

CITY OF WINDCREST, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2020

PREPARED BY:
THE FINANCE DEPARTMENT



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



WINDCREST
TEXAS

CITY OF WINDCREST, TEXAS

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INTRODUCTORY SECTION



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CITY OF WINDCREST, TEXAS
LIST OF PRINCIPAL OFFICIALS
September 30, 2020

Mayor

Dan Reese

City Council Members

Wes Manning
Cindy Strzelecki
Greg Turner
Frank Archuleta
Joan Pedrotti

City Manager

Rafael Castillo

Attorney

Ryan Henry



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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit (Windcrest Crime and Control Prevention District), 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, 2020, 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.

Auditors' 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 auditors' 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.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Windcrest Crime and Control Prevention District	Unmodified
Windcrest Economic Development Corporation	Disclaimer
General Fund	Unmodified
Capital Projects Fund Series 2019 A - Streets	Unmodified
Capital Projects Fund Series 2019 A - Fire	Unmodified
Garbage Utility	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit - (Windcrest Economic Development Corporation)

The financial statements of the Windcrest Economic Development Corporation have not been audited, and we were not engaged to audit the Windcrest Economic Development Corporation financial statements as part of our audit of the City's basic financial statements. The Windcrest Economic Development Corporation's financial activities are included in the City's basis financial statements as a discretely presented component unit.

Disclaimer of Opinion

Because we were not engaged to audit the Windcrest Economic Development Corporation and the audit was not available for inclusion in the financial statements we do not express an opinion on the financial statements of the Windcrest Economic Development Corporation.

Unmodified 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 (Windcrest Crime and Control Prevention District), each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2021 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
April 19, 2021



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CITY OF WINDCREST, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the year ended September 30, 2020

This section of the City of Windcrest's 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, 2020. The MD&A should be read in conjunction with the accompanying financial statements, which follow this section.

Financial Highlights

City of Windcrest

- The City's total combined net position was \$13,744,680 at September 30, 2020.
- During the year, the City's change in net position was an increase of \$837,172 for governmental activities and an increase of \$105,810 for business-type activities.
- The City's general fund reported a year end fund balance of \$1,970,788, an increase of \$141,579 from the previous year. The unassigned fund balance of \$2,285,068 represents 30.29% of general fund operating expenditures, including capital outlay, for the year. The unassigned fund balance represents 31.57% of general fund operating expenditures when capital outlay expenses are not included with total expenditures.
- Total revenues for the City increased 9.17% from the previous year and total expenses increased 3.58%.

Crime Control and Prevention District (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 \$925,773 during the year.
- This is the 15th year of operations for the District.
- The Windcrest CCPD reported total revenues of \$928,574 and expenses of \$942,800 during the year.
- The Windcrest CCPD reported net position of \$1,308,392 at September 30, 2020.

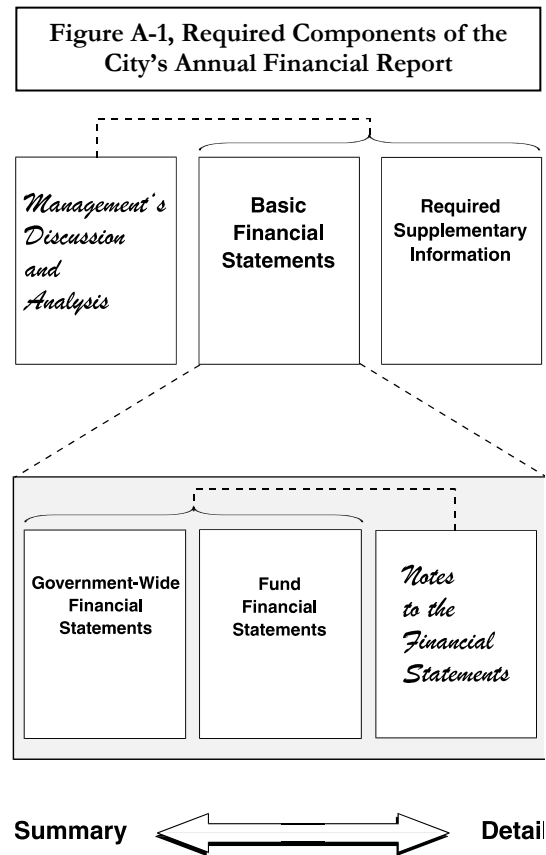
Garbage Fund

- The City's garbage utility fund experienced an operating gain this year as total net position increased \$105,810, leaving a deficit net position of \$105,528 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-term* and *long-term* financial information about the activities the government operates *like businesses*, such as garbage collection.



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.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements			
Fund Statements			
<i>Type of Statements</i>	Government-wide	Governmental Funds	Proprietary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: Garbage
<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 statements 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		BUSINESS-TYPE		TOTAL	
	ACTIVITIES		ACTIVITIES			
	2020	2019	2020	2019	2020	2019
Current assets:						
Cash and cash equivalents	\$ 9,354,703	\$ 10,774,313	\$ 432	\$ 61,146	\$ 9,355,135	\$ 10,835,459
Investments	25,000	233,688	-	432	25,000	234,120
Receivables, net	1,776,080	1,568,402	236,532	136,715	2,012,612	1,705,117
Due from component unit	-	145,000	-	-	-	145,000
Prepaid expense	1,435,296	586,166	-	-	1,435,296	586,166
Internal balances	162,293	284,672	(162,293)	(284,672)	-	-
Net pension asset	46,114	-	-	-	46,114	-
Total current assets	<u>12,799,486</u>	<u>13,592,241</u>	<u>74,671</u>	<u>(86,379)</u>	<u>12,874,157</u>	<u>13,505,862</u>
Non-current assets:						
Land	347,050	347,050	-	-	347,050	347,050
Construction in progress	562,267	245,016	-	-	562,267	245,016
Buildings and improvements	2,437,470	2,437,470	-	-	2,437,470	2,437,470
Improvements other than buildings	16,586,669	14,497,940	-	-	16,586,669	14,497,940
Furniture and equipment	5,285,086	4,783,832	-	-	5,285,086	4,783,832
Less: accumulated depreciation	(12,356,016)	(11,526,597)	-	-	(12,356,016)	(11,526,597)
Total non-current assets	<u>12,862,526</u>	<u>10,784,711</u>	<u>-</u>	<u>-</u>	<u>12,862,526</u>	<u>10,784,711</u>
Total assets	<u>25,662,012</u>	<u>24,376,952</u>	<u>74,671</u>	<u>(86,379)</u>	<u>25,736,683</u>	<u>24,290,573</u>
Deferred outflows of resources	<u>222,431</u>	<u>616,199</u>	<u>-</u>	<u>-</u>	<u>222,431</u>	<u>616,199</u>
Current liabilities:						
Accounts payable and other current liabilities	<u>1,870,406</u>	<u>1,024,612</u>	<u>180,199</u>	<u>124,959</u>	<u>2,050,605</u>	<u>1,149,571</u>
Total current liabilities	<u>1,870,406</u>	<u>1,024,612</u>	<u>180,199</u>	<u>124,959</u>	<u>2,050,605</u>	<u>1,149,571</u>
Non-current liabilities:						
Due within one year	496,151	446,208	-	-	496,151	446,208
Due in more than one year	<u>9,261,277</u>	<u>10,452,405</u>	<u>-</u>	<u>-</u>	<u>9,261,277</u>	<u>10,452,405</u>
Total non-current liabilities	<u>9,757,428</u>	<u>10,898,613</u>	<u>-</u>	<u>-</u>	<u>9,757,428</u>	<u>10,898,613</u>
Total liabilities	<u>11,627,834</u>	<u>11,923,225</u>	<u>180,199</u>	<u>124,959</u>	<u>11,808,033</u>	<u>12,048,184</u>
Deferred inflows of resources	<u>406,401</u>	<u>56,890</u>	<u>-</u>	<u>-</u>	<u>406,401</u>	<u>56,890</u>
Net position:						
Net investment in capital assets	10,415,790	10,059,768	-	-	10,415,790	10,059,768
Restricted	1,306,165	1,202,010	-	-	1,306,165	1,202,010
Unrestricted	<u>2,128,253</u>	<u>1,751,258</u>	<u>(105,528)</u>	<u>(211,338)</u>	<u>2,022,725</u>	<u>1,539,920</u>
Total net position	<u>\$ 13,850,208</u>	<u>\$ 13,013,036</u>	<u>\$ (105,528)</u>	<u>\$ (211,338)</u>	<u>\$ 13,744,680</u>	<u>\$ 12,801,698</u>

By far, the largest portion of the City's net position, \$10,415,790 (76%) 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 (9.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,022,725 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

During the year ended September 30, 2020, the City's total net position increased by \$942,982. Total revenues were \$10,612,140 and expenses were \$9,956,377. A significant portion, 72.0% of the City's revenues came from taxes, 26.7% came from grants and charges for services, while the remaining amount came from investment earnings, gain from fixed asset disposal, 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, 2020, compared to 2019.

