

CITY OF WINDCREST, TEXAS

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended
September 30, 2021

PREPARED BY:
THE FINANCE DEPARTMENT



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



WINDCREST
TEXAS

CITY OF WINDCREST, TEXAS

TABLE OF CONTENTS

September 30, 2021

	<u>PAGE</u>
INTRODUCTORY SECTION	
List of Principal Officials	i
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis (unaudited)	5-15
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	18-19
Statement of Activities	20-21
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	22
Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Proprietary Fund:	
Statement of Net Position	26
Statement of Revenues, Expenses, and Changes in Net Position	27
Statement of Cash Flows	28
Notes to the Financial Statements	31-63

CITY OF WINDCREST, TEXAS

TABLE OF CONTENTS

September 30, 2021

	<u>PAGE</u>
FINANCIAL SECTION (Continued)	
Required Supplementary Information (unaudited):	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	67
Schedule of Changes in the Net Pension Liability (Asset) and Texas Municipal Retirement System (TMRS) Related Ratios	68-69
Schedule of Contributions –Pension	70-71
Schedule of Changes in the Other Postemployment Benefit (OPEB) Liability and Related Ratios	72
Schedule of Contributions – Other Postemployment Benefits (OPEB)	73
Notes to Required Supplementary Information	74
Other Supplementary Information:	
Combining Fund Statements:	
Combining Balance Sheet – Nonmajor Governmental Funds	78-80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	82-84
Windcrest Crime Control and Prevention – Balance Sheet	85
Windcrest Crime Control and Prevention – Schedule of Revenues, Expenditures and Changes in Fund Balance	86
COMPLIANCE SECTION	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	89-90

INTRODUCTORY SECTION



WINDCREST
TEXAS

CITY OF WINDCREST, TEXAS
LIST OF PRINCIPAL OFFICIALS
September 30, 2021

Mayor

Dan Reese

City Council Members

Wes Manning
Cindy Strzelecki
Greg Turner
Frank Archuleta
Joan Pedrotti

City Manager

Rafael Castillo

Attorney

Ryan Henry



WINDCREST
TEXAS

FINANCIAL SECTION



WINDCREST
TEXAS

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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
Streets Fund	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 basic 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, 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 18, 2022 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 18, 2022



WINDCREST
TEXAS

CITY OF WINDCREST, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the year ended September 30, 2021

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, 2021. 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 \$16,194,719 at September 30, 2021.
- During the year, the City's change in net position was an increase of \$2,230,466 for governmental activities and an increase of \$219,573 for business-type activities.
- The City's general fund reported a year end fund balance of \$3,345,818, an increase of \$1,048,039 from the previous year due to increased sales tax and fines. The unassigned fund balance of \$3,323,759 represents 42.47% of general fund operating expenditures, including capital outlay, for the year. The unassigned fund balance represents 44.59% of general fund operating expenditures when capital outlay expenses are not included with total expenditures. The City's unassigned fund balance exceeded 25% of operating expenditures (\$1,863,514) by \$1,460,245.
- Total revenues for the City increased 20.43% from the previous year and total expenses increased 7.23%.

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 \$1,270,378 during the year.
- This is the 15th year of operations for the District.
- The Windcrest CCPD reported total revenues of \$1,327,065 and expenses of \$1,127,574 during the year.
- The Windcrest CCPD reported net position of \$1,507,883 at September 30, 2021.

