB Liability and Related Ratios and Schedule of Employer Contributions identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas

May 6, 2019

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## CITY OF WINDCREST, TEXAS

### MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the City of Windcrest's comprehensive annual financial report presents an overview, through management's discussion and analysis (MD&A), of the City's financial activities and performance during the fiscal year ended September 30, 2018. The MD&A should be read in conjunction with the transmittal letter found in the introductory section of this report and the accompanying financial statements and disclosure following this section.

#### Financial Highlights

##### City of Windcrest

- The City's total combined net position was \$12,643,949 at September 30, 2018.
- During the year, the City's change in net position, before restatement, was a decrease of \$355,542 for governmental activities and a decrease of \$5,446 for business-type activities.
- The City's general fund reported a year-end fund balance of \$1,829,209, a decrease of \$362,389 from the previous year. The unassigned fund balance of \$1,817,428 represents 26.55% of general fund operating expenditures, including capital outlay, for the year. The unassigned fund balance represents 27.48% of general fund operating expenditures when capital outlay expenses are not included with total expenditures.
- Total revenues for the City increased 5.83% from the previous year and total expenses increased 4.05%.

##### Economic Development Corporation (Component Unit)

- The Windcrest Economic Development Corporation (EDC), which was created in 1998 exclusively for the purpose of promoting economic development in the City of Windcrest, generated sales tax revenue in the amount of \$561,339 during the FY 17-18.
- In the past the Windcrest EDC has served as a conduit to the revitalization of the Walzem Road area including a boundary change to acquire the old Windsor Park Mall and adjacent land and offerings of incentives that induced Rackspace Managed Hosting, an internet storage company, to relocate its corporate headquarters.
- The Windcrest EDC reported net position of \$562,324 at September 30, 2018
- The Windcrest EDC reported total revenues of \$578,739 and total expenses of \$231,932 during the year, thereby increasing the EDC's net position, before restatement, by \$346,807.

##### Crime Control and Prevention District (Blended Component Unit)

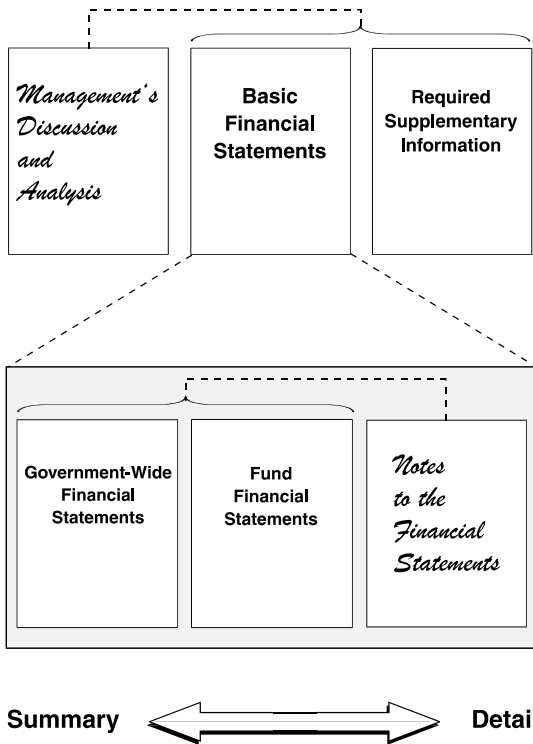
- The Windcrest CCPD, which was created from a ¼ cent sales tax adopted in 2004 for the purpose of crime control and prevention activities, generated sales tax revenue in the amount of \$763,429 during the year.
- This is the 14th year of operations for the District.
- The Windcrest CCPD reported total revenues of \$770,130 and expenses of \$ 619,233 during the year.
- The Windcrest CCPD reported net position of \$1,403,682 at September 30, 2018.

##### Garbage Fund

- The City's garbage utility fund experienced another operating loss this year as total net position decreased \$5,446, leaving a deficit net position of \$285,376 in this fund.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:



- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as garbage collection.

Figure A-1, Required Components of the City’s Annual Financial Report

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.



**Figure A-2** summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

<b>Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements</b>			
<b>Fund Statements</b>			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance
<i>Required financial statements</i>	• Statement of net assets	• Balance Sheet	• Statement of net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in fund net assets •Statement of cash flows
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities and deferred inflows/outflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets, liabilities and deferred inflows/outflows of resources—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as public safety, public works and general administration. Property taxes, sales taxes, franchise fees and charges for services finance most of these activities.

The government –wide financial statement include also legally separate Economic Development Corporation and legally separate Crime Control and Prevention District for which the City is financially accountable.

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- **Governmental funds**—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- **Proprietary funds**—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

CITY OF WINDCREST'S NET POSITION INFORMATION:

**TABLE 1**  
**CITY OF WINDCREST'S NET POSITION**

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
<b>Current Assets:</b>						
Cash and cash equivalents	\$ 1,365,920	\$ 1,609,797	\$ 38,419	\$ 26,494	\$ 1,404,339	\$ 1,636,291
Investments	145,788	232,089	432	-	146,220	232,089
Receivables, net	1,063,721	1,113,946	169,414	79,066	1,233,135	1,193,012
Due from component unit	182,000	182,000	-	-	182,000	182,000
Prepaid expense	11,781	7,372	-	-	11,781	7,372
Internal balances	284,672	284,672	(284,672)	(284,672)	-	-
Total current assets	<u>3,053,882</u>	<u>3,429,876</u>	<u>(76,407)</u>	<u>(179,112)</u>	<u>2,977,475</u>	<u>3,250,764</u>
<b>Non-Current Assets:</b>						
Land	347,050	347,050	-	-	347,050	347,050
Construction in progress	83,406	-	-	-	83,406	-
Buildings and improvements	2,437,470	2,437,470	-	-	2,437,470	2,437,470
Improvements other than buildings	14,315,910	13,808,160	-	-	14,315,910	13,808,160
Furniture and equipment	4,490,819	4,690,526	-	-	4,490,819	4,690,526
Less: accumulated depreciation	(10,404,539)	(9,660,050)	-	-	(10,404,539)	(9,660,050)
Total non-current assets	<u>11,270,116</u>	<u>11,623,156</u>	<u>-</u>	<u>-</u>	<u>11,270,116</u>	<u>11,623,156</u>
Total assets	<u>14,323,998</u>	<u>15,053,032</u>	<u>(76,407)</u>	<u>(179,112)</u>	<u>14,247,591</u>	<u>14,873,920</u>
Deferred outflows of resources	<u>408,816</u>	<u>530,504</u>	<u>-</u>	<u>-</u>	<u>408,816</u>	<u>530,504</u>
<b>Current Liabilities:</b>						
Accounts payable and other current liabilities	<u>582,992</u>	<u>801,091</u>	<u>208,969</u>	<u>100,818</u>	<u>791,961</u>	<u>901,909</u>
Total current liabilities	<u>582,992</u>	<u>801,091</u>	<u>208,969</u>	<u>100,818</u>	<u>791,961</u>	<u>901,909</u>
<b>Non-Current Liabilities:</b>						
Due within one year	157,994	156,172	-	-	157,994	156,172
Due in more than one year	<u>552,708</u>	<u>1,146,741</u>	<u>-</u>	<u>-</u>	<u>552,708</u>	<u>1,146,741</u>
Total non-current liabilities	<u>710,702</u>	<u>1,302,913</u>	<u>-</u>	<u>-</u>	<u>710,702</u>	<u>1,302,913</u>
Total liabilities	<u>1,293,694</u>	<u>2,104,004</u>	<u>208,969</u>	<u>100,818</u>	<u>1,502,663</u>	<u>2,204,822</u>
Deferred inflows of resources	<u>509,795</u>	<u>51,442</u>	<u>-</u>	<u>-</u>	<u>509,795</u>	<u>51,442</u>
<b>Net Position:</b>						
Net investment in capital assets	10,875,935	11,623,156	-	-	10,875,935	11,623,156
Restricted	444,381	193,226	-	-	444,381	193,226
Unrestricted	<u>1,609,009</u>	<u>1,611,708</u>	<u>(285,376)</u>	<u>(279,930)</u>	<u>1,323,633</u>	<u>1,331,778</u>
Total net position	<u>\$ 12,929,325</u>	<u>\$ 13,428,090</u>	<u>\$ (285,376)</u>	<u>\$ (279,930)</u>	<u>\$ 12,643,949</u>	<u>\$ 13,148,160</u>

By far, the largest portion of the City's net position, \$10,875,935 (86%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure). The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

A small portion of the City's net position (3.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,323,633 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

During the year ended September 30, 2018, the City's total net position decreased by \$360,988 before the restatement. Total revenues were \$8,163,854 and expenses were \$8,524,842. A significant portion, 76.6% of the City's revenues came from taxes, 21.8% came from grants and charges for services, while the remaining amount came from investment earnings and other miscellaneous revenues.

The following table indicates changes in net position for the governmental and business-type activities for the City as of September 30, 2018, compared to 2017.