TABLE 2
CITY OF WINDCREST'S CHANGES IN NET POSITION

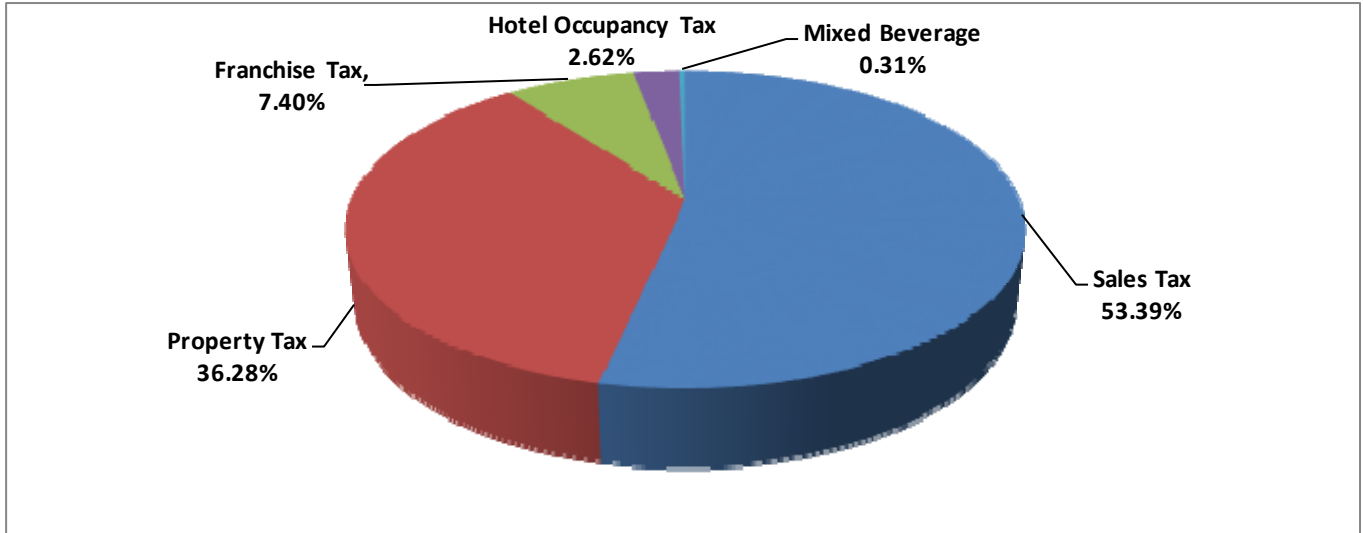
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2020	2019	2020	2019	2020	2019
REVENUES:						
Program revenues:						
Charges for services	\$ 1,079,300	\$ 1,176,112	\$ 1,381,333	\$ 1,243,179	\$ 2,460,633	\$ 2,419,291
Operating grants and contributions	159,727	36,198	-	-	159,727	36,198
Capital grants and contributions	287,219	-	-	-	287,219	-
General revenues:						
Property taxes	2,846,825	2,198,880	-	-	2,846,825	2,198,880
Other taxes	4,999,088	4,898,232	-	-	4,999,088	4,898,232
Investment earnings	67,352	84,623	158	463	67,510	85,086
Gain (loss) on fixed asset disposal	50,000	-	-	-	50,000	-
Other	28,357	83,064	-	-	28,357	83,064
Transfers	125,000	125,000	(125,000)	(125,000)	-	-
Total revenues	<u>9,642,868</u>	<u>8,602,109</u>	<u>1,256,491</u>	<u>1,118,642</u>	<u>10,899,359</u>	<u>9,720,751</u>
EXPENSES:						
General government	3,459,623	3,343,446	-	-	3,459,623	3,343,446
Public safety	3,496,269	3,016,525	-	-	3,496,269	3,016,525
Public works	1,678,987	1,991,490	-	-	1,678,987	1,991,490
Animal control	170,817	166,937	-	-	170,817	166,937
Garbage	-	-	1,150,681	1,094,302	1,150,681	1,094,302
Total expenses	<u>8,805,696</u>	<u>8,518,398</u>	<u>1,150,681</u>	<u>1,094,302</u>	<u>9,956,377</u>	<u>9,612,700</u>
Change in net position	837,172	83,711	105,810	24,340	942,982	108,051
NET POSITION - BEGINNING	<u>13,013,036</u>	<u>12,929,325</u>	<u>(211,338)</u>	<u>(285,376)</u>	<u>12,801,698</u>	<u>12,643,949</u>
PRIOR PERIOD ADJUSTMENT	-	-	-	49,698	-	49,698
NET POSITION - BEGINNING, AS RESTATED	<u>13,013,036</u>	<u>12,929,325</u>	<u>(211,338)</u>	<u>(235,678)</u>	<u>12,801,698</u>	<u>12,693,647</u>
NET POSITION - ENDING	<u>\$ 13,850,208</u>	<u>\$ 13,013,036</u>	<u>\$ (105,528)</u>	<u>\$ (211,338)</u>	<u>\$ 13,744,680</u>	<u>\$ 12,801,698</u>

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

- Total revenues increased by \$1,040,759, primarily due to an increase in property tax, sales tax, and grant proceeds.
- Total expenses increased by \$287,298, with the largest increase in public safety expenses.

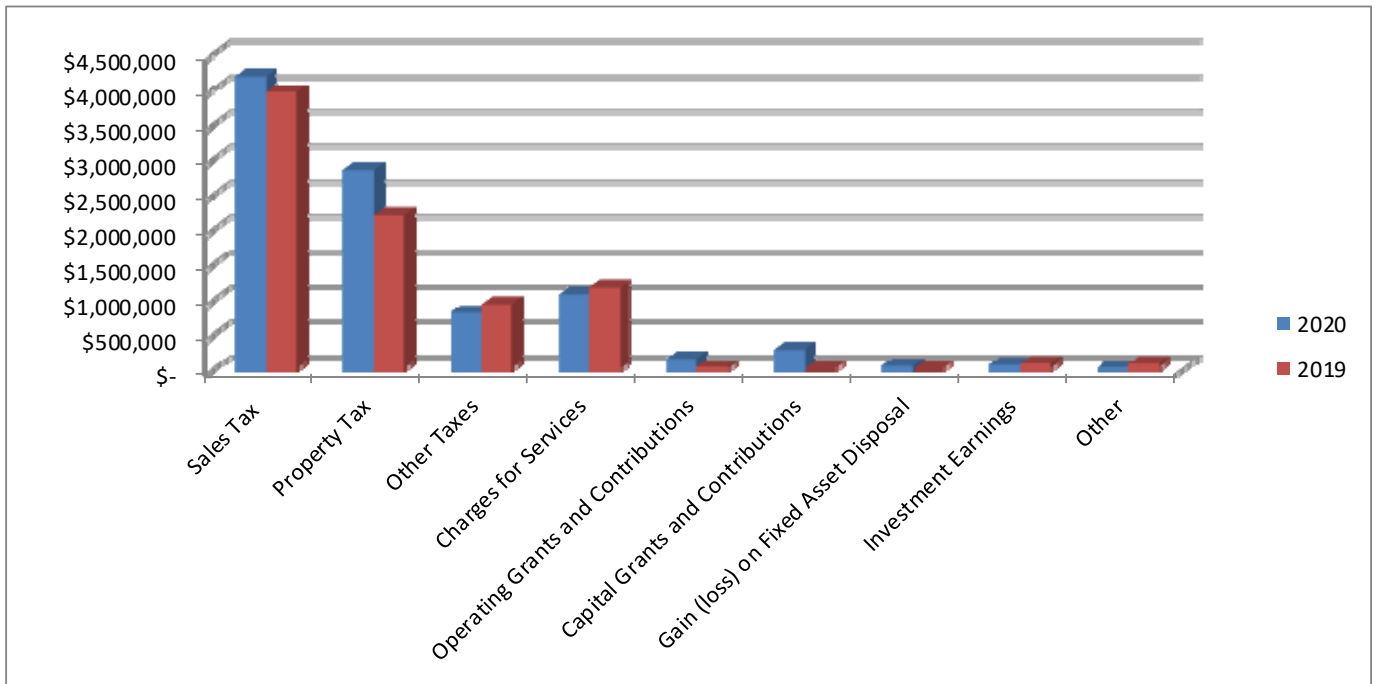
Property tax rates increased to \$0.413544, with \$0.327469 allocated to operations and \$.086075 allocated to interest and sinking. Property taxes levied changed from \$2,225,619 in 2019 to \$3,168,286 in 2020, an increase of \$942,667. As illustrated in the following graph, property taxes are one of the largest sources of revenue and increased by approximately 29.5% from the prior year. The growth in the property taxes is a result an increase in the tax rate and an increase of approximately 12.8% 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.

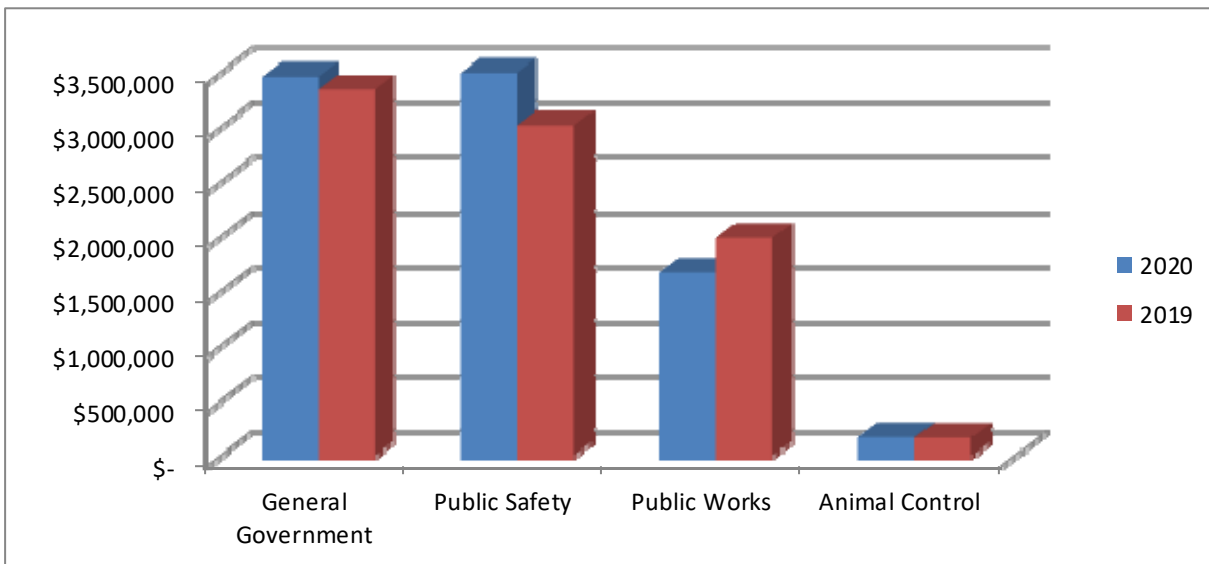
TABLE 3
CITY OF WINDCREST’S NET COST OF SELECT CITY FUNCTIONS

	Net Cost of Services	
	2020	2019
General government	\$ (2,975,768)	\$ (3,079,785)
Public safety	(2,631,546)	(2,331,559)
Public works	(1,501,584)	(1,728,147)
Animal control	(170,552)	(166,597)
Garbage utility	230,652	148,877

The net expense of all governmental activities this year before general revenues was \$7,048,798. This net expense was funded by general revenues of \$7,991,780.