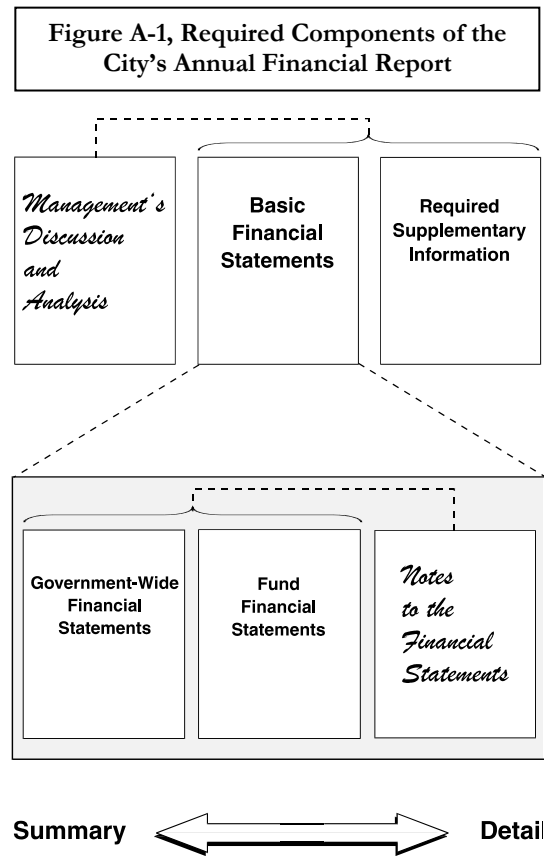
Garbage Fund

- The City's garbage utility fund experienced an operating gain this year as total net position increased \$219,573, resulting in net position of \$114,045 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			
	2021	2020	2021	2020	2021	2020
Current assets:						
Cash and cash equivalents	\$ 8,024,021	\$ 9,354,703	\$ 14,334	\$ 432	\$ 8,038,355	\$ 9,355,135
Investments	25,000	25,000	-	-	25,000	25,000
Receivables, net	2,909,678	1,776,080	228,662	236,532	3,138,340	2,012,612
Prepaid expense	22,059	1,435,296	-	-	22,059	1,435,296
Internal balances	-	162,293	-	(162,293)	-	-
Net pension asset	117,819	46,114	-	-	117,819	46,114
Total current assets	11,098,577	12,799,486	242,996	74,671	11,341,573	12,874,157
Non-current assets:						
Land	347,050	347,050	-	-	347,050	347,050
Construction in progress	-	562,267	-	-	-	562,267
Buildings and improvements	2,467,310	2,437,470	12,240	-	2,479,550	2,437,470
Improvements other than buildings	20,862,499	16,586,669	-	-	20,862,499	16,586,669
Furniture and equipment	6,769,514	5,285,086	11,480	-	6,780,994	5,285,086
Less: accumulated depreciation	(13,601,960)	(12,356,016)	(306)	-	(13,602,266)	(12,356,016)
Total non-current assets	16,844,413	12,862,526	23,414	-	16,867,827	12,862,526
Total assets	27,942,990	25,662,012	266,410	74,671	28,209,400	25,736,683
Deferred outflows of resources	253,988	222,431	-	-	253,988	222,431
Current liabilities:						
Accounts payable and other current liabilities	2,434,393	1,870,406	152,365	180,199	2,586,758	2,050,605
Total current liabilities	2,434,393	1,870,406	152,365	180,199	2,586,758	2,050,605
Non-current liabilities:						
Due within one year	469,612	496,151	-	-	469,612	496,151
Due in more than one year	8,880,704	9,261,277	-	-	8,880,704	9,261,277
Total non-current liabilities	9,350,316	9,757,428	-	-	9,350,316	9,757,428
Total liabilities	11,784,709	11,627,834	152,365	180,199	11,937,074	11,808,033
Deferred inflows of resources	331,595	406,401	-	-	331,595	406,401
Net position:						
Net investment in capital assets	12,153,509	10,415,790	23,414	-	12,176,923	10,415,790
Restricted	500,283	1,306,165	-	-	500,283	1,306,165
Unrestricted	3,426,882	2,128,253	90,631	(105,528)	3,517,513	2,022,725
Total net position	\$ 16,080,674	\$ 13,850,208	\$ 114,045	\$ (105,528)	\$ 16,194,719	\$ 13,744,680

By far, the largest portion of the City's net position, \$12,176,923 (75%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure). The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending.

A small portion of the City's net position (3.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$3,517,513 is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

During the year ended September 30, 2021, the City’s total net position increased by \$2,450,039. Total revenues were \$13,126,141 and expenses were \$10,676,102. A significant portion, 69.0% of the City’s revenues came from taxes, 29.9% 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, 2021, compared to 2020.

TABLE 2
CITY OF WINDCREST’S CHANGES IN NET POSITION