**TABLE 2**  
**CITY OF WINDCREST'S CHANGES IN NET POSITION**

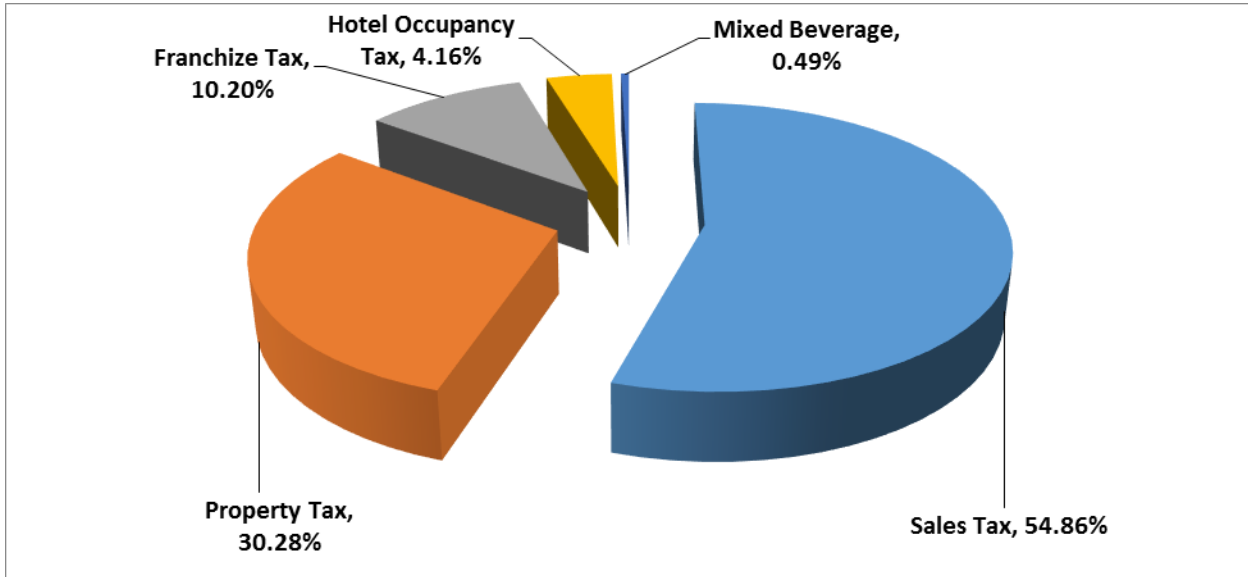
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2018	2017	2018	2017	2018	2017
<b>REVENUES:</b>						
Program Revenues:						
Charges for services	\$ 770,750	\$ 1,060,884	\$ 975,300	\$ 901,212	\$ 1,746,050	\$ 1,962,096
Operating grants and contributions	29,453	16,524	-	-	29,453	16,524
General Revenues:						
Property taxes	1,895,538	1,778,300	-	-	1,895,538	1,778,300
Other taxes	4,356,456	4,009,059	-	-	4,356,456	4,009,059
Investment earnings	24,340	9,537	288	79	24,628	9,616
Gain(Loss) on fixed asset disposal	10,000	-	-	-	10,000	-
Other	101,729	43,998	-	-	101,729	43,998
Total revenues	<u>7,188,266</u>	<u>6,918,302</u>	<u>975,588</u>	<u>901,291</u>	<u>8,163,854</u>	<u>7,819,593</u>
<b>EXPENSES:</b>						
General government	3,035,712	2,935,105	-	-	3,035,712	2,935,105
Public safety	3,184,789	3,019,638	-	-	3,184,789	3,019,638
Public works	1,148,021	1,170,154	-	-	1,148,021	1,170,154
Animal control	175,286	171,400	-	-	175,286	171,400
Garbage	-	-	981,034	1,003,812	981,034	1,003,812
Total expenses	<u>7,543,808</u>	<u>7,296,297</u>	<u>981,034</u>	<u>1,003,812</u>	<u>8,524,842</u>	<u>8,300,109</u>
Change in net position	(355,542)	(377,995)	(5,446)	(102,521)	(360,988)	(480,516)
NET POSITION - BEGINNING	<u>13,428,090</u>	<u>13,828,380</u>	<u>(279,930)</u>	<u>(177,409)</u>	<u>13,148,160</u>	<u>13,650,971</u>
PRIOR PERIOD ADJUSTMENT	<u>(143,223)</u>	<u>(22,295)</u>	<u>-</u>	<u>-</u>	<u>(143,223)</u>	<u>(22,295)</u>
NET POSITION - BEGINNING, AS RESTATED	<u>13,284,867</u>	<u>13,806,085</u>	<u>(279,930)</u>	<u>(177,409)</u>	<u>13,004,937</u>	<u>13,628,676</u>
NET POSITION - ENDING	<u>\$ 12,929,325</u>	<u>\$ 13,428,090</u>	<u>\$ (285,376)</u>	<u>\$ (279,930)</u>	<u>\$ 12,643,949</u>	<u>\$ 13,148,160</u>

**Governmental activities.** Key elements of changes in governmental activities from the prior year follow:

- Total revenues increased by \$269,964, primarily due to an increase in property and sales tax revenues.
- Total expenses increased by \$247,511, with the largest increase in public safety expenses.

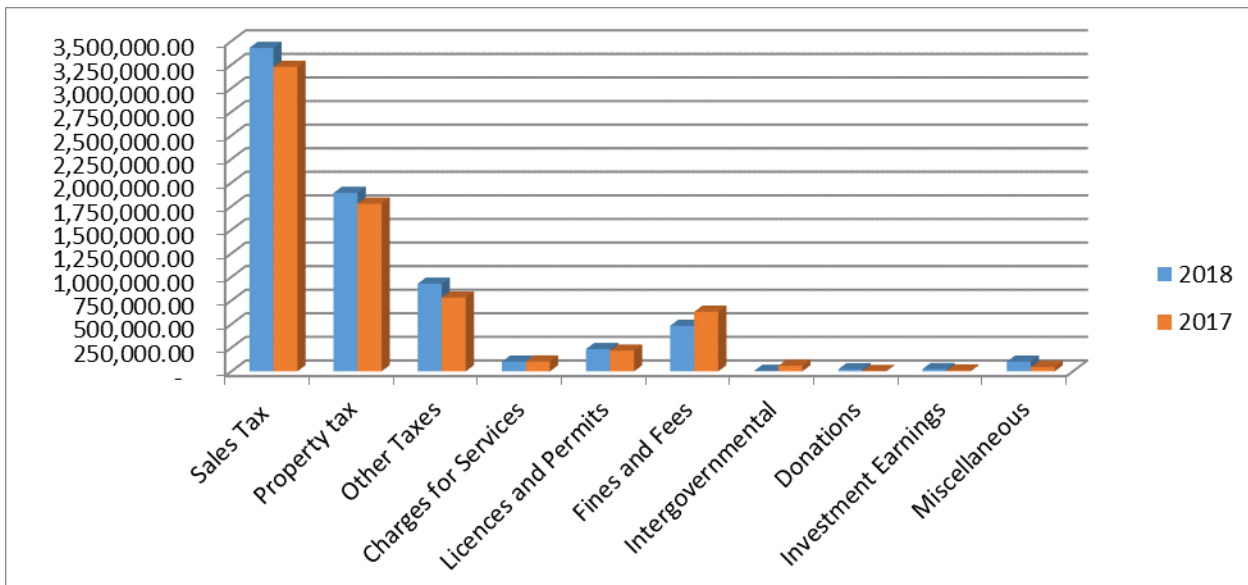
Property tax rates decreased to \$0.308092, all of which was allocated to operations. Property taxes levied changed from \$1,791,039 in 2017 to \$1,914,228 in 2018, an increase of \$123,189. As illustrated in the graph below, property taxes are one of the largest sources of revenue and increased by approximately 6.6% from the prior year. The growth in the property taxes is a result of approximately a 6.9% increase in taxable property value.

### General Revenue by Source – Governmental Activities



The second largest revenue source, as illustrated in the graph below, is charges for services which are made up of fines and fees, intergovernmental revenue, municipal court fines, charges for services and other fees.

### Total Revenues – Governmental Activities



The following table presents the net cost of the City’s largest functions (total costs less program revenues). The net cost is funded by general revenues, which primarily include taxes.

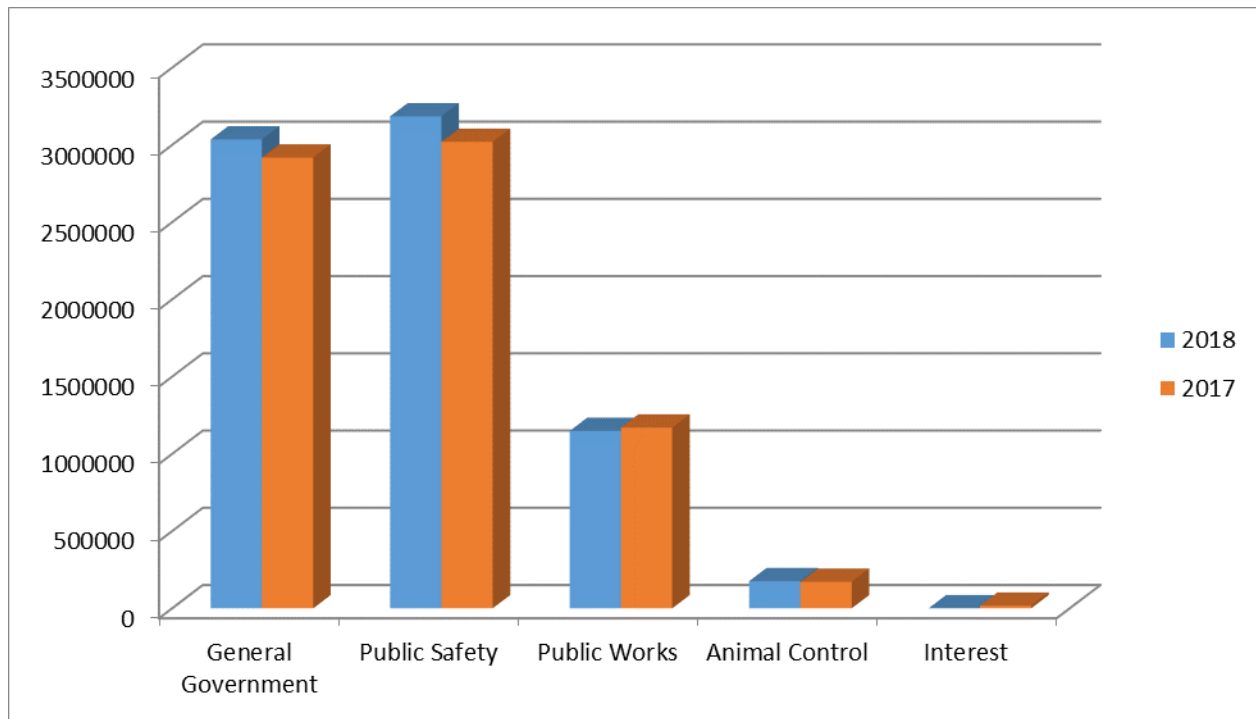
**TABLE 3**  
**CITY OF WINDCREST’S NET COST OF SELECT CITY FUNCTIONS**

	Net Cost of Services	
	2018	2017
General government	\$ (2,902,988)	\$ (2,720,255)
Public safety	(2,735,474)	(2,330,339)
Public works	(930,387)	(980,710)
Animal control	(174,756)	(170,963)
Garbage utility	(5,734)	(102,600)

The net expense of all governmental activities this year before general revenues was \$6,743,605. This net expense was funded by general revenues of \$6,388,063.