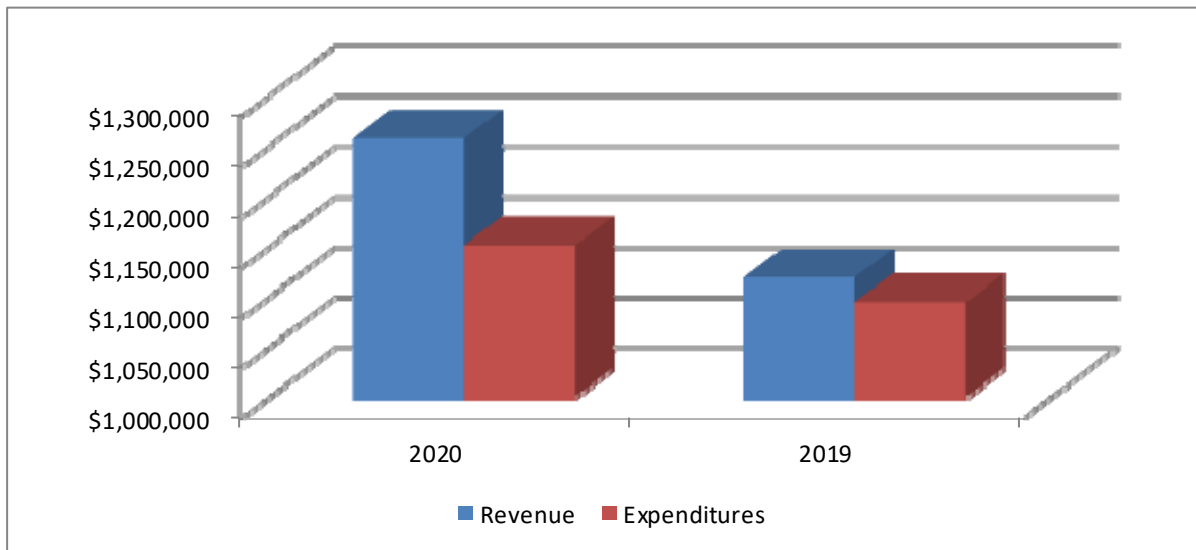
Expenses in governmental activities increased by approximately 3.4%. General government and public safety were the largest cost centers, as illustrated in the graph below. Public safety increased by approximately 16% as a result of increases in personnel, benefits, and capital replacement.

Total Expenses – Governmental Activities



Business-type activities. Revenues of the City’s business-type activities (garbage utility) were \$1,256,491 and expenses were \$1,150,681, yielding an operating income of \$105,810. The net position of the garbage utility ended the year with a deficit of \$105,528. The City increased their efforts to collect on delinquent fees and re-evaluated their billing techniques. In addition, City Council increased commercial and residential garbage rates for fiscal year 2020, 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 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 \$10.6 million. Of this total, \$2.3 million represents unrestricted fund balance, which is available for spending at the City's 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 \$2,285,068, while total fund balance was \$2,297,779, an increase of \$326,991 from the prior year.

The capital projects fund series 2019 a-streets and capital projects fund series 2019 b-fire were created in 2019 through bond issuances. The ending fund balance was \$5,548,146 in the 2019 a-streets fund and \$1,422,585 in the 2019 b-fire fund.

Revenues from governmental fund types totaled \$9,438,804, an increase of \$1,085,658 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 \$11,388,064, an increase of \$3,401,068 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City had budget amendments that increased the budgeted expenditures by \$645,289.

Final actual revenues were \$386,606 more than final budgeted revenues.

Final actual expenditures were \$244,105 more than final budget expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of 2020, the City had invested \$12,862,526 in a broad range of capital assets, including land, equipment, buildings, improvements, and vehicles, net of accumulated depreciation. This amount represents a net increase (including additions, deductions, and depreciation) of \$2,077,815 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	
	2020	2019
	Land	\$ 347,050
Construction in progress	562,267	245,016
Buildings and improvements	2,437,470	2,437,470
Improvements other than buildings	16,586,669	14,497,940
Furniture and equipment	5,285,086	4,783,832
Total	25,218,542	22,311,308
Total accumulated depreciation	(12,356,016)	(11,526,597)
Net capital assets	\$ 12,862,526	\$ 10,784,711

Long-term debt. At year end, the primary government had capital leases of \$137,531 which are secured by a street sweeper truck and light fixtures and poles. The primary government had two general obligation bonds with a combined ending balance of \$8,235,000.

	GOVERNMENTAL ACTIVITIES	
	2020	2019
	Capital leases	\$ 137,531
Bonds	8,235,000	8,465,000
Premium	1,044,936	1,104,179
Compensated absences	141,965	121,979
Total debt	\$ 9,559,432	\$ 9,964,805

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in developing the 2020-2021 budget:

- Assessed taxable property value increased from \$764,933,205 in 2019 to \$780,237,817 in 2020, an increase of \$15,304,612.
- Revenues available for appropriation in the general fund budget for 2020-2021 are \$8,072,860.
- Estimated general fund operating expenditures for the 2020-2021 budget are \$7,487,346.
- The Ad Valorem tax rate for fiscal year 2020-2021 is budgeted at 0.409494, which consists of \$0.323414 for Operation and Maintenance and \$0.08608 for Interest and Sinking.
- **2019 Series A Fund, 2019 Series B Fund, Streets (CIP) Fund.** In FY 17-18 the City Council voted to proceed with the bond election in the FY 18-19 for the Streets Capital improvement Projects and Fire Capital Equipment which coincide with the City's 7-year Capital Improvement Plan (CIP). The \$7,400,000 General Obligation Bond for the Streets (CIP) and \$2,000,000 General Obligation Bond for the Fire Capital Equipment. The Streets (CIP) project consists of two phases. Phase 1 of the Streets (CIP) project started in fiscal year 18-19 and includes: Base Failure Repair, Milling, Asphalt Overlay, Permanent Pavement Marking. Phase 2 started in fiscal year 19-20 and continues in fiscal year 20-21.

Over the past decade, the City of Windcrest has experienced significant revenue growth as the local, regional, and national economies grew. The City's conservative approach in managing its resources has been instrumental in building healthy reserves that the City can use during challenging times. During the first six months of fiscal year ended September 30, 2020, prior to the pandemic, the City's General Fund revenues were outperforming and were on track to surpassing the adopted budget. As the pandemic occurred, the City was able to implement cost saving measures and strictly monitor expenditures vs. received revenues. As a result of its prudent fiscal management, the City has been able to maintain most of its service levels during the COVID-19 pandemic and has maintained a healthy General Fund Reserve. Although the focus of this report is based on the economic condition of the City prevailing as of September 30, 2020, there are always local, state, federal and global issues that require consideration because of their future economic impact to the City.

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:

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WINDCREST
TEXAS

BASIC FINANCIAL STATEMENTS

CITY OF WINDCREST, TEXAS
STATEMENT OF NET POSITION

September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,354,703	\$ 432	\$ 9,355,135
Investments	25,000	-	25,000
Receivables (net of allowance for uncollectibles):			
Taxes	1,156,079	-	1,156,079
Fines	288,678	-	288,678
Accounts	331,323	236,532	567,855
Due from primary government	-	-	-
Prepaid expense	1,435,296	-	1,435,296
Internal balances	162,293	(162,293)	-
Net pension asset	46,114	-	46,114
Capital assets:			
Land	347,050	-	347,050
Construction in progress	562,267	-	562,267
Buildings and improvements	2,437,470	-	2,437,470
Improvements other than buildings	16,586,669	-	16,586,669
Furniture and equipment	5,285,086	-	5,285,086
Less: accumulated depreciation	(12,356,016)	-	(12,356,016)
Total capital assets	<u>12,862,526</u>	<u>-</u>	<u>12,862,526</u>
Total assets	<u>25,662,012</u>	<u>74,671</u>	<u>25,736,683</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	188,183	-	188,183
Deferred outflows related to OPEB	<u>34,248</u>	<u>-</u>	<u>34,248</u>
Total deferred outflows of resources	<u>222,431</u>	<u>-</u>	<u>222,431</u>
LIABILITIES			
Accounts payable	761,796	113,646	875,442
Accrued liabilities	139,219	-	139,219
Due to other governments	721,169	47,634	768,803
Due to component units	197,956	-	197,956
Accrued interest payable	46,097	-	46,097
Unearned revenue	4,169	18,919	23,088
Noncurrent liabilities:			
Due within one year	496,151	-	496,151
Due in more than one year	<u>9,261,277</u>	<u>-</u>	<u>9,261,277</u>
Total liabilities	<u>11,627,834</u>	<u>180,199</u>	<u>11,808,033</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	388,044	-	388,044
Deferred inflows related to OPEB	<u>18,357</u>	<u>-</u>	<u>18,357</u>
Total deferred inflows of resources	<u>406,401</u>	<u>-</u>	<u>406,401</u>
NET POSITION			
Net investment in capital assets	10,415,790	-	10,415,790
Restricted for:			
Streets	874,722	-	874,722
Other purposes	431,443	-	431,443
Economic Development Corporation	-	-	-
Crime Control and Prevention	-	-	-
Unrestricted	<u>2,128,253</u>	<u>(105,528)</u>	<u>2,022,725</u>
Total net position	<u>\$ 13,850,208</u>	<u>\$ (105,528)</u>	<u>\$ 13,744,680</u>

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

Component Units	
Economic Development Corp. (Unaudited)	Crime Control and Prevention District
\$ 1,104,533	\$ 215,814
-	-
163,477	163,084
-	-
-	-
197,956	-
-	-
-	-
614	6,143
-	-
-	-
3,350	-
-	104,641
-	1,702,201
<u>(3,350)</u>	<u>(746,825)</u>
<u>-</u>	<u>1,060,017</u>
<u>1,466,580</u>	<u>1,445,058</u>
2,475	24,921
<u>445</u>	<u>4,201</u>
<u>2,920</u>	<u>29,122</u>
19,374	53,140
-	12,622
42,525	-
-	-
-	-
-	-
444	4,490
<u>3,966</u>	<u>39,847</u>
<u>66,309</u>	<u>110,099</u>
7,547	53,618
<u>172</u>	<u>2,071</u>
<u>7,719</u>	<u>55,689</u>
-	1,060,017
-	-
-	-
1,395,472	-
-	248,375
-	-
<u>\$ 1,395,472</u>	<u>\$ 1,308,392</u>

CITY OF WINDCREST, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 3,459,623	\$ 364,462	\$ 119,393	\$ -
Public safety	3,496,269	574,818	40,334	249,571
Public works	1,678,987	139,755	-	37,648
Animal control	170,817	265	-	-
Total governmental activities	<u>8,805,696</u>	<u>1,079,300</u>	<u>159,727</u>	<u>287,219</u>
Business-type activities:				
Garbage utility	1,150,681	1,381,333	-	-
Total business-type activities	1,150,681	1,381,333	-	-
Total primary government	<u>\$ 9,956,377</u>	<u>\$ 2,460,633</u>	<u>\$ 159,727</u>	<u>\$ 287,219</u>
Component units				
Economic Development Corporation (unaudited)	\$ 293,562	\$ -	\$ -	\$ -
Crime Control and Prevention District	942,800	-	-	-
Total component units	<u>\$ 1,236,362</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Taxes:				
Property, levied for general purposes				
Sales				
Hotel occupancy				
Franchise				
Mixed beverage				
Investment earnings				
Gain on fixed asset disposal				
Miscellaneous				
Transfers				
Total general revenues				
Change in net position				
Net position - beginning				
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 (Unaudited)	Crime Control and Prevention District
Governmental Activities	Business-type Activities	Total		
\$ (2,975,768)	\$ -	\$ (2,975,768)		
(2,631,546)	-	(2,631,546)		
(1,501,584)	-	(1,501,584)		
(170,552)	-	(170,552)		
<u>(7,279,450)</u>	<u>-</u>	<u>(7,279,450)</u>		
-	230,652	230,652		
-	230,652	230,652		
<u>(7,279,450)</u>	<u>230,652</u>	<u>(7,048,798)</u>		
			\$ (293,562)	\$ -
			<u>-</u>	<u>(942,800)</u>
			<u>(293,562)</u>	<u>(942,800)</u>
2,846,825	-	2,846,825	-	-
4,188,568	-	4,188,568	698,095	925,773
205,229	-	205,229	-	-
580,959	-	580,959	-	-
24,332	-	24,332	-	-
67,352	158	67,510	6,934	2,801
50,000	-	50,000	-	-
28,357	-	28,357	-	-
125,000	(125,000)	-	-	-
<u>8,116,622</u>	<u>(124,842)</u>	<u>7,991,780</u>	<u>705,029</u>	<u>928,574</u>
837,172	105,810	942,982	411,467	(14,226)
<u>13,013,036</u>	<u>(211,338)</u>	<u>13,650,971</u>	<u>984,005</u>	<u>1,322,618</u>
<u>\$ 13,850,208</u>	<u>\$ (105,528)</u>	<u>\$ 13,744,680</u>	<u>\$ 1,395,472</u>	<u>\$ 1,308,392</u>

CITY OF WINDCREST, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2020

	General Fund	Capital Projects Fund Series 2019 A-Streets	Capital Projects Fund Series 2019 B-Fire	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,338,152	\$ 5,816,495	\$ 6	\$ 1,200,050	\$ 9,354,703
Investments	25,000	-	-	-	25,000
Receivables (net of allowance for uncollectibles):					
Taxes	881,844	-	-	183,667	1,065,511
Fines	288,678	-	-	-	288,678
Franchise fees	90,568	-	-	-	90,568
Other	330,725	-	-	598	331,323
Due from other funds	162,299	-	-	-	162,299
Prepaid items	<u>12,711</u>	<u>-</u>	<u>1,422,585</u>	<u>-</u>	<u>1,435,296</u>
Total assets	<u>\$ 4,129,977</u>	<u>\$ 5,816,495</u>	<u>\$ 1,422,591</u>	<u>\$ 1,384,315</u>	<u>\$ 12,753,378</u>
LIABILITIES					
Accounts payable	\$ 464,793	\$ 268,349	\$ -	\$ 28,654	\$ 761,796
Accrued liabilities	139,219	-	-	-	139,219
Due to component units	197,956	-	-	-	197,956
Due to other funds	-	-	6	-	6
Due to other governments	678,644	-	-	42,525	721,169
Unearned revenues	<u>4,169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,169</u>
Total liabilities	<u>1,484,781</u>	<u>268,349</u>	<u>6</u>	<u>71,179</u>	<u>1,824,315</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred revenue - property taxes	58,739	-	-	6,971	65,710
Deferred revenue - fines	<u>288,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,678</u>
Total deferred inflows of resources	<u>347,417</u>	<u>-</u>	<u>-</u>	<u>6,971</u>	<u>354,388</u>
FUND BALANCES					
Nonspendable	12,711	-	1,422,585	-	1,435,296
Restricted					
Capital projects	-	5,548,146	-	-	5,548,146
Streets	-	-	-	874,722	874,722
Other purposes	-	-	-	431,443	431,443
Unassigned	<u>2,285,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,285,068</u>
Total fund balances	<u>2,297,779</u>	<u>5,548,146</u>	<u>1,422,585</u>	<u>1,306,165</u>	<u>10,574,675</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,129,977</u>	<u>\$ 5,816,495</u>	<u>\$ 1,422,591</u>	<u>\$ 1,384,315</u>	<u>\$ 12,753,378</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, 2020

Total fund balances - governmental funds balance sheet	\$ 10,574,675
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.	12,862,526
The net pension asset used in governmental funds is not a financial resource and, therefore, is not reported in the funds.	46,114
Long-term liabilities, including capital leases, bond payable, other postemployment benefit liability, and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(9,757,428)
Accrued interest payable is not due and payable in the current period and therefore, is not reported in the funds.	(46,097)
Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are not reported in the funds.	(183,970)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	<u>354,388</u>
Net position of governmental activities - statement of net position	<u>\$ 13,850,208</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, 2020

	General Fund	Capital Projects Fund Series 2019 A-Streets	Capital Projects Fund Series 2019 B-Fire	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 2,193,600	\$ -	\$ -	\$ 634,243	\$ 2,827,843
Sales	3,490,473	-	-	698,095	4,188,568
Franchise	567,193	-	-	13,766	580,959
Hotel occupancy	-	-	-	205,229	205,229
Mixed beverage	24,332	-	-	-	24,332
Fines and fees	560,865	-	-	32,477	593,342
Licenses and permits	156,582	-	-	-	156,582
Intergovernmental	93,000	-	-	44,326	137,326
Charges for services	226,294	-	-	-	226,294
Grant proceeds	348,964	-	-	-	348,964
Donations	30,354	-	20,000	3,302	53,656
Investment earnings	17,638	39,270	7,835	2,609	67,352
Miscellaneous	26,357	-	-	2,000	28,357
Total revenues	<u>7,735,652</u>	<u>39,270</u>	<u>27,835</u>	<u>1,636,047</u>	<u>9,438,804</u>
EXPENDITURES					
Current:					
General government	3,038,340	-	-	-	3,038,340
Public safety	3,085,395	-	-	11,436	3,096,831
Public works	953,088	-	-	3,882	956,970
Animal control	160,331	-	-	-	160,331
Debt service:					
Principal	131,000	-	-	230,000	361,000
Interest	8,212	-	-	420,150	428,362
Capital outlay	<u>306,414</u>	<u>1,764,082</u>	<u>593,445</u>	<u>682,289</u>	<u>3,346,230</u>
Total expenditures	<u>7,682,780</u>	<u>1,764,082</u>	<u>593,445</u>	<u>1,347,757</u>	<u>11,388,064</u>
Excess (deficiency) of revenues over (under) expenditures	<u>52,872</u>	<u>(1,724,812)</u>	<u>(565,610)</u>	<u>288,290</u>	<u>(1,949,260)</u>
OTHER FINANCING SOURCES (USES)					
Other sources - sale of fixed assets	50,000	-	-	-	50,000
Transfers in	325,200	-	85,016	16,065	426,281
Transfers out	<u>(101,081)</u>	<u>-</u>	<u>-</u>	<u>(200,200)</u>	<u>(301,281)</u>
Total other financing sources	<u>274,119</u>	<u>-</u>	<u>85,016</u>	<u>(184,135)</u>	<u>175,000</u>
Net change in fund balances (uses)	326,991	(1,724,812)	(480,594)	104,155	(1,774,260)
Fund balance - beginning	<u>1,970,788</u>	<u>7,272,958</u>	<u>1,903,179</u>	<u>1,202,010</u>	<u>12,348,935</u>
Fund balance - ending	<u>\$ 2,297,779</u>	<u>\$ 5,548,146</u>	<u>\$ 1,422,585</u>	<u>\$ 1,306,165</u>	<u>\$ 10,574,675</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, 2020

Net change in fund balances - total governmental funds \$ (1,774,260)

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 depreciation exceeded capital outlays in the current period. 2,077,815

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. 43,762

The issuance of long-term debt (i.e. bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. This amount is the net effect of these differences. 400,257

Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds. 89,598

Change in net position of governmental activities - statement of activities \$ 837,172

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

CITY OF WINDCREST, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND

September 30, 2020

	<u>Business-Type Activities</u>	
	<u>Garbage Utility</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$	432
Accounts receivable (net allowances for uncollectibles)		<u>236,532</u>
Total current assets		<u>236,964</u>
LIABILITIES		
Current liabilities:		
Accounts payable		113,646
Due to other funds		162,293
Due to other governments		47,634
Unearned revenues		<u>18,919</u>
Total liabilities		<u>342,492</u>
NET POSITION		
Unrestricted		<u>(105,528)</u>
Total net position		<u>(105,528)</u>
Total liabilities and net position	\$	<u><u>236,964</u></u>