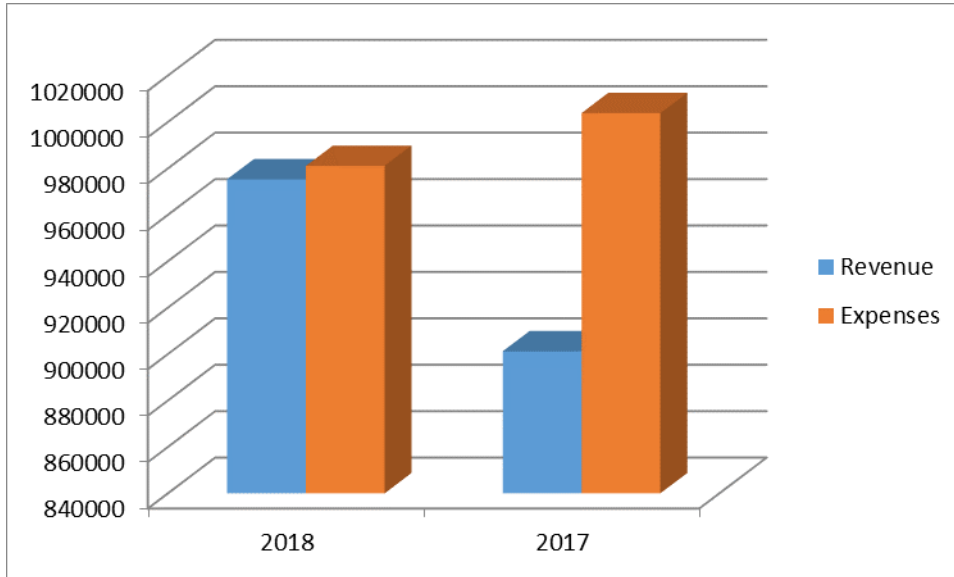
Expenses in governmental activities increased by approximately 3.4%. General government and public safety were the largest cost centers, as illustrated in the graph below. Public safety grew by approximately 5% as a result of increases in personnel, benefits, and capital replacement.

**Total Expenses – Governmental Activities**



**Business-type activities.** Revenues of the City’s business-type activities (garbage utility) were \$975,588 and expenses were \$981,034, yielding an operating loss of \$5,446. The net position of the garbage utility ended the year with a deficit of \$285,376. The City plans to increase their efforts to collect on delinquent fees, re-evaluate their billing techniques, and consider moving the residential portion of expenses and revenues into the General Fund in order to eliminate the net position deficit. In addition, City Council is planning to increase commercial and residential garbage rates for fiscal year 2019, to help reduce the deficit.

## Revenues and Expenditures – Business-Type Activities



### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental funds is to provide an information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the City's financing requirement. The 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.

City's governmental fund reported combined ending fund balance of \$2.2 million. Of this total, \$1.8 million represents unrestricted fund balance, which is available for spending at the government discretion. The remaining fund balance is non-spendable, restricted to indicate that it is not available for new spending because it has already been committed to pay debt service, for capital improvement projects, and other assigned purposes.

The general fund is the chief operating fund for the City of Windcrest. At the end of the fiscal year the unrestricted fund balance of the general fund was \$1,817,428 million, while total fund balance was \$1,829,209, a decrease of \$362,389 from the prior year.

The capital projects fund has a total fund balance of \$164,847, an increase of \$164,847 from the previous year.

Revenues from governmental fund types totaled \$7,224,927, an increase of \$366,869 from the prior year. Governmental revenues are comprised of property taxes, sales taxes, mixed beverage tax, hotel occupancy taxes, franchise taxes, licenses, permits, fines, charges for services, grants, interest and miscellaneous revenue. Expenditures totaled \$7,346,161, a decrease of \$215,841 from the prior year.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City did not have any budget adjustments.

Final actual revenues were \$155,244 less than final budgeted revenues.

Final actual expenditures were \$318,977 less than final budget expenditures.

## CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** At the end of 2018, the City had invested \$11,270,116 in a broad range of capital assets, including land, equipment, buildings, improvements, and vehicles, net of accumulated depreciation. This amount represents a net decrease (including additions, deductions, and depreciation) of \$353,040 from last year. More detailed information about the City’s capital assets is presented in Note 2 to the financial statements.

TABLE 4  
CITY OF WINDCREST’S CAPITAL ASSETS AT YEAR-END

	GOVERNMENTAL	
	ACTIVITIES	
	2018	2017
Land	\$ 347,050	\$ 347,050
Construction in progress	83,406	-
Buildings and improvements	2,437,470	2,437,470
Improvements other than buildings	14,315,910	13,808,160
Furniture and equipment	4,490,819	4,690,526
Total	21,674,655	21,283,206
Total accumulated depreciation	(10,404,539)	(9,660,050)
Net capital assets	\$ 11,270,116	\$ 11,623,156

**Long-term debt.** At year end, the primary government had capital leases of \$394,181 which are secured by a street sweeper truck and light fixtures and poles.

	GOVERNMENTAL	
	ACTIVITIES	
	2018	2017
Capital leases	\$ 394,181	\$ 514,715
Compensated absences	129,375	142,551
Total debt	\$ 523,556	\$ 657,266



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

The following factors were considered in developing the 2018-2019 budget:

- Assessed taxable property value increased from \$617,133,375 in 2018 to \$678,200,040 in 2019, an increase of \$61,066,665.
- Revenues available for appropriation in the general fund budget for 2018-2019 are \$7,255,480.
- Estimated general fund operating expenditures for the 2018-2019 budget are \$7,272,972.
- The ad valorem tax rate for fiscal year 2018-2019 is budgeted at 0.327469.
- There are many capital improvements budgeted; the major projects are:
  - A new mower for Public Works
  - Additional personal protective equipment for the Fire Department
  - Continued renovations of Takas Park restrooms
  - New phone system
  - New servers
  - Resurfacing middle sized pool

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City of Windcrest's finances and to show the City's accountability to its taxpayers. If you have any questions about this report or need additional information, contact:

Rafael Castillo, Jr.  
City Manager  
City of Windcrest  
8601 Midcrown  
Windcrest, Texas 78239  
[rcastillo@windcrest-tx.gov](mailto:rcastillo@windcrest-tx.gov)

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City of Windcrest  
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Windcrest, Texas 78239  
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## **BASIC FINANCIAL STATEMENTS**

**CITY OF WINDCREST, TEXAS**  
**STATEMENT OF NET POSITION**

**September 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,365,920	\$ 38,419	\$ 1,404,339
Investments	145,788	432	146,220
Receivables (net of allowance for uncollectibles):			
Taxes	903,814	-	903,814
Fines	155,050	-	155,050
Accounts	4,857	169,414	174,271
Due from component unit	182,000	-	182,000
Prepaid expense	11,781	-	11,781
Internal balances	284,672	(284,672)	-
Capital assets:			
Land	347,050	-	347,050
Construction in progress	83,406	-	83,406
Buildings and improvements	2,437,470	-	2,437,470
Improvements other than buildings	14,315,910	-	14,315,910
Furniture and equipment	4,490,819	-	4,490,819
Less: accumulated depreciation	<u>(10,404,539)</u>	<u>-</u>	<u>(10,404,539)</u>
Total capital assets	<u>11,270,116</u>	<u>-</u>	<u>11,270,116</u>
Total assets	<u>14,323,998</u>	<u>(76,407)</u>	<u>14,247,591</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	391,850	-	391,850
Deferred outflows related to OPEB	16,966	-	16,966
Total deferred outflows	<u>408,816</u>	<u>-</u>	<u>408,816</u>
<b>LIABILITIES</b>			
Accounts payable	111,377	158,975	270,352
Accrued liabilities	88,554	-	88,554
Due to other governments	377,342	31,259	408,601
Due to primary government	-	-	-
Unearned revenue	5,719	18,735	24,454
Noncurrent liabilities:			
Due within one year	157,994	-	157,994
Due in more than one year	552,708	-	552,708
Total liabilities	<u>1,293,694</u>	<u>208,969</u>	<u>1,502,663</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pension	509,795	-	509,795
<b>NET POSITION</b>			
Net investment in capital assets	10,875,935	-	10,875,935
Restricted for:			
Capital projects	164,847	-	164,847
Other purposes	279,534	-	279,534
Economic Development Corporation	-	-	-
Crime Control and Prevention	-	-	-
Unrestricted	<u>1,609,009</u>	<u>(285,376)</u>	<u>1,323,633</u>
Total net position	<u>\$ 12,929,325</u>	<u>\$ (285,376)</u>	<u>\$ 12,643,949</u>

(The accompanying notes are an integral part of these financial statements)

Component Units	
Economic Development Corp.	Crime Control and Prevention District
\$ 546,991	\$ 560,904
110,627	-
122,413	122,233
-	-
-	-
-	-
-	-
-	-
-	-
-	-
3,350	-
-	-
-	1,042,459
<u>(3,350)</u>	<u>(240,747)</u>
<u>-</u>	<u>801,712</u>
<u>780,031</u>	<u>1,484,849</u>
2,056	29,364
197	1,291
<u>2,253</u>	<u>30,655</u>
11,336	-
-	7,132
55,648	7,398
145,000	37,000
-	1,890
<u>2,174</u>	<u>19,723</u>
<u>214,158</u>	<u>73,143</u>
<u>5,802</u>	<u>38,679</u>
-	801,712
-	-
-	-
562,324	-
-	601,970
-	-
<u>\$ 562,324</u>	<u>\$ 1,403,682</u>

**CITY OF WINDCREST, TEXAS**

**STATEMENT OF ACTIVITIES**

**For the year ended September 30, 2018**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
Governmental Activities:			
General government	\$ 3,035,712	\$ 132,724	\$ -
Public safety	3,184,789	419,862	29,453
Public works	1,148,021	217,634	-
Animal control	175,286	530	-
Total governmental activities	<u>7,543,808</u>	<u>770,750</u>	<u>29,453</u>
Business-Type Activities:			
Garbage utility	<u>981,034</u>	<u>975,300</u>	-
Total business-type activities	981,034	975,300	-
Total primary government	<u>\$ 8,524,842</u>	<u>\$ 1,746,050</u>	<u>\$ 29,453</u>
<b>Component Units</b>			
Economic Development Corporation	\$ 231,932	\$ -	\$ -
Crime Control and Prevention District	<u>619,233</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 851,165</u>	<u>\$ -</u>	<u>\$ -</u>

**General Revenues**

Taxes:

Property, levied for general purposes

Sales

Hotel occupancy

Franchise

Mixed beverage

Investment earnings

Gain (Loss) on fixed asset disposal

Miscellaneous

Total general revenues

Change in net position

Net position - beginning

Prior period adjustment

Net position - beginning, as restated

Net position - ending

(The accompanying notes are an integral part of these financial statements)