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, 2020

	Business-Type Activities
	Garbage Utility
OPERATING REVENUES	
Charges for services:	
Commercial customer charges	\$ 757,421
Residential customer charges	607,997
Miscellaneous	15,915
Total operating revenues	1,381,333
OPERATING EXPENSES	
Contracted services - commercial sanitation	586,781
Contracted services - residential sanitation	535,292
Personel	10,662
Other	17,946
Total operating expenses	1,150,681
Operating income (loss)	230,652
NONOPERATING REVENUES	
Investment earnings	158
Transfers out	(125,000)
Total nonoperating revenues	(124,842)
Change in net position	105,810
Total net position - beginning	(211,338)
Total net position - ending	\$ (105,528)

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, 2020

	Business-Type Activities
	Garbage Utility
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,280,154
Payments to suppliers and service providers	(1,205,796)
Payments to employees	(10,662)
Net cash provided by (used in) operating activities	63,696
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Payments to other funds	(125,000)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	158
Net increase (decrease) in cash and cash equivalents	(61,146)
Cash and cash equivalents at beginning of year	61,578
Cash and cash equivalents at end of year	\$ 432
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating income (loss)	\$ 230,652
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Decrease (increase) in receivables	(99,817)
Increase (decrease) in accounts payable	28,796
Increase (decrease) in due to other funds	(122,379)
Increase (decrease) in due to other governments	27,806
Increase (decrease) in due to other governments	(1,362)
Net cash provided by (used in) operating activities	\$ 63,696

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

NOTES TO BASIC FINANCIAL STATEMENTS



WINDCREST
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CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(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. 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 (WEDC) (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 8940 Fourwinds Drive, Suite #206, Windcrest, Texas 78239.

The Windcrest Crime Control and Prevention District (the WCCP) was created for the promotion, development, and enhancement of crime control and prevention within the City on September 20, 2004. The WCCP was established under state law to allow the collection of \$0.0025 sales tax revenue to supplement the Windcrest Police Department. The WCCP 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, 2020

(1) Summary of significant accounting policies (continued)

Discretely presented component units (continued)

The WCCP 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 WCCP 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 – Series 2019 A*** accounts for the acquisition or construction of infrastructure and building projects being financed from the 2019 Series A bond proceeds for street projects.

The ***capital projects fund – Series 2019 B*** accounts for the acquisition or construction of infrastructure and building projects being financed from the 2019 Series B bond proceeds for fire protection projects.

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, 2020

(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. 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, 2020

(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 \$244,105.

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, local government investment pools, and investments with original maturities of three (3) months or less from the date of acquisition.
- **Investments.** At September 30, 2020, the City's investments are comprised of certificates of deposit with original maturities greater than three (3) months from the date of acquisition.

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.

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. The pools are not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless have a policy that will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(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, 2020

(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, 2020, the general fund rate was \$0.327469. The debt service fund rate was \$0.086075.

Allowances for uncollectible tax receivables are based on historical collections.

- Prepaid items. 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. 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 when 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 include Building improvements (5-50), Improvements other than buildings (20-50), Vehicles (3-10), and 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, 2020

(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.** 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, 2020.
- **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 (and premiums received) are reported as other financing sources discounts on debt issuances are reported as other financing uses.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(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 City has implemented GASB Statement 54 “*Fund Balance Reporting and Governmental Fund Type Definitions*”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaids) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – include amounts that can only be used for specific purposes determined by a formal action of the City’s highest level of decision-making authority. The City Council is the highest level of decision-making that can, by adoption of a resolution, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.
- Assigned fund balance – for funds to be assigned, there must be an intended use which can be established by the Council or an official designated by the Council, such as a city manager or director of finance. Assigned fund balance is delegated by the City Council to the director of finance.
- Unassigned fund balance – amounts that are available for any purpose, positive amounts are reported only in the general fund.

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(1) Summary of significant accounting policies (continued)

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

- **Fund balance classification (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, 2020, the general fund's unassigned fund balance is \$2,285,068, which equals 31.57% 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 streets fund; .25% to ad valorem tax offset; and .25% to the WEDC.
- **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, 2020

(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, 2020, the City’s cash on hand was \$1,600. The carrying amount of deposits were \$9,202,651 and the bank balances were \$9,192,984. 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 WCCP cash carrying balance was \$215,814 which was fully collateralized and the WEDC carrying balance was \$989,820.

As of September 30, 2020, the cash and investments are comprised of the following:

INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITY (YEARS)
The City of Windcrest		
Cash and cash equivalents		
Cash on hand	\$ 1,600	
Bank deposits	9,202,651	
TexPool (Local Government Investment Pool)	150,884	0.10
Total cash and cash equivalents	\$ 9,355,135	
Investments		
Certificates of deposit	\$ 25,000	0.79
Portfolio weighted average maturity		0.20
Discretely presented component unit:		
Windcrest Crime Control and Prevention		
Bank deposits	\$ 215,814	

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.

The pools operate in a manner consistent with the Securities and Exchange Commission’s (SEC) Rule 2a7 of the Investment Company Act of 1940 but are not registered with the SEC as investment companies.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Deposits and investments (continued)

The pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in this pool is the same as the value of the shares in the pool.

TexPool is an external investment tailored to meet the investment needs of Texas local governments and is valued at amortized cost. It does not have any minimum or maximum transaction or balance amounts and the investment balances are accessible on the same day as the request pending end of business time constraints. There are no limitations or restrictions on withdrawals from the pool.

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.

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. The City's certificates of deposit are not exposed to custodial credit risk since all certificates of deposit are fully insured by FDIC and pledge securities.

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, 2020:

	<u>September 30, 2020</u>
	The City of Windcrest
Investments measured at amortized cost:	
Certificates of deposit	\$ 25,000
External investment pools - TexPool	150,884
Total investments at amortized cost	175,884
Total investments	\$ 175,884

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Deposits and investments (continued)

Accounts receivable

Accounts receivable at September 30, 2020 were as follows:

	General Fund	Nonmajor Governmental Funds	Garbage Utility Fund	WCCP	Total
Receivables:					
Taxes	\$ 892,210	\$ 184,897	\$ -	\$ 163,084	\$ 1,240,191
Fines	577,355	-	-	-	577,355
Utilities	-	-	413,734	-	413,734
Franchise fees	90,568	-	-	-	90,568
Grants	316,486	-	-	-	316,486
Miscellaneous	<u>14,239</u>	<u>598</u>	<u>-</u>	<u>-</u>	<u>14,837</u>
Gross receivables	1,890,858	185,495	413,734	163,084	2,653,171
Less:					
Allowance for uncollectibles	<u>(299,043)</u>	<u>(1,230)</u>	<u>(177,202)</u>	<u>-</u>	<u>(477,475)</u>
Net total receivables	<u>\$ 1,591,815</u>	<u>\$ 184,265</u>	<u>\$ 236,532</u>	<u>\$ 163,084</u>	<u>\$ 2,175,696</u>

Due to/from other funds

At September 30, 2020, the due to/from other fund balances represent temporary short-term loans to other funds as a result of overdraws 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:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General fund		
Garbage utility fund	\$ 162,293	\$ -
Capital projects fund series 2019 B	6	-
Capital projects fund series 2019 B		
General fund	-	6
Garbage utility fund		
General fund	<u>-</u>	<u>162,293</u>
	<u>\$ 162,299</u>	<u>\$ 162,299</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Capital assets

Capital asset activity for the primary government for the year ended September 30, 2020, was as follows:

	Balance October 1, 2019	Issued / Additions	Retired / Deletions	Balance September 30, 2020
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 347,050	\$ -	\$ -	\$ 347,050
Construction in progress	<u>161,610</u>	<u>562,267</u>	<u>(161,610)</u>	<u>562,267</u>
Total capital assets not being depreciated	<u>508,660</u>	<u>562,267</u>	<u>(161,610)</u>	<u>909,317</u>
Capital assets being depreciated:				
Buildings and improvements	2,437,470	-	-	2,437,470
Improvements other than buildings	14,581,346	2,005,323	-	16,586,669
Furniture and equipment	<u>4,783,832</u>	<u>940,250</u>	<u>(438,996)</u>	<u>5,285,086</u>
Total capital assets being depreciated	<u>21,802,648</u>	<u>2,945,573</u>	<u>(438,996)</u>	<u>24,309,225</u>
Less accumulated depreciation:				
Buildings and improvements	(1,826,665)	(49,210)	-	(1,875,875)
Improvements other than buildings	(5,789,084)	(947,940)	-	(6,737,024)
Furniture and equipment	<u>(3,910,848)</u>	<u>(271,265)</u>	<u>438,996</u>	<u>(3,743,117)</u>
Total accumulated depreciation	<u>(11,526,597)</u>	<u>(1,268,415)</u>	<u>438,996</u>	<u>(12,356,016)</u>
Total capital assets being depreciated, net	<u>10,276,051</u>	<u>1,677,158</u>	<u>-</u>	<u>11,953,209</u>
Governmental activities capital assets, net	<u>\$ 10,784,711</u>	<u>\$ 2,239,425</u>	<u>\$ (161,610)</u>	<u>\$ 12,862,526</u>

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

General government	\$ 111,331
Public safety	420,309
Public works	726,407
Animal control	<u>10,368</u>
Total depreciation expense	<u>\$ 1,268,415</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Capital assets (continued)

Discretely presented component units

Capital asset activity for the WCCP for the year ended September 30, 2020 was as follows:

	<u>Balance</u> <u>October 1, 2019</u>	<u>Issued /</u> <u>Additions</u>	<u>Retired /</u> <u>Deletions</u>	<u>Balance</u> <u>September 30, 2020</u>
Discretely presented component units:				
Capital assets being depreciated:				
Improvements other than buildings	\$ -	\$ 104,641	\$ -	\$ 104,641
Furniture and equipment	<u>1,359,953</u>	<u>342,248</u>	<u>-</u>	<u>1,702,201</u>
Total capital assets being depreciated	<u>1,359,953</u>	<u>446,889</u>	<u>-</u>	<u>1,806,842</u>
Less: accumulated depreciation:				
Improvements other than buildings	-	(21,459)	-	(21,459)
Furniture and equipment	<u>(487,281)</u>	<u>(238,085)</u>	<u>-</u>	<u>(725,366)</u>
Total accumulated depreciation	<u>(487,281)</u>	<u>(259,544)</u>	<u>-</u>	<u>(746,825)</u>
Total capital assets being depreciated, net	<u>872,672</u>	<u>187,345</u>	<u>-</u>	<u>1,060,017</u>
WCCP capital assets, net	<u>\$ 872,672</u>	<u>\$ 187,345</u>	<u>\$ -</u>	<u>\$ 1,060,017</u>

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

Public safety \$ 259,544

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Transfers

Transfers during the year ended September 30, 2020, were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:		
Nonmajor funds	\$ 200,200	\$ 16,065
Garbage fund	125,000	-
Capital projects fund series 2019 B	-	85,016
Capital projects fund series 2019 B		
General fund	85,016	-
Nonmajor funds:		
General fund	16,065	200,200
Garbage fund:		
General fund	-	125,000
Total	\$ 426,281	\$ 426,281

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 2018 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 (direct borrowing) is as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2021	\$ 90,597	\$ 3,094	\$ 93,691
2022	46,934	1,234	48,168
Total	\$ 137,531	\$ 4,328	\$ 141,859

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Long-term liabilities (continued)

Capital leases payable (continued)

The following is an analysis of the property under capital lease as of September 30, 2020:

Equipment	\$ 621,647
Less: accumulated depreciation	<u>336,506</u>
Net leased property	<u>\$ 285,141</u>

Changes in long-term liabilities

	Balance October 1, 2019	Issued / Additions	Retired / Payments	Balance September 30, 2020	Due Within One Year
Governmental activities					
Long-term debt					
General obligation bonds	\$ 8,465,000	\$ -	\$ (230,000)	\$ 8,235,000	\$ 310,000
Premium on issuance	1,104,179	-	(59,243)	1,044,936	60,063
Capital lease - street sweeper	137,226	-	(44,560)	92,666	45,732
Capital lease - light and fixtures	<u>131,305</u>	<u>-</u>	<u>(86,440)</u>	<u>44,865</u>	<u>44,865</u>
Total long-term debt	9,837,710	-	(420,243)	9,417,467	460,660
Other long-term liabilities					
Compensated absences	121,979	50,481	(30,495)	141,965	35,491
Net pension liability (asset)	775,354	-	(821,468)	(46,114)	-
OPEB liability	<u>163,569</u>	<u>34,427</u>	<u>-</u>	<u>197,996</u>	<u>-</u>
Total other long-term liabilities	<u>1,060,902</u>	<u>84,908</u>	<u>(851,963)</u>	<u>293,847</u>	<u>35,491</u>
Total	<u>\$ 10,898,612</u>	<u>\$ 84,908</u>	<u>\$ (1,272,206)</u>	<u>\$ 9,711,314</u>	<u>\$ 496,151</u>
Discretely presented component unit:					
WCCP:					
Other long-term liabilities					
Compensated absences	\$ 7,671	\$ 12,206	\$ (1,918)	\$ 17,959	\$ 4,490
Net pension liability (asset)	80,563	-	(86,706)	(6,143)	-
OPEB liability	<u>16,995</u>	<u>9,383</u>	<u>-</u>	<u>26,378</u>	<u>-</u>
Total	<u>\$ 105,229</u>	<u>\$ 21,589</u>	<u>\$ (88,624)</u>	<u>\$ 38,194</u>	<u>\$ 4,490</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Long-term liabilities (continued)

The annual requirement to amortize all long-term bonded debt outstanding as of September 30, 2020, including principal and interest payments, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2021	\$ 310,000	\$ 351,250	\$ 661,250
2022	325,000	335,375	660,375
2023	340,000	318,750	658,750
2024	360,000	301,250	661,250
2025	380,000	282,750	662,750
2026-2030	2,180,000	1,113,475	3,293,475
2031-2035	2,515,000	611,700	3,126,700
2036-2039	1,825,000	149,700	1,974,700
	<u>\$ 8,235,000</u>	<u>\$ 3,464,250</u>	<u>\$ 11,699,250</u>

Defined benefit pension plan

Plan description

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

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

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 6%, and the City matching percent is currently 1.5 to 1.

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	64
Active employees	<u>69</u>
Total	<u>183</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(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 7.27% and 7.40% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2020 and 2019, were \$236,743 and \$242,815, respectively, and were equal to the required contributions.

The Windcrest Crime and Control Prevention's (WCCP) contributions to TMRS for the fiscal year ended September 30, 2020 and 2019, were \$31,541 and \$25,230, respectively, and were equal to the required contributions.

The Windcrest Economic Development Corporation's (WEDC) contributions to TMRS for the fiscal year ended September 30, 2020 and 2019, were \$3,151 and \$1,857, respectively, and were equal to the required contributions.

Net pension asset

The City's net pension asset was measured as of December 31, 2019, and the total pension liability (TPL) used to calculate the net pension asset was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

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

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

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by 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>Allocation</u>	<u>Rate of Return (Arithmetic)</u>
Global equity	30.00%	5.30%
Core fixed income	10.00%	1.25%
Non-core fixed income	20.00%	4.14%
Real return	10.00%	3.85%
Real estate	10.00%	4.00%
Absolute return	10.00%	3.48%
Private equity	<u>10.00%</u>	7.75%
Total	<u>100.00%</u>	

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

Discount rate

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

Changes in the net pension liability/(asset)

The schedule below presents the changes in the net pension liability (asset) as of December 31, 2019.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 9,919,041	\$ 9,057,194	\$ 861,847
Changes for the year:			-
Service cost	443,803	-	443,803
Interest	668,625	-	668,625
Change of benefit terms	-	-	-
Difference between expected and actual experience	(180,314)	-	(180,314)
Change of assumptions	19,354	-	19,354
Contributions - employer	-	261,647	(261,647)
Contributions - employee	-	212,177	(212,177)
Net investment income	-	1,400,512	(1,400,512)
Benefit payments, including refunds of employee contributions	(470,775)	(470,775)	-
Administrative expenses	-	(7,912)	7,912
Other changes	-	(238)	238
Net changes	<u>480,693</u>	<u>1,395,411</u>	<u>(914,718)</u>
Balance at 12/31/2019	<u>\$ 10,399,734</u>	<u>\$ 10,452,605</u>	<u>\$ (52,871)</u>

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75% as well as what the City's net pension liability (asset) 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 (asset)	\$ 1,297,278	\$ (46,114)	\$ (1,136,642)

The following presents the net pension liability (asset) of the WCCP, calculated using the discount rate of 6.75% as well as what the WCCP's net pension liability (asset) 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%)
WCCP's net pension liability (asset)	\$ 172,836	\$ (6,143)	\$ (151,435)

The following presents the net pension liability (asset) of the WEDC, calculated using the discount rate of 6.75% as well as what the WEDC's net pension liability (asset) 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%)
WEDC's net pension liability (asset)	\$ 17,264	\$ (614)	\$ (15,126)

The following presents the combined net pension liability (asset) of the City, WCCP, and WEDC, calculated using the discount rate of 6.75% as well as what the combined net pension liability (asset) 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%)
Combined net pension liability (asset)	\$ 1,487,378	\$ (52,871)	\$ (1,303,203)

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

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.tmr.com.

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

For the year ended September 30, 2020, the City recognized pension expense of \$191,672, the WCCP recognized pension expense of \$25,536, and the WEDC recognized pension expense of \$2,551.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 5,128	\$ 110,995
Changes in actuarial assumptions	11,488	-
Difference between projected and actual investment earnings	-	277,049
Contributions made subsequent to the measurement date	171,567	-
Total	\$ 188,183	\$ 388,044

The City reported \$188,183 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 asset for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Net Deferred Outflows (Inflows) of Resources	
2021	\$ (124,582)
2022	(123,693)
2023	13,072
2024	(136,225)
Thereafter	-
Total	\$ (371,428)

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

At September 30, 2020, the WCCP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 533	\$ 14,561
Changes in actuarial assumptions	1,530	-
Difference between projected and actual investment earnings	-	39,057
Contributions made subsequent to the measurement date	22,858	-
Total	\$ 24,921	\$ 53,618

The WCCP reported \$22,858 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 asset for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Net Deferred Outflows (Inflows) of Resources	
2021	\$ (17,292)
2022	(17,169)
2023	1,814
2024	(18,908)
Thereafter	-
Total	\$ (51,555)

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

At September 30, 2020, the WEDC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 39	\$ 1,470
Changes in actuarial assumptions	153	-
Difference between projected and actual investment earnings	-	6,077
Contributions made subsequent to the measurement date	2,283	-
Total	\$ 2,475	\$ 7,547

The WEDC reported \$2,283 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 asset for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Net Deferred Outflows (Inflows) of Resources		
2021	\$	(2,467)
2022		(2,449)
2023		259
2024		(2,698)
Thereafter		-
Total	\$	(7,355)

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan

Plan description

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

Benefits payments

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary calculated based on the employee's actual earnings, for the 12-month period preceding the month of death. Retired employees are insured for \$7,500. 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 City contribution rate is equal to the cost of providing one-year term life insurance. The contribution rate for the City was .21% and .21% respectively for calendar years 2020 and 2019. The City's contributions to TMRS were \$6,806 and \$6,854 for the fiscal years ended September 30, 2020 and 2019, respectively, and were equal to the required contributions.

The WCCP's contributions to TMRS were \$906 and \$712 for the fiscal years ended September 30, 2020 and 2019, respectively, and were equal to the required contributions.

The WEDC's contributions to TMRS were \$91 and \$52 for the fiscal years ended September 30, 2020 and 2019, respectively, and were equal to the required contributions.

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>69</u>
	<u>111</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

OPEB liability

The City's total OPEB liability of \$197,996 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

The WCCP's total OPEB liability of \$26,379 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

The WEDC's total OPEB liability of \$2,635 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

The combined City, WCCP, and WEDC's total OPEB liability of \$227,010 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 2019 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 11.5% including inflation
Discount rate *	2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

Changes in the total OPEB liability:

Balance at December 31, 2018	\$	181,815
Changes for the year:		
Service cost		8,487
Interest on the OPEB liability		6,883
Changes of benefit terms		-
Difference between expected and actual experienc		(7,944)
Change of assumptions		38,830
Benefit payments		<u>(1,061)</u>
Net changes		<u>45,195</u>
Balance at December 31, 2019	\$	<u>227,010</u>

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	<u>1% Decrease in Discount Rate (1.75%)</u>	<u>Current Discount Rate (2.75%)</u>	<u>1% Increase in Discount Rate (3.75%)</u>
City's OPEB liability	\$ <u>240,840</u>	\$ <u>197,997</u>	\$ <u>164,993</u>

The following presents the total OPEB liability of the WCCP, calculated using the discount rate of 2.75%, as well as what the WCCP's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	<u>1% Decrease in Discount Rate (1.75%)</u>	<u>Current Discount Rate (2.75%)</u>	<u>1% Increase in Discount Rate (3.75%)</u>
WCCP's OPEB liability	\$ <u>32,087</u>	\$ <u>26,378</u>	\$ <u>21,982</u>

The following presents the total OPEB liability of the WEDC, calculated using the discount rate of 2.75%, as well as what the WEDC's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	<u>1% Decrease in Discount Rate (1.75%)</u>	<u>Current Discount Rate (2.75%)</u>	<u>1% Increase in Discount Rate (3.75%)</u>
WEDC's OPEB liability	\$ <u>3,205</u>	\$ <u>2,635</u>	\$ <u>2,196</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

The following presents the total OPEB liability of the City, WCCP, and WEDC, calculated using the discount rate of 2.75%, as well as what the WEDC's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Current Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Combined OPEB liability	\$ <u>276,132</u>	\$ <u>227,010</u>	\$ <u>189,171</u>

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$13,336, the WCCP recognized OPEB expense of \$1,386, and the WEDC recognized OPEB expense of \$102.

At September 30, 2020, 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	\$ -	\$ 10,625
Changes in actuarial assumptions	33,540	7,732
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>708</u>	<u>-</u>
Total	<u>\$ 34,248</u>	<u>\$ 18,357</u>

The City reported \$708 as deferred outflows of resources related to the OPEB liability resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the OPEB liability will be recognized in OPEB expenses as follows:

Plan Year December 31,	Amortization Expense
2021	\$ 4,144
2022	4,144
2023	1,928
2024	4,546
2025	421
Thereafter	<u>-</u>
Total	<u>\$ 15,183</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

At September 30, 2020, the WCCP 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	\$ -	\$ 1,267
Changes in actuarial assumptions	4,106	804
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	95	-
Total	\$ 4,201	\$ 2,071

The WCCP reported \$95 as deferred outflows of resources related to the OPEB liability resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the OPEB liability will be recognized in OPEB expenses as follows:

Plan Year December 31,	Amortization Expense
2021	\$ 555
2022	555
2023	258
2024	609
2025	58
Thereafter	-
Total	\$ 2,035

At September 30, 2020, the WEDC 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	\$ -	\$ 113
Changes in actuarial assumptions	436	59
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	9	-
Total	\$ 445	\$ 172

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

The WEDC reported \$9 as deferred outflows of resources related to the OPEB liability resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to the OPEB liability will be recognized in OPEB expenses as follows:

Plan Year December 31,	Amortization Expense
2021	\$ 72
2022	72
2023	34
2024	79
2025	7
Thereafter	-
Total	<u>\$ 264</u>

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. The City of Windcrest had originally owed the City of San Antonio \$1,423,584 under this agreement but as of September 30, 2020, the remaining liability balance was \$297,677.

In 2020, the City of Windcrest entered into an agreement with the City of San Antonio to resolve prior disputes under the Master Economic Incentives Agreement (MEIA) and Boundary Change Agreement (BCA) . Under the terms of the Agreement the City of Windcrest agreed to perform a settle-up process annually and to pay the City of San Antonio five equal annual payments of \$125,000 starting on October 9, 2020 and ending February 1, 2024

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(2) Detailed notes (continued)

Net position deficit and management plans

The garbage utility fund had a deficit net position as of September 30, 2020. The garbage utility net position deficit decreased from (\$211,338) in 2019 to (\$105,528) in 2020 due primarily to higher garbage rates and a greater emphasis on collection. 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.

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.

The City has an agreement with a business that incentivized that business to build and maintain a location in the City in order to receive a 100% property tax abatement. Under the agreement if the business relocates or ceases business activities than the City shall have the right to payment from the business equal to 20% of the ad valorem property taxes that would have been assessed for the preceding tax year. 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



WINDCREST
TEXAS

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,221,037	\$ 6,221,037	\$ 6,275,598	\$ 54,561
Licenses and permits	243,363	243,363	156,582	(86,781)
Intergovernmental	53,000	53,000	93,000	40,000
Charges for services	116,520	116,520	226,294	109,774
Fines	582,346	582,346	560,865	(21,481)
Grant proceeds	25,000	25,000	348,964	323,964
Donations	-	-	30,354	30,354
Investment earnings	33,780	33,780	17,638	(16,142)
Miscellaneous	<u>74,000</u>	<u>74,000</u>	<u>26,357</u>	<u>(47,643)</u>
Total revenues	<u>7,349,046</u>	<u>7,349,046</u>	<u>7,735,652</u>	<u>386,606</u>
Expenditures				
Current:				
General government	3,070,894	3,089,647	3,038,340	51,307
Public safety	2,857,102	3,136,654	3,085,395	51,259
Public works	955,527	976,590	953,088	23,502
Animal control	173,861	176,712	160,331	16,381
Debt service:				
Principal	-	-	131,000	(131,000)
Interest	-	-	8,212	(8,212)
Capital outlay	<u>224,212</u>	<u>547,282</u>	<u>306,414</u>	<u>240,868</u>
Total expenditures	<u>7,281,596</u>	<u>7,926,885</u>	<u>7,682,780</u>	<u>244,105</u>
Excess (deficiency) of revenues over (under) expenditures	<u>67,450</u>	<u>(577,839)</u>	<u>52,872</u>	<u>630,711</u>
Other financing sources (uses)				
Other sources - sale of fixed assets	-	-	50,000	50,000
Transfers in	395,000	395,000	325,200	(69,800)
Transfers out	<u>-</u>	<u>-</u>	<u>(101,081)</u>	<u>(101,081)</u>
Total other financing sources (uses)	<u>395,000</u>	<u>395,000</u>	<u>274,119</u>	<u>(120,881)</u>
Net change in fund balance	462,450	(182,839)	326,991	509,830
Fund balance, beginning	<u>1,970,788</u>	<u>1,970,788</u>	<u>1,970,788</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,433,238</u>	<u>\$ 1,787,949</u>	<u>\$ 2,297,779</u>	<u>\$ 509,830</u>

CITY OF WINDCREST, TEXAS

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

For the measurement period ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability						
Service cost	\$ 443,803	\$ 439,605	\$ 427,165	\$ 370,018	\$ 328,283	\$ 275,134
Interest (on the total pension liability)	668,625	624,725	591,432	549,932	533,422	494,716
Difference between expected and actual experience	(180,314)	14,822	(122,172)	24,294	(142,145)	(2,409)
Change of assumptions	19,354	-	-	-	69,964	-
Benefit payments, including refunds of employee contributions	<u>(470,775)</u>	<u>(390,996)</u>	<u>(427,824)</u>	<u>(288,176)</u>	<u>(278,972)</u>	<u>(203,164)</u>
Net change in total pension liability	480,693	688,156	468,601	656,068	510,552	564,277
Total pension liability - beginning	<u>9,919,041</u>	<u>9,230,885</u>	<u>8,762,284</u>	<u>8,106,216</u>	<u>7,595,664</u>	<u>7,031,387</u>
Total pension liability - ending (a)	<u>\$ 10,399,734</u>	<u>\$ 9,919,041</u>	<u>\$ 9,230,885</u>	<u>\$ 8,762,284</u>	<u>\$ 8,106,216</u>	<u>\$ 7,595,664</u>
Plan fiduciary net position						
Contributions - employer	\$ 261,647	\$ 290,102	\$ 258,551	\$ 209,018	\$ 190,467	\$ 164,263
Contributions - employee	212,177	222,015	199,610	173,040	161,451	155,633
Net investment income	1,400,512	(276,107)	1,119,294	505,614	10,925	394,581
Benefit payments, including refunds of employee contributions	(470,775)	(390,996)	(427,824)	(288,176)	(278,972)	(203,164)
Administrative expense	(7,912)	(5,336)	(5,799)	(5,710)	(6,654)	(4,119)
Other	<u>(238)</u>	<u>(278)</u>	<u>(295)</u>	<u>(308)</u>	<u>(329)</u>	<u>(339)</u>
Net change in plan fiduciary net position	1,395,411	(160,600)	1,143,537	593,478	76,888	506,855
Plan fiduciary net position - beginning	<u>9,057,194</u>	<u>9,217,794</u>	<u>8,074,257</u>	<u>7,480,779</u>	<u>7,403,891</u>	<u>6,897,036</u>
Plan fiduciary net position - ending (b)	<u>\$ 10,452,605</u>	<u>\$ 9,057,194</u>	<u>\$ 9,217,794</u>	<u>\$ 8,074,257</u>	<u>\$ 7,480,779</u>	<u>\$ 7,403,891</u>
Net pension liability (asset) (a) - (b)	<u>\$ (52,871)</u>	<u>\$ 861,847</u>	<u>\$ 13,091</u>	<u>\$ 688,027</u>	<u>\$ 625,437</u>	<u>\$ 191,773</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	100.51%	91.31%	99.86%	92.15%	92.28%	97.48%
Covered payroll	<u>\$ 3,536,279</u>	<u>\$ 3,464,188</u>	<u>\$ 3,326,828</u>	<u>\$ 2,884,008</u>	<u>\$ 2,690,844</u>	<u>\$ 2,593,878</u>
Net pension liability (asset) as a percentage of total covered payroll	-1.50%	24.88%	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 sixth year of implementation of GASB 68. The City will develop the schedule prospectively.