Net (Expense) Revenue and Changes in Net Position			Component Units	
Primary Government			Economic Development Corporation	Crime Control and Prevention District
Governmental Activities	Business-type Activities	Total		
\$ (2,902,988)	\$ -	\$ (2,902,988)		
(2,735,474)	-	(2,735,474)		
(930,387)	-	(930,387)		
<u>(174,756)</u>	<u>-</u>	<u>(174,756)</u>		
<u>(6,743,605)</u>	<u>-</u>	<u>(6,743,605)</u>		
-	(5,734)	(5,734)		
-	(5,734)	(5,734)		
<u>(6,743,605)</u>	<u>(5,734)</u>	<u>(6,749,339)</u>		
			\$ (231,932)	\$ -
			<u>-</u>	<u>(619,233)</u>
			<u>(231,932)</u>	<u>(619,233)</u>
1,895,538	-	1,895,538	-	-
3,428,035	-	3,428,035	571,339	763,429
260,194	-	260,194	-	-
637,332	-	637,332	-	-
30,895	-	30,895	-	-
24,340	288	24,628	4,900	6,701
10,000	-	10,000	-	-
<u>101,729</u>	<u>-</u>	<u>101,729</u>	<u>2,500</u>	<u>-</u>
<u>6,388,063</u>	<u>288</u>	<u>6,388,351</u>	<u>578,739</u>	<u>770,130</u>
(355,542)	(5,446)	(360,988)	346,807	150,897
<u>13,428,090</u>	<u>(279,930)</u>	<u>13,650,971</u>	<u>217,214</u>	<u>1,263,753</u>
<u>(143,223)</u>	<u>-</u>	<u>(143,223)</u>	<u>(1,697)</u>	<u>(10,968)</u>
<u>13,284,867</u>	<u>(279,930)</u>	<u>13,004,937</u>	<u>215,517</u>	<u>1,252,785</u>
<u>\$ 12,929,325</u>	<u>\$ (285,376)</u>	<u>\$ 12,643,949</u>	<u>\$ 562,324</u>	<u>\$ 1,403,682</u>

(The accompanying notes are an integral part of these financial statements)

**CITY OF WINDCREST, TEXAS**

**BALANCE SHEET – GOVERNMENTAL FUNDS**

**September 30, 2018**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 630,823	\$ 419,843	\$ 315,254	\$ 1,365,920
Investments	123,018	18,824	3,946	145,788
Receivables (net of allowance for uncollectibles):				
Taxes	660,192	122,323	25,639	808,154
Fines	155,050	-	-	155,050
Franchise fees	95,660	-	-	95,660
Other	4,857	-	-	4,857
Due from component units	182,000	-	-	182,000
Due from other funds	686,247	-	-	686,247
Prepaid items	<u>11,781</u>	<u>-</u>	<u>-</u>	<u>11,781</u>
Total assets	<u>\$ 2,549,628</u>	<u>\$ 560,990</u>	<u>\$ 344,839</u>	<u>\$ 3,455,457</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 108,882	\$ 2,495	\$ -	\$ 111,377
Accrued liabilities	88,554	-	-	88,554
Due to other funds	-	338,000	63,575	401,575
Due to other governments	321,694	55,648	-	377,342
Unearned revenues	<u>5,719</u>	<u>-</u>	<u>-</u>	<u>5,719</u>
Total liabilities	<u>524,849</u>	<u>396,143</u>	<u>63,575</u>	<u>984,567</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	40,521	-	1,730	42,251
Deferred revenue - fines	<u>155,049</u>	<u>-</u>	<u>-</u>	<u>155,049</u>
Total deferred inflows of resources	<u>195,570</u>	<u>-</u>	<u>1,730</u>	<u>197,300</u>
<b>FUND BALANCES</b>				
Nonspendable	11,781	-	-	11,781
Restricted				
Capital projects	-	164,847	-	164,847
Other purposes	-	-	279,534	279,534
Unrestricted	<u>1,817,428</u>	<u>-</u>	<u>-</u>	<u>1,817,428</u>
Total fund balances	<u>1,829,209</u>	<u>164,847</u>	<u>279,534</u>	<u>2,273,590</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,549,628</u>	<u>\$ 560,990</u>	<u>\$ 344,839</u>	<u>\$ 3,455,457</u>

(The accompanying notes are an integral part of these financial statements)



**CITY OF WINDCREST, TEXAS**

**RECONCILIATION OF BALANCE SHEET-  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

**September 30, 2018**

Total fund balances - governmental funds balance sheet	\$ 2,273,590
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental funds are not financial resources and, therefore, are not reported in the funds.	11,270,116
Long-term liabilities, including capital leases, net pension liability, and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(710,702)
Deferred outflows of resources and deferred inflows of resources related to pensions are not reported in the funds.	(100,979)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	<u>197,300</u>
Net position of governmental activities - statement of net position	<u>\$ 12,929,325</u>

(The accompanying notes are an integral part of these financial statements)

**CITY OF WINDCREST, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For the year ended September 30, 2018**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Property	\$ 1,891,708	\$ -	\$ -	\$ 1,891,708
Sales	2,856,696	571,339	-	3,428,035
Franchise	624,406	-	12,926	637,332
Hotel occupancy	-	-	260,194	260,194
Mixed beverage	30,895	-	-	30,895
Fines and fees	461,816	-	20,761	482,577
Licenses and permits	236,224	-	-	236,224
Intergovernmental	-	-	6,238	6,238
Charges for services	102,440	-	-	102,440
Donations	-	-	23,215	23,215
Investment earnings	20,859	430	3,051	24,340
Miscellaneous	<u>101,729</u>	<u>-</u>	<u>-</u>	<u>101,729</u>
Total revenues	<u>6,326,773</u>	<u>571,769</u>	<u>326,385</u>	<u>7,224,927</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,606,444	-	-	2,606,444
Public safety	2,739,392	-	29,250	2,768,642
Public works	977,727	15,058	-	992,785
Animal control	151,640	-	-	151,640
Debt service:				
Principal	120,534	-	-	120,534
Interest	18,678	-	-	18,678
Capital outlay	<u>231,574</u>	<u>391,864</u>	<u>64,000</u>	<u>687,438</u>
Total expenditures	<u>6,845,989</u>	<u>406,922</u>	<u>93,250</u>	<u>7,346,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(519,216)</u>	<u>164,847</u>	<u>233,135</u>	<u>(121,234)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other sources - sale of fixed assets	10,000	-	-	10,000
Transfers in	146,827	-	-	146,827
Transfers out	<u>-</u>	<u>-</u>	<u>(146,827)</u>	<u>(146,827)</u>
Total other financing sources	<u>156,827</u>	<u>-</u>	<u>(146,827)</u>	<u>10,000</u>
Net change in fund balances (uses)	(362,389)	164,847	86,308	(111,234)
Fund balance - beginning	<u>2,191,598</u>	<u>-</u>	<u>193,226</u>	<u>2,384,824</u>
Fund balance - ending	<u>\$ 1,829,209</u>	<u>\$ 164,847</u>	<u>\$ 279,534</u>	<u>\$ 2,273,590</u>

(The accompanying notes are an integral part of these financial statements)

**CITY OF WINDCREST, 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, 2018**

Net change in fund balances - total governmental funds \$ (111,234)

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

Governmental funds report all 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 reconciling item represents the amount by which capital outlays exceeded depreciation in the current period. (353,040)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This reconciling item reflects the net of such expenses. 21,683

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These consisted of the following:

Payments on capital leases 120,534  
Compensated absences 13,176

Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds. (46,661)

Change in net position of governmental activities - statement of activities \$ (355,542)

(The accompanying notes are an integral part of these financial statements)

**CITY OF WINDCREST, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**

**September 30, 2018**

	Business-Type Activities
	Garbage Utility
<b>ASSETS</b>	
Current assets:	
Cash	\$ 38,419
Investments	432
Accounts receivable (net allowances for uncollectibles)	169,414
Total current assets	208,265
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	158,975
Due to other funds	284,672
Due to other governments	31,259
Unearned revenues	18,735
Total liabilities	493,641
 <b>NET POSITION</b>	
Unrestricted	(285,376)
Total net position	(285,376)
Total liabilities and net position	\$ 208,265

(The accompanying notes are an integral part of these financial statements)

**CITY OF WINDCREST, TEXAS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION - PROPRIETARY FUND**

**For the year ended September 30, 2018**

	Business-Type Activities
	Garbage Utility
OPERATING REVENUES:	
Charges for services:	
Commercial customer charges	\$ 496,067
Residential customer charges	461,381
Miscellaneous	17,852
Total operating revenues	975,300
OPERATING EXPENSES:	
Contracted services - commercial sanitation	443,980
Contracted services - residential sanitation	501,324
Bad debt expense	17,265
Other	18,465
Total operating expenses	981,034
Operating income (loss)	(5,734)
NONOPERATING REVENUES:	
Investment earnings	288
Total nonoperating revenues	288
Change in net position	(5,446)
Total net position - beginning	(279,930)
Total net position - ending	\$ (285,376)

(The accompanying notes are an integral part of these financial statements)

**CITY OF WINDCREST, TEXAS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

**For the year ended September 30, 2018**

	Business-Type Activities
	Garbage Utility
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 881,650
Payments to suppliers and service providers	(869,581)
Net cash provided by (used in) operating activities	12,069
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	288
Net increase (decrease) in cash and cash equivalents	12,357
Cash and cash equivalents at beginning of year	26,494
Cash and cash equivalents at end of year	\$ 38,851
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (5,734)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Decrease (increase) in receivables	(90,348)
Increase (decrease) in accounts payable	83,058
Increase (decrease) in due to other governments	28,395
Increase (decrease) in due to other governments	(3,302)
Net cash provided by (used in) operating activities	\$ 12,069

(The accompanying notes are an integral part of these financial statements)

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(1) Summary of significant accounting policies

The accounting and reporting policies of the City of Windcrest, Texas (the City) relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (“GAAP”) applicable to state and local governments. Generally accepted accounting principles for local governments include the principles prescribed by the Governmental Accounting Standards Board (“GASB”) and the American Institute of Certified Public Accountants in the publication entitled State and Local Governments – Auditing and Accounting Guide. The more significant accounting policies of the City are described below:

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

The City is governed by an elected mayor and five-member governing council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be 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 has no blended component units. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely presented component units

The Windcrest Economic Development Corporation (the Corporation) was created pursuant to state law on September 25, 1998, to act on behalf of the City for the promotion, development and enhancement of economic development within the City. The Corporation is governed by seven members who are appointed by and serve at the pleasure of the City Council.

The Corporation is fiscally dependent on the City because it receives predominantly all of its revenue from the City’s sales taxes. Separate financial statements for the Corporation can be obtained by contacting the Corporation located at 8601 Midcrown Drive, Windcrest, Texas 76522

The Windcrest Crime Control and Prevention District (the District) was created for the promotion, development, and enhancement of crime control and prevention within the City on September 20, 2004. The District was established under state law to allow the collection of \$0.0025 sales tax revenue to supplement the Windcrest Police Department. The District is governed by six members who are appointed by and serve at the pleasure of the City Council.

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(1) Summary of significant accounting policies (continued)

Discretely presented component units (continued)

The District is fiscally dependent on the City because it receives predominantly all of its revenue from the City's sales taxes. Separate financial statements for the District are not issued.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise fund. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has two discretely presented component units that are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are eliminations of charges that would distort the direct costs and program revenues reported for the various functions concerned.

Basis of presentation – fund financial statements

The focus of governmental fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

The City reports the following major governmental funds:

The ***general fund*** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs that are not paid through other funds are paid from this fund.

The ***capital projects fund*** accounts for the acquisition or construction of infrastructure and building projects being financed from bond proceeds, grants, transfers from other funds, and sales tax.

The City reports the following major enterprise fund:

The ***garbage utility fund*** accounts for the provision of residential and commercial garbage collection services.

# CITY OF WINDCREST, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018

### (1) Summary of significant accounting policies (continued)

#### Basis of presentation – fund financial statements (continued)

During the course of operations, the City has activity between funds for various purposes. 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 government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

#### Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded as soon as a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

# CITY OF WINDCREST, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018

### (1) Summary of significant accounting policies (continued)

#### Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. During the year the General Fund's budget exceeded actual expenses by \$318,977.

#### Assets, liabilities, deferred outflows and inflows of resources, net position/fund balance and revenues

- **Cash and cash equivalents.** Cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, and investments with original maturities of three (3) months or less from the date of acquisition.
- **Investments.** At September 30, 2018, the City's investments are comprised of local government investment pools and certificates of deposit.

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (d). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

The method used to value investments for financial reporting purposes is dependent upon the type of investment and the time remaining to maturity. Investments are valued at amortized cost if they have a remaining maturity at the time of purchase of one (1) year or less and the fair value of the investments is not affected by the impairment or the credit standing of the issuer or by other factors. All other investments are valued at fair value.

The City's investments in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pool is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Local government investment pools in Texas are established under the government of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Act, Chapter 2256 of the Texas Government Code. In addition, to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(1) Summary of significant accounting policies (continued)

Assets, liabilities, deferred outflows and inflows of resources, net position/fund balance and revenues (continued)

- **Investments (continued)**

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets in inactive markets.
- Inputs other than quoted prices that are observable for the asset.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

- **Property taxes.** 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 located in the City in conformity with the Texas Property Code. Taxes are due upon 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 31 of each year, a tax lien attaches to property to secure payments of all taxes, penalties, and interest ultimately imposed.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Assets, liabilities, deferred outflows and inflows of resources, net position/fund balance and revenues (continued)

Property taxes (continued)

Tax collections are, at times, prorated between the general fund and debt service fund based on the tax rate approved by the City Council. For the year ended September 30, 2018, the general fund rate was \$0.308092. There was no levy for the debt service fund.

Allowances for uncollectible tax receivables are based on historical collections.

- Prepaid items. Capital assets. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and the fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$2,500 or more and an estimated useful life of three (3) years or more. Such assets are recorded at historical cost as purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the donation date.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Infrastructure assets acquired prior to October 1, 2003, are not reported in the financial statements.

Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

Table with 2 columns: Assets, Years. Rows: Building improvements (5-50), Improvements other than buildings (20-50), Vehicles (3-10), Furniture and equipment (3-10).

- Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# CITY OF WINDCREST, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018

- (1) Summary of significant accounting policies (continued)

Assets, liabilities, deferred outflows and inflows of resources, net position/fund balance and revenues (continued)

- **Other postemployment benefits.** During the fiscal year 2018, the City changed accounting policies related to the other postemployment benefit (OPEB) liabilities, deferred outflows of resources, and deferred inflows of resources in the statement of net position by adopting GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Accordingly, the effect of the accounting change is reported in the statement of net position and statement of activities for the current year. The OPEB liabilities have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the OPEB liabilities, deferred outflows of resources, and deferred inflows of resources related to the OPEB liabilities and OPEB expense.
- **Deferred outflows/inflows of resources.** In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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.

- **Compensated absences.** The City permits full-time employees to accumulate earned but unused vacation pay benefits up to certain limits. Upon resignation, the employee may receive pay for any unused accrued vacation provided the employee gives two weeks written notice of the resignation and is not subject to discharge for misconduct. Liabilities for compensated absences are recognized in the fund financial statement to the extent the liabilities have matured (i.e. are due for payment) and recognized as long term liability in the government-wide financial statements. The general fund generally liquidates the liability when it matures. Unused sick leave may be accumulated to certain limits; however, in the event of termination, reimbursement to the employee is not made for accumulated sick leave; therefore, a liability does not exist at September 30, 2018.
- **Long-term obligations.** In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statements of net position. Bonds premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources on premiums received on sources while discounts on debt issuances are reported as other financing uses.

# CITY OF WINDCREST, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018

### (1) Summary of significant accounting policies (continued)

#### Assets, liabilities, deferred outflows and inflows of resources, net position/fund balance and revenues (continued)

- **Net position flow assumptions.** Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

- **Fund balance classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by court resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.
- **Unassigned:** This classification includes the residual fund balance for the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.



# CITY OF WINDCREST, TEXAS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018

(1) Summary of significant accounting policies (continued)

Assets, liabilities, deferred outflows and inflows of resources, net position/fund balance and revenues (continued)

- **Fund balance classifications (continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned.

Amounts in the assigned fund balance classification are 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 authorized the Finance Director or City Manager 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, assignments generally only exist temporarily. In other words, an additional action does not normally need 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.

The City's policy is to maintain an unassigned fund balance in the general fund equal to 25% of the current year's operating expenditures. At September 30, 2018, the general fund's unassigned fund balance is \$1,817,428, which equals 27.48% of the current year's operating expenditures.

- **Program revenues.** Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.
- **Sales and use taxes.** The City's sales and use tax is currently levied at 2.00%. The sales and use tax is allocated as follows: 1.25% to the City's general fund; .25% to the City's capital projects fund; .25% to the District; and .25% to the Corporation.
- **Use of estimates.** The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes

Deposits and investments

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. Deposits are exposed to custodial credit risk if they are not insured or collateralized. As of September 30, 2018, the City’s cash on hand was \$1,600. The carrying amount of deposits were \$1,170,650 and the bank balances were \$1,397,109. The City’s deposits are not exposed to custodial credit risk since all deposits are fully collateralized less an amount insured by the FDIC.

The two component units’ combined cash carrying balance was \$1,218,522 with a bank balance of 1,107,895 which is fully collateralized less an amount insured by the FDIC. The amount in Lone Star Investment Pool was \$110,627 at September 30, 2018.

As of September 30, 2018, the cash and investments are comprised of the following:

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>	<u>PERCENT OF TOTAL INVESTMENTS</u>
<b>The City of Windcrest</b>			
Cash on hand	\$ 1,600		
Bank deposits	1,170,650		
Certificates of deposit	232,089	0.52	47.5%
TexPool (Local Government Investment Pool)	146,220	0.06	29.9%
	<u>\$ 1,550,559</u>		
Portfolio weighted average maturity		0.34	
<b>Discretely presented component unit</b>			
<b>Windcrest Economic Development Corporation</b>			
Bank deposits	\$ 546,991		
Lone star	110,627	0.08	22.6%
	<u>\$ 657,618</u>		
Portfolio weighted average maturity		0.28	
<b>Discretely presented component unit</b>			
<b>Windcrest Crime Control and Prevention</b>			
Bank deposits	<u>\$ 560,904</u>		
Total cash and investments	<u>\$ 2,769,081</u>		

*Interest rate risk:* In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its operating investment portfolio to no more than six months.

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Deposits and investments (continued)

*Credit risk:* Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Standard & Poors has designated Texpool with a credit rating of AAAM and Lone Star with a credit rating of AAA. The City's certificates of deposit are not exposed to custodial credit risk since all certificates of deposit are fully insured by FDIC.

*Concentration of credit risk:* Disclosure is required for investments in any one issuer that represent 5% or more of total investment. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The City's investments in external investment pools and certificates of deposit exceeding 5% are excluded from this requirement.

*Investment valuation:* The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The City's investments for all funds at fiscal year-end are listed below at fair value, net of accruals. The City has the following recurring fair value measurements as of September 30, 2018:

	September 30, 2018	
	The City of Windcrest	Discretely Presented Component Unit WEDC
Investments measured at amortized cost:		
Certificates of deposit	\$ 232,089	\$ -
External investment pools - TexPool	146,220	-
Total investments at amortized cost	378,309	-
Investments measured at net asset value:		
External investment pools - Lonestar	-	110,627
Total investments at net asset value	-	110,627
Total investments	\$ 378,309	\$ 110,627

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Deposits and investments (continued)

Accounts receivable

Accounts receivable at September 30, 2018 were as follows:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Garbage Utility Fund	Discretely Presented Component Units	Total
Receivables:						
Taxes	\$ 667,343	\$ 122,323	\$ 25,945	\$ -	\$ 244,646	\$ 1,060,257
Fines	620,198	-	-	-	-	620,198
Utilities	-	-	-	346,616	-	346,616
Franchise fees	95,660	-	-	-	-	95,660
Miscellaneous	4,857	-	-	-	-	4,857
Component units	<u>182,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,000</u>
Gross receivables	1,570,058	122,323	25,945	346,616	244,646	2,309,588
Less:						
Allowance for uncollectibles	<u>(472,299)</u>	<u>-</u>	<u>(306)</u>	<u>(177,202)</u>	<u>-</u>	<u>(649,807)</u>
Net total receivables	<u>\$ 1,097,759</u>	<u>\$ 122,323</u>	<u>\$ 25,639</u>	<u>\$ 169,414</u>	<u>\$ 244,646</u>	<u>\$ 1,659,781</u>

Due to/from other funds

At September 30, 2018, the due to/from other fund balances represent temporary short-term loans to other funds as a result of overdrafts of pooled cash. All balances are expected to be paid back within one year. The following is a summary of interfund receivables at year end:

	Due from Other Funds	Due to Other Funds
General fund		
Capital projects fund	\$ 338,000	\$ -
Nonmajor governmental funds	63,575	-
Garbage utility fund	284,672	-
Capital projects fund		
General fund	-	338,000
Nonmajor governmental funds		
General fund	-	63,575
Garbage utility fund		
General fund	<u>-</u>	<u>284,672</u>
	<u>\$ 686,247</u>	<u>\$ 686,247</u>

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Capital assets

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

	October 1, 2017	Additions	Deletions	September 30, 2018
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 347,050	\$ -	\$ -	\$ 347,050
Construction in progress	-	83,406	-	83,406
Total capital assets not being depreciated	347,050	83,406	-	430,456
Capital assets being depreciated:				
Buildings and improvements	2,437,470	-	-	2,437,470
Improvements other than buildings	13,808,160	507,750	-	14,315,910
Furniture and equipment	4,690,526	96,282	(295,989)	4,490,819
Total capital assets being depreciated	20,936,156	604,032	(295,989)	21,244,199
Less accumulated depreciation:				
Buildings and improvements	(1,728,245)	(49,210)	-	(1,777,455)
Improvements other than buildings	(4,033,422)	(854,175)	-	(4,887,597)
Furniture and equipment	(3,898,383)	(137,093)	295,989	(3,739,487)
Total accumulated depreciation	(9,660,050)	(1,040,478)	295,989	(10,404,539)
Total capital assets being depreciated, net	11,276,106	(436,446)	-	10,839,660
Governmental activities capital assets, net	\$ 11,623,156	\$ (353,040)	\$ -	\$ 11,270,116

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

General government	\$ 415,974
Public safety	441,860
Public works	158,443
Animal control	24,201
Total depreciation expense	\$ 1,040,478

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Capital assets (continued)

Discretely presented component units

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

	<u>October 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2018</u>
Discretely presented component units:				
Capital assets being depreciated:				
Buildings and improvements	\$ 3,350	\$ -	\$ -	\$ 3,350
Furniture and equipment	<u>818,656</u>	<u>280,946</u>	<u>(57,143)</u>	<u>1,042,459</u>
Total capital assets being depreciated	<u>822,006</u>	<u>280,946</u>	<u>(57,143)</u>	<u>1,045,809</u>
Less: accumulated depreciation:				
Buildings and improvements	(2,736)	(614)	-	(3,350)
Furniture and equipment	<u>(148,394)</u>	<u>(149,496)</u>	<u>57,143</u>	<u>(240,747)</u>
Total accumulated depreciation	<u>(151,130)</u>	<u>(150,110)</u>	<u>57,143</u>	<u>(244,097)</u>
Total capital assets being depreciated, net	<u>670,876</u>	<u>130,836</u>	<u>-</u>	<u>801,712</u>
Discretely presented component units capital assets, net	<u>\$ 670,876</u>	<u>\$ 130,836</u>	<u>\$ -</u>	<u>\$ 801,712</u>

Depreciation expense was charged to functions/programs of the discretely presented component units as follows:

Public safety	\$ 149,496
Economic development	<u>614</u>
Total depreciation expense	<u>\$ 150,110</u>

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Transfers

Transfers during the year ended September 30, 2018, were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:		
Nonmajor funds	\$ 146,827	\$ -
Capital projects fund	-	-
Capital projects fund:		
General Fund	-	-
Nonmajor funds:		
General fund	-	<u>146,827</u>
 Total	 <u>\$ 146,827</u>	 <u>\$ 146,827</u>

The primary purpose of this interfund transfer was to support expenditures of one fund in accordance with the authority established for the transferring fund.

Long-term liabilities

Capital leases payable

The City leases certain property and equipment that includes vehicles and infrastructure assets. The City entered into a capital lease during the current fiscal year to purchase a street sweeper. The City will make five annual payments of \$48,169 for a total of \$240,844 which represents the present cost of the street sweeper (\$222,949) plus a 2.63% annual interest rate on the outstanding balance (\$17,895). The City also entered into another capital lease for light fixtures and poles. The City will make 60 monthly payments of \$7,587 for a total of \$455,216 which represents the cost of the lights fixtures and poles (\$398,698) plus an implied annual interest rate of 5.00% (\$56,518). The effective interest rate on capital leases range from 2.63% - 5.00%.

Annual debt service requirements to maturity for the capital leases is as follows:

Year Ending September 30,	Principal	Interest	Total Requirements
2019	\$ 125,650	\$ 13,562	\$ 139,212
2020	131,000	8,212	139,212
2021	90,597	3,094	93,691
2022	<u>46,934</u>	<u>1,234</u>	<u>48,168</u>
Total	<u>\$ 394,181</u>	<u>\$ 26,102</u>	<u>\$ 420,283</u>

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Changes in long-term debt

	Balance October 1, 2017	Issued / Additions	Retired / Payments	Balance September 30, 2018	Due Within One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 142,551	\$ 22,462	\$ (35,638)	\$ 129,375	\$ 32,344
Capital lease - street sweeper	222,949	-	(42,305)	180,644	43,418
Capital lease - light and fixtures	291,766	-	(78,229)	213,537	82,232
Net pension liability	645,647	-	(633,363)	12,284	-
OPEB liability	<u>147,710</u>	<u>27,152</u>	<u>-</u>	<u>174,862</u>	<u>-</u>
Total	<u>\$ 1,450,623</u>	<u>\$ 49,614</u>	<u>\$ (789,535)</u>	<u>\$ 710,702</u>	<u>\$ 157,994</u>
<b>Discretely presented component units:</b>					
Compensated absences	\$ 9,263	\$ 611	\$ (2,316)	\$ 7,558	\$ 1,890
Net pension liability	42,380	-	(41,324)	1,056	-
OPEB liability	<u>12,960</u>	<u>2,382</u>	<u>-</u>	<u>15,342</u>	<u>-</u>
Total	<u>\$ 64,603</u>	<u>\$ 2,993</u>	<u>\$ (43,640)</u>	<u>\$ 23,956</u>	<u>\$ 1,890</u>

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**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Defined benefit pension plan

Plan description

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

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

Benefits provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total employee's deposits and interest.

Plan provisions for the City are as follows:

Employee deposit rate	6%
Matching ratio (City to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60 / 5, 0 / 20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

Employees covered by benefit terms

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

Inactive employees or beneficiaries receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	58
Active employees	<u>66</u>
Total	<u>169</u>

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the employer's 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 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 7.25% and 7.77% in calendar years 2018 and 2017, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2018 and 2017, were \$244,326 and \$261,364, respectively, and were equal to the required contributions.

Net pension liability

The City's net pension liability (NPL) was measured as of December 31, 2017, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment and administrative expenses, including inflation

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

**CITY OF WINDCREST, TEXAS**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	<u>5.00%</u>	7.75%
Total	<u>100.00%</u>	

Discount rate

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

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 8,762,284	\$ 8,074,257	\$ 688,027
Changes for the year:			-
Service cost	427,165	-	427,165
Interest	591,432	-	591,432
Change of benefit terms	-	-	-
Difference between expected and actual experience	(122,172)	-	(122,172)
Change of assumptions	-	-	-
Contributions - employer	-	258,551	(258,551)
Contributions - employee	-	199,610	(199,610)
Net investment income	-	1,119,294	(1,119,294)
Benefit payments, including refunds of employee contributions	(427,824)	(427,824)	-
Administrative expenses	-	(5,799)	5,799
Other changes	-	(294)	294
Net changes	<u>468,601</u>	<u>1,143,537</u>	<u>(674,936)</u>
Balance at 12/31/2017	<u>\$ 9,230,885</u>	<u>\$ 9,217,794</u>	<u>\$ 13,091</u>

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75% as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 1,405,586	\$ 13,091	\$ (1,113,704)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tmrs.com](http://www.tmrs.com).

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

For the year ended September 30, 2018, the City recognized pension expense of \$230,448.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 8,468	\$ 94,224
Changes in actuarial assumptions	5,581	-
Difference between projected and actual investment earnings	220,582	459,822
Contributions made subsequent to the measurement date	<u>188,623</u>	<u>-</u>
Total	<u>\$ 423,254</u>	<u>\$ 554,046</u>

\$188,623 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Net Deferred Outflows (Inflows) of Resources</u>	
2019	\$ (33,000)
2020	(52,249)
2021	(119,309)
2022	(114,857)
2023	-
Thereafter	<u>-</u>
Total	<u>\$ (319,415)</u>

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan

Plan description

The City participates in the defined benefit group-term life insurance plan administered by TMRS known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which the City may elect, by ordinance, to provide group-term life insurance for active members, including retirees.

Benefits provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary calculated based on the employee's actual earnings, for the 12-month period preceding the month of death. The maximum life insurance benefit is \$150,000. Retired employees are insured for \$7,500. 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).

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 contribution rate for the City was .20% and .22% respectively for calendar years 2017 and 2018. The City's contribution to TMRS for the year ended September 30, 2018 was \$7,132, and was equal to the required contributions.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>66</u>
	<u>106</u>

OPEB liability

The City's total OPEB liability of \$190,204 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

Actuarial assumptions:

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate *	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and females rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and females rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

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

Changes in the total OPEB liability:

Balance at December 31, 2016	\$ 160,670
Changes for the year:	
Service cost	8,317
Interest on the total OPEB liability	6,205
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	16,343
Benefit payments	<u>(1,331)</u>
Net changes	<u>29,534</u>
Balance at December 31, 2017	<u><u>\$ 190,204</u></u>

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	1% Decrease in Discount Rate (2.31%)	Current Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
City's OPEB liability	\$ 232,648	\$ 190,204	\$ 157,768

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB:

For the year ended September 30, 2018, the City recognized OPEB expense of \$17,671.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ -	\$ -
Changes in actuarial assumptions	13,194	-
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	5,259	-
Total	\$ 18,453	\$ -

Amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan Year December 31,	Amortization Expense
2019	\$ 3,149
2020	3,149
2021	3,149
2022	3,149
2023	598
Thereafter	-
Total	\$ 13,194



**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Risk management

The City is exposed to various risks of loss related to torts; theft of and damage to property, and destruction of assets; public officials' errors and omissions; bodily injury and property damage; injury to employees and natural disasters. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-government group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML and liability to the City is generally limited to the contributed amounts. There were no significant reductions in coverage in the past fiscal year and settlements did not exceed insurance coverage for each of the past three fiscal years.