CITY OF WINDCREST, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS – PENSION**

For the year ended September 30, 2020

Schedule of contributions	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 271,435	\$ 269,902	\$ 261,364	\$ 244,326	\$ 202,494	\$ 183,726
Contributions in relation to the actuarially determined contribution	<u>271,435</u>	<u>269,902</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 3,715,577</u>	<u>\$ 3,577,981</u>	<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	7.31%	7.54%	7.86%	7.64%	7.21%	9.28%

GASB 68 requires 10 fiscal years of data to be provided in this schedule. This is the sixth 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,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPEB liability			
Service cost	\$ 8,487	\$ 9,700	\$ 8,317
Interest on the OPEB liability	6,883	6,433	6,205
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(7,944)	(9,153)	-
Change of assumptions	38,830	(13,983)	16,343
Benefit payments	<u>(1,061)</u>	<u>(1,386)</u>	<u>(1,331)</u>
 Net change in OPEB liability	45,195	(8,389)	29,534
 OPEB liability - beginning	<u>181,815</u>	<u>190,204</u>	<u>160,670</u>
 OPEB liability - ending	<u>\$ 227,010</u>	<u>\$ 181,815</u>	<u>\$ 190,204</u>
 OPEB liability as a percentage of covered payroll	6.42%	5.25%	5.72%

*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the third 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)**

For the year ended September 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 7,803	\$ 7,618	\$ 7,132
Contributions in relation to the actuarially determined contributions	<u>7,803</u>	<u>7,618</u>	<u>7,132</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 3,715,577</u>	<u>\$ 3,577,981</u>	<u>\$ 3,326,842</u>
Contributions as a percentage of covered payroll	0.21%	0.21%	0.21%

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

CITY OF WINDCREST, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended September 30, 2020

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
Remaining amortization period	26 years
Asset valuation method	10 year smoothed market, 12% soft corridor
Actuarial assumption:	
Inflation	2.50%
Salary increases	3.5% to 11.50% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other information:

There were no benefit changes during the year.

OTHER SUPPLEMENTARY INFORMATION



WINDCREST
TEXAS

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.

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.

Streets Fund – accounts for the construction and maintenance of streets and infrastructure being financed from sales tax and grants.

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, 2020

	SPECIAL REVENUE			
	School Crossing Guard	Asset Seizure and Forfeitures (Federal)	Asset Seizure and Forfeitures (State)	County Fire Contributions
Assets				
Cash and cash equivalents	\$ 54,601	\$ 497	\$ 2,901	\$ 5,646
Investments	-	-	-	-
Taxes receivable (net of allowance for uncollectibles):	-	-	-	-
Other receivables	-	-	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 54,601</u>	<u>\$ 497</u>	<u>\$ 2,901</u>	<u>\$ 5,646</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 9	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Accrued interest	-	-	-	-
Total liabilities	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Restricted	54,592	497	2,901	5,646
Total fund balances	<u>54,592</u>	<u>497</u>	<u>2,901</u>	<u>5,646</u>
Total liabilities and fund balances	<u>\$ 54,601</u>	<u>\$ 497</u>	<u>\$ 2,901</u>	<u>\$ 5,646</u>

CITY OF WINDCREST, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2020

SPECIAL REVENUE

Police Donations	Police Education and Training	Roosevelt Scholarships	Court Technology	Building Security	Hotel/Motel Tax
\$ 2,136	\$ 4,937	\$ 2,004	\$ 37,782	\$ 40,529	\$ 232,418
-	-	-	-	-	-
-	-	-	-	-	13,309
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,136</u>	<u>\$ 4,937</u>	<u>\$ 2,004</u>	<u>\$ 37,782</u>	<u>\$ 40,529</u>	<u>\$ 245,727</u>
\$ -	\$ -	\$ -	\$ 6,335	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	6,335	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,136</u>	<u>4,937</u>	<u>2,004</u>	<u>31,447</u>	<u>40,529</u>	<u>245,727</u>
<u>2,136</u>	<u>4,937</u>	<u>2,004</u>	<u>31,447</u>	<u>40,529</u>	<u>245,727</u>
<u>\$ 2,136</u>	<u>\$ 4,937</u>	<u>\$ 2,004</u>	<u>\$ 37,782</u>	<u>\$ 40,529</u>	<u>\$ 245,727</u>

CITY OF WINDCREST, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2020

	<u>SPECIAL REVENUE</u>			Total
	PEG	Streets	Debt Service	Nonmajor
	Fund	Fund	Fund	Governmental
	Fund	Fund	Fund	Funds
Assets				
Cash and cash equivalents	\$ 40,429	\$ 776,170	\$ -	\$ 1,200,050
Investments	-	-	-	-
Taxes receivable (net of allowance for uncollectibles):	-	163,387	6,971	183,667
Other receivables	-	-	598	598
Due from other funds	-	-	-	-
	-	-	-	-
Total assets	\$ 40,429	\$ 939,557	\$ 7,569	\$ 1,384,315
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ -	\$ 22,310	\$ -	\$ 28,654
Due to other governments	-	42,525	-	42,525
Accrued interest	-	-	-	-
Total liabilities	-	64,835	-	71,179
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	6,971	6,971
Total deferred inflows of resources	-	-	6,971	6,971
Fund balances				
Restricted	40,429	874,722	598	1,306,165
Total fund balances	40,429	874,722	598	1,306,165
Total liabilities and fund balances	\$ 40,429	\$ 939,557	\$ 7,569	\$ 1,384,315



WINDCREST

TEXAS

CITY OF WINDCREST, TEXAS

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

For the year ended September 30, 2020

	SPECIAL REVENUE			
	School Crossing Guard	Asset Seizure and Forfeitures (Federal)	Asset Seizure and Forfeitures (State)	County Fire Contributions
REVENUES				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Hotel-motel taxes	-	-	-	-
Sales tax	-	-	-	-
Franchise	-	-	-	-
Intergovernmental	6,678	-	-	-
Fines and fees	-	-	-	-
Donations	-	-	-	-
Investment earnings	86	3	2	-
Miscellaneous	-	-	-	-
Total revenues	6,764	3	2	-
EXPENDITURES				
Current:				
Public safety	1,628	-	-	69
Public works	-	-	-	-
Animal control	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	1,628	-	-	69
Excess (deficiency) of revenues over (under) expenditures	5,136	3	2	(69)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	5,136	3	2	(69)
Fund balance - beginning	49,456	494	2,899	5,715
Fund balances - ending	\$ 54,592	\$ 497	\$ 2,901	\$ 5,646

CITY OF WINDCREST, TEXAS

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

For the year ended September 30, 2020

SPECIAL REVENUE

Police Donations	Police Education and Training	Roosevelt Scholarships	Court Technology	Building Security	Hotel/Motel Tax
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	205,229
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	16,676	15,801	-
615	2,687	-	-	-	-
10	24	-	127	5	2,089
<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>625</u>	<u>2,711</u>	<u>2,000</u>	<u>16,803</u>	<u>15,806</u>	<u>207,318</u>
235	1,325	-	5,679	2,500	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	15,417	24,975	-
<u>235</u>	<u>1,325</u>	<u>-</u>	<u>21,096</u>	<u>27,475</u>	<u>-</u>
<u>390</u>	<u>1,386</u>	<u>2,000</u>	<u>(4,293)</u>	<u>(11,669)</u>	<u>207,318</u>
-	-	-	-	-	-
-	-	-	-	-	(200,200)
-	-	-	-	-	(200,200)
390	1,386	2,000	(4,293)	(11,669)	7,118
<u>1,746</u>	<u>3,551</u>	<u>4</u>	<u>35,740</u>	<u>52,198</u>	<u>238,609</u>
<u>\$ 2,136</u>	<u>\$ 4,937</u>	<u>\$ 2,004</u>	<u>\$ 31,447</u>	<u>\$ 40,529</u>	<u>\$ 245,727</u>

CITY OF WINDCREST, TEXAS

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

For the year ended September 30, 2020

	<u>SPECIAL REVENUE</u>			Total
	PEG	Streets	Debt Service	Nonmajor
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
				<u>Funds</u>
REVENUES				
Taxes:				
Property taxes	\$ -	\$ -	\$ 634,243	\$ 634,243
Hotel-motel taxes	-	-	-	205,229
Sales tax	-	698,095	-	698,095
Franchise	13,766	-	-	13,766
Intergovernmental	-	37,648	-	44,326
Fines and fees	-	-	-	32,477
Donations	-	-	-	3,302
Investment earnings	-	263	-	2,609
Miscellaneous	-	-	-	2,000
Total revenues	<u>13,766</u>	<u>736,006</u>	<u>634,243</u>	<u>1,636,047</u>
EXPENDITURES				
Current:				
Public safety	-	-	-	11,436
Public works	-	3,882	-	3,882
Animal control	-	-	-	-
Debt service:				
Principal	-	-	230,000	230,000
Interest	-	-	420,150	420,150
Capital outlay	-	641,897	-	682,289
Total expenditures	<u>-</u>	<u>645,779</u>	<u>650,150</u>	<u>1,347,757</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,766</u>	<u>90,227</u>	<u>(15,907)</u>	<u>288,290</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	16,065	16,065
Transfers out	-	-	-	(200,200)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>16,065</u>	<u>(184,135)</u>
Net change in fund balances	13,766	90,227	158	104,155
Fund balance - beginning	<u>26,663</u>	<u>784,495</u>	<u>440</u>	<u>1,202,010</u>
Fund balances - ending	<u>\$ 40,429</u>	<u>\$ 874,722</u>	<u>\$ 598</u>	<u>\$ 1,306,165</u>

COMPLIANCE SECTION



WINDCREST
TEXAS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *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 discretely presented component unit (Windcrest Crime and Control Prevention District), each major fund, and the aggregate remaining fund information of the City of Windcrest, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 19, 2021.

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. 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
April 19, 2021