Commitments and contingencies

Commitments

In 2007, the City of Windcrest entered into an agreement with the City of San Antonio, Texas, under which the City of San Antonio released an area from its jurisdiction and allowed for the City of Windcrest to accept and annex the area into the municipal limits of the City of Windcrest. The boundary change agreement provides for the sharing of future tax revenues on the annexed area for the next 30 years. Under the terms of the agreement, the City of San Antonio and the City of Windcrest each receive 50% of the local sales taxes due to the City of Windcrest and distributed by the State Comptroller for taxable business activity conducted in the annexed area. For the fiscal year ended September 30, 2018, the total amount of the local sales taxes owed to the City of San Antonio under this agreement amounted to \$1,355,644. At September 30, 2018, the City of Windcrest owed the City of San Antonio \$338,478.

Net position deficit and management plans

The Garbage Utility Fund had a deficit net position as of September 30, 2018. The Garbage Utility net position deficit increased from (\$279,929) in 2017 to (\$285,376) in 2018 due primarily to uncollectible receivables that had to be expensed as bad debt expense in the current fiscal year. The City plans to be increase their efforts to collect on delinquent fees, re-evaluate their billing techniques, and consider moving the residential portion of expenses and revenues into the General Fund.

Restatement of fund balance/net position

During fiscal year 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". With the adoption of this standard, the City recognized a restatement of beginning net position in the amount of \$143,223 in the governmental activities and \$12,665 in the component units of the City.

**CITY OF WINDCREST, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018**

(2) Detailed notes (continued)

Tax incentives

The City enters into economic development agreements designed to improve the local economy, create jobs, and promote development within the City. The City's economic development agreements are authorized under Chapter 380 of the Texas Local Government Code and Chapter 311 (Tax Increment Financing Act) and 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code. Businesses may be eligible based on their positive employment, economic, or community impact. Businesses that receive tax incentives typically commit to building or expanding operations, revitalizing existing facilities, and/or improving the local infrastructure. Agreements usually contain recapture provisions which may require repayment or termination of incentives if the business does not meet the requirements of the economic incentive.

The City has an agreement with a business that incentivizes that business to maintain a set level of employment in order for that business's real and personal property to receive a 100% property tax abatement. Under the agreement if the business does not meet or only partially meets the employment requirements than the business will be required to make a payment to the City of Windcrest for property taxes abated in a proportionate amount to the percentage that the employment requirements were not met. In addition, if the business ceases use of the leased property for a continuous period of three months or more than the City of Windcrest has the right to terminate the agreement and the business will have to make a payment to the City of Windcrest for the amount of property taxes that would have been collected if the property was not exempt from property taxes for the year that the agreement is terminated as well as the amount that would have been paid in the previous years during the exemption period. The amount of property taxes that the City would have received is unknown due to the fact that Bexar Appraisal District has not assessed the value of the leased property. The agreement states that in the event that a payment needed to be made then the business would seek a qualified real estate appraiser to appraise the value of the leased property, then the City would have to agree with the appraisal prior to the payment being made.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF WINDCREST, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

**For the year ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,429,535	\$ 5,429,535	\$ 5,403,705	\$ (25,830)
Licenses and permits	243,363	243,363	236,224	(7,139)
Intergovernmental	60,000	60,000	-	(60,000)
Charges for services	117,598	117,598	102,440	(15,158)
Fines	578,346	578,346	461,816	(116,530)
Investment earnings	675	675	20,859	20,184
Miscellaneous	52,500	52,500	101,729	49,229
Total revenues	<u>6,482,017</u>	<u>6,482,017</u>	<u>6,326,773</u>	<u>(155,244)</u>
<b>Expenditures</b>				
Current:				
General government	2,761,217	2,761,217	2,606,444	154,773
Public safety	2,673,878	2,673,878	2,739,392	(65,514)
Public works	1,075,269	1,075,269	977,727	97,542
Animal control	171,309	171,309	151,640	19,669
Debt service:				
Principal	133,348	133,348	120,534	12,814
Interest	5,863	5,863	18,678	(12,815)
Capital outlay	344,082	344,082	231,574	112,508
Total expenditures	<u>7,164,966</u>	<u>7,164,966</u>	<u>6,845,989</u>	<u>318,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(682,949)</u>	<u>(682,949)</u>	<u>(519,216)</u>	<u>163,733</u>
Other financing sources (uses)				
Other sources - sale of fixed assets	-	-	10,000	10,000
Transfers in	185,000	185,000	146,827	(38,173)
Total other financing sources (uses)	<u>185,000</u>	<u>185,000</u>	<u>156,827</u>	<u>(28,173)</u>
Net change in fund balance	(497,949)	(497,949)	(362,389)	135,560
Fund balance, beginning	<u>2,191,598</u>	<u>2,191,598</u>	<u>2,191,598</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,693,649</u>	<u>\$ 1,693,649</u>	<u>\$ 1,829,209</u>	<u>\$ 135,560</u>

**CITY OF WINDCREST, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND  
TMRS RELATED RATIOS**

**For the measurement period ended December 31,**

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 427,165	\$ 370,018	\$ 328,283	\$ 275,134
Interest (on the total pension liability)	591,432	549,932	533,422	494,716
Difference between expected and actual experience	(122,172)	24,294	(142,145)	(2,409)
Change of assumptions	-	-	69,964	-
Benefit payments, including refunds of employee contributions	(427,824)	(288,176)	(278,972)	(203,164)
Net change in total pension liability	468,601	656,068	510,552	564,277
Total pension liability - beginning	8,762,284	8,106,216	7,595,664	7,031,387
Total pension liability - ending (a)	\$ 9,230,885	\$ 8,762,284	\$ 8,106,216	\$ 7,595,664
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 258,551	\$ 209,018	\$ 190,467	\$ 164,263
Contributions - employee	199,610	173,040	161,451	155,633
Net investment income	1,119,294	505,614	10,925	394,581
Benefit payments, including refunds of employee contributions	(427,824)	(288,176)	(278,972)	(203,164)
Administrative expense	(5,799)	(5,710)	(6,654)	(4,119)
Other	(295)	(308)	(329)	(339)
Net change in plan fiduciary net position	1,143,537	593,478	76,888	506,855
Plan fiduciary net position - beginning	8,074,257	7,480,779	7,403,891	6,897,036
Plan fiduciary net position - ending (b)	\$ 9,217,794	\$ 8,074,257	\$ 7,480,779	\$ 7,403,891
Net pension liability (a) - (b)	\$ 13,091	\$ 688,027	\$ 625,437	\$ 191,773
Plan fiduciary net position as a percentage of total pension liability	99.86%	92.15%	92.28%	97.48%
Covered payroll	\$ 3,326,828	\$ 2,884,008	\$ 2,690,844	\$ 2,593,878
Net pension liability as a percentage of total covered payroll	0.39%	23.86%	23.24%	7.39%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the fourth year of implementation of GASB 68. The City will develop the schedule prospectively.

**CITY OF WINDCREST, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS – PENSION  
AND NOTES TO SCHEDULE OF CONTRIBUTIONS**

**For the year ended September 30, 2018**

<b>Schedule of Contributions</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 261,364	\$ 244,326	\$ 202,494	\$ 183,726
Contributions in relation to the actuarially determined contribution	<u>261,364</u>	<u>244,326</u>	<u>202,494</u>	<u>183,726</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 3,326,842</u>	<u>\$ 3,198,543</u>	<u>\$ 2,809,689</u>	<u>\$ 2,667,358</u>
Contributions as a percentage of covered payroll	7.86%	7.64%	7.21%	9.28%

**Valuation Date:**

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

**Methods and Assumption Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
<b>Remaining Amortization Period</b>	28 Years
<b>Asset Valuation Method</b>	10 Year smoothed market, 15% soft corridor
<b>Actuarial Assumption:</b>	
Inflation	2.50%
Salary Increases	3.5% 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.

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the fourth year of implementation of GASB 68. The City will develop the schedule prospectively.

**CITY OF WINDCREST, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE OTHER POSTEMPLOYMENT BENEFIT  
(OPEB) LIABILITY AND RELATED RATIOS**

**For the measurement period ended December 31, 2017**

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 8,317
Interest on the total OPEB liability	6,205
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions	16,343
Benefit payments	<u>(1,331)</u>
 Net change in total OPEB liability	 29,534
 Total OPEB liability - beginning	 <u>160,670</u>
 Total OPEB liability - ending	 <u>\$ 190,204</u>
 Total OPEB liability as a percentage of covered payroll	 5.72%

\*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 75. The City will develop the schedule prospectively.



**CITY OF WINDCREST, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS – OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
AND NOTES TO SCHEDULE OF CONTRIBUTIONS**

**For the year ended September 30, 2018**

	2018
Actuarially determined contributions	\$ 7,132
Contributions in relation to the actuarially determined contributions	7,132
Contribution deficiency (excess)	\$ -
Covered payroll	\$ 3,326,842
Contributions as a percentage of covered payroll	0.21%

**Note to Schedule of Contributions - OPEB**

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate *	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and females rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with males rates multiplied by 109% and females rates multiplied by 103% with a 3 year set-forward for both male and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

**Other Information:**

There were no benefit changes during the year

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the first year of implementation of GASB 75. The City will develop the schedule prospectively.

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**OTHER SUPPLEMENTARY INFORMATION**

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## CITY OF WINDCREST, TEXAS

### SPECIAL REVENUE FUNDS DESCRIPTIONS

Special revenue funds are used to account for specific revenues where expenditures are legally restricted for particular purposes. Funds included in the special revenue funds category that are non-major are described below.

**School Crossing Guard Fund** – used to account for revenues restricted by the State to provide for school crossing guards and maintenance of school zones.

**Assets Seizure and Forfeitures (Federal) Fund** – used to account for revenues provided by police seizures restricted by the Federal government to provide crime prevention and detection.

**Assets Seizure and Forfeitures (State) Fund** – used to account for revenues provided by police seizures restricted by the State government to provide crime prevention and detection.

**County Fire Contributions Fund** – used to account for funds provided by Bexar County to offset expenditures incurred in providing fire protection outside the City limits.

**Police Donations Fund** – used to account for donations provided for police protection within the City.

**Police Education and Training Fund** – used to account for L.E.O.S.E. funds received from the State to be used for police education and training.

**Roosevelt Scholarship Fund** – used to account for donations from the Windcrest Family Fund Day to provide for a scholarship to be awarded to a graduating Roosevelt High School senior.

**Court Technology Fund** – used to account for fees assessed for the purpose of improving technology.

**Building Security Fund** – used to account for fees assessed for providing security to City facilities.

**Hotel-Motel Tax Fund** – used to account for hotel occupancy taxes. These taxes may be used only to promote tourism and the convention and hotel industry.

**Friends to Animal Control Fund** – used to account for the trap and release program within the City for feral cats. Donations are accepted and the City matches the donations 1 to 1 up to \$2,000.

**PEG Fund** – used to account for public, educational and governmental (PEG) franchise fees that can only be used for equipment expenses of operating a PEG television channel.

**Debt Service Fund** – used for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term obligations of governmental funds.

**CITY OF WINDCREST, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2018**

	SPECIAL REVENUE						
	School Crossing Guard	Asset Seizure and Forfeitures (Federal)	Asset Seizure and Forfeitures (State)	County Fire Contributions	Police Donations	Police Education and Training	Roosevelt Scholarships
<b>Assets</b>							
Cash and cash equivalents	\$ 48,012	\$ 488	\$ 2,892	\$ 34,873	\$ 3,021	\$ 3,490	\$ 4
Investments	-	-	-	3,946	-	-	-
Taxes receivable (net of allowance for uncollectibles):	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-
<b>Total assets</b>	<b><u>\$ 48,012</u></b>	<b><u>\$ 488</u></b>	<b><u>\$ 2,892</u></b>	<b><u>\$ 38,819</u></b>	<b><u>\$ 3,021</u></b>	<b><u>\$ 3,490</u></b>	<b><u>\$ 4</u></b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	22,000	1,200	1,150	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>22,000</u></b>	<b><u>1,200</u></b>	<b><u>1,150</u></b>	<b><u>-</u></b>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue - property taxes	-	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Fund Balances</b>							
Restricted	48,012	488	2,892	16,819	1,821	2,340	4
<b>Total fund balances</b>	<b><u>48,012</u></b>	<b><u>488</u></b>	<b><u>2,892</u></b>	<b><u>16,819</u></b>	<b><u>1,821</u></b>	<b><u>2,340</u></b>	<b><u>4</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 48,012</u></b>	<b><u>\$ 488</u></b>	<b><u>\$ 2,892</u></b>	<b><u>\$ 38,819</u></b>	<b><u>\$ 3,021</u></b>	<b><u>\$ 3,490</u></b>	<b><u>\$ 4</u></b>

**CITY OF WINDCREST, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**

**September 30, 2018**

	SPECIAL REVENUE						Total Nonmajor Governmental Funds
	Court Technology	Building Security	Hotel/Motel Tax	Friends to Animal Control	PEG Fees	Debt Service Fund	
<b>Assets</b>							
Cash and cash equivalents	\$ 21,669	\$ 43,771	\$ 143,669	\$ -	\$ 12,926	\$ 439	\$ 315,254
Investments	-	-	-	-	-	-	3,946
Taxes receivable (net of allowance for uncollectibles):	-	-	23,908	-	-	1,731	25,639
Other receivables	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 21,669</u>	<u>\$ 43,771</u>	<u>\$ 167,577</u>	<u>\$ -</u>	<u>\$ 12,926</u>	<u>\$ 2,170</u>	<u>\$ 344,839</u>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	39,225	-	-	-	63,575
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>39,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,575</u>
<b>Deferred Inflows of Resources</b>							
Unavailable revenue - property taxes	-	-	-	-	-	1,730	1,730
<b>Total deferred inflows of resources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,730</u>	<u>1,730</u>
<b>Fund Balances</b>							
Restricted	21,669	43,771	128,352	-	12,926	440	279,534
<b>Total fund balances</b>	<u>21,669</u>	<u>43,771</u>	<u>128,352</u>	<u>-</u>	<u>12,926</u>	<u>440</u>	<u>279,534</u>
<b>Total liabilities and fund balances</b>	<u>\$ 21,669</u>	<u>\$ 43,771</u>	<u>\$ 167,577</u>	<u>\$ -</u>	<u>\$ 12,926</u>	<u>\$ 2,170</u>	<u>\$ 344,839</u>

**CITY OF WINDCREST, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

**For the year ended September 30, 2018**

	SPECIAL REVENUE						
	School Crossing Guard	Asset Seizure and Forfeitures (Federal)	Asset Seizure and Forfeitures (State)	County Fire Contributions	Police Donations	Police Education and Training	Roosevelt Scholarships
<b>REVENUES</b>							
Taxes:							
Hotel-Motel Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise	-	-	-	-	-	-	-
Intergovernmental	6,238	-	-	-	-	-	-
Fines and fees	-	-	-	-	-	-	-
Donations	-	-	-	18,450	2,223	2,542	-
Investment earnings	<u>790</u>	<u>4</u>	<u>4</u>	<u>-</u>	<u>36</u>	<u>33</u>	<u>30</u>
Total revenues	<u>7,028</u>	<u>4</u>	<u>4</u>	<u>18,450</u>	<u>2,259</u>	<u>2,575</u>	<u>30</u>
<b>EXPENDITURES</b>							
Current:							
Public safety	5,648	20	2,923	2,550	6,024	2,606	4,132
Animal Control	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>5,648</u>	<u>20</u>	<u>2,923</u>	<u>2,550</u>	<u>6,024</u>	<u>2,606</u>	<u>4,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,380</u>	<u>(16)</u>	<u>(2,919)</u>	<u>15,900</u>	<u>(3,765)</u>	<u>(31)</u>	<u>(4,102)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,380	(16)	(2,919)	15,900	(3,765)	(31)	(4,102)
Fund balance - beginning	<u>46,632</u>	<u>504</u>	<u>5,811</u>	<u>919</u>	<u>5,586</u>	<u>2,371</u>	<u>4,106</u>
Fund balances - ending	<u>\$ 48,012</u>	<u>\$ 488</u>	<u>\$ 2,892</u>	<u>\$ 16,819</u>	<u>\$ 1,821</u>	<u>\$ 2,340</u>	<u>\$ 4</u>



**CITY OF WINDCREST, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

**For the year ended September 30, 2018**

	SPECIAL REVENUE						Total Nonmajor Governmental Funds
	Court Technology	Building Security	Hotel/Motel Tax	Friends to Animal Control	PEG Fees	Debt Service Fund	
<b>REVENUES</b>							
Taxes:							
Hotel-Motel Taxes	\$ -	\$ -	260,194	\$ -	\$ -	\$ -	\$ 260,194
Franchise	-	-	-	-	12,926	-	12,926
Intergovernmental	-	-	-	-	-	-	6,238
Fines and fees	11,864	8,897	-	-	-	-	20,761
Donations	-	-	-	-	-	-	23,215
Investment earnings	<u>452</u>	<u>8</u>	<u>1,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,051</u>
Total revenues	<u>12,316</u>	<u>8,905</u>	<u>261,888</u>	<u>-</u>	<u>12,926</u>	<u>-</u>	<u>326,385</u>
<b>EXPENDITURES</b>							
Current:							
Public safety	-	5,347	-	-	-	-	29,250
Animal Control	-	-	-	-	-	-	-
Capital outlay	64,000	-	-	-	-	-	64,000
Total expenditures	<u>64,000</u>	<u>5,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,250</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(51,684)</u>	<u>3,558</u>	<u>261,888</u>	<u>-</u>	<u>12,926</u>	<u>-</u>	<u>233,135</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers out	<u>-</u>	<u>-</u>	<u>(146,777)</u>	<u>(50)</u>	<u>-</u>	<u>-</u>	<u>(146,827)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(146,777)</u>	<u>(50)</u>	<u>-</u>	<u>-</u>	<u>(146,827)</u>
Net change in fund balances	(51,684)	3,558	115,111	(50)	12,926	-	86,308
Fund balance - beginning	<u>73,353</u>	<u>40,213</u>	<u>13,241</u>	<u>50</u>	<u>-</u>	<u>440</u>	<u>193,226</u>
Fund balances - ending	<u>\$ 21,669</u>	<u>\$ 43,771</u>	<u>\$ 128,352</u>	<u>\$ -</u>	<u>\$ 12,926</u>	<u>\$ 440</u>	<u>\$ 279,534</u>

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## **COMPLIANCE SECTION**

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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 Honorable Mayor and  
Members of the City Council  
City of Windcrest, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the two discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 6, 2019.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance and Other Matters*

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

*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

San Antonio, Texas  
May 6, 2019

**CITY OF WINDCREST, TEXAS**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the year ended September 30, 2018**

Financial Statement Findings

None

**CITY OF WINDCREST, TEXAS**

**SCHEDULE OF PRIOR FINDINGS AND RESPONSES**

**For the year ended September 30, 2018**

Financial Statement Findings

**2017-01 Texas Municipal Retirement System**

- Condition: The City did not make required contributions to the Texas Municipal Retirement System (TMRS) for a special payroll run that the City ran as a 2017 cost of living adjustment (COLA) payment to the City's employees.
- Criteria: Per TMRS guidance, the City should contribute the applicable retirement percentage on all of the City's TMRS-eligible employees' gross compensation. TMRS used the *Kendall Opinion No. 188* to define compensation as, "almost any payment made by a city to an employee is 'compensation' unless it is a direct expense reimbursement rather than an allowance for expenses".
- Cause of Condition: The City did not contribute to TMRS on behalf of the employees for compensation related to cost of living adjustments.
- Recommendation: The City should contribute the required amount to TMRS for COLA payments made in calendar years 2014, 2015, and 2016. In future fiscal years the City should make the required contributions on all gross compensation paid to employees and ensure that there are safeguards are in place to ensure that all required contributions are made.
- Status: No similar finding was identified during the current year.



**CITY OF WINDCREST, TEXAS**

**SCHEDULE OF PRIOR FINDINGS AND RESPONSES**

**For the year ended September 30, 2018**

**2017-02**

**Fund Balance Restrictions**

Condition: The City has not properly restricted fund balance for public, educational and governmental (PEG) franchise fees received that must be spent on specific purposes.

Criteria: PEG funds can only be spent on equipment expenses of operating a public, educational and governmental (PEG) television channel. If the government receiving PEG funds does not have a PEG channel then the funds must be held onto and restricted in fund balance until the government has a PEG channel.

Cause of Condition: The City records PEG revenue in the General Fund and does not monitor, track, and/or restrict the PEG funds that it receives.

Recommendation: The City should track and restrict all PEG fees that it receives as well as go back a reasonable amount of time to accumulate PEG revenues received in previous years that should be restricted. This can be done as a fund balance restriction in the general fund or a new special revenue fund. The City must reserve and track the PEG fees until the City has a PEG channel that the restricted funds can be spent on. Alternatively, if the City never plans to have a PEG channel it may be beneficial to opt out of receiving the PEG fees.

Status: No similar finding was identified during the current year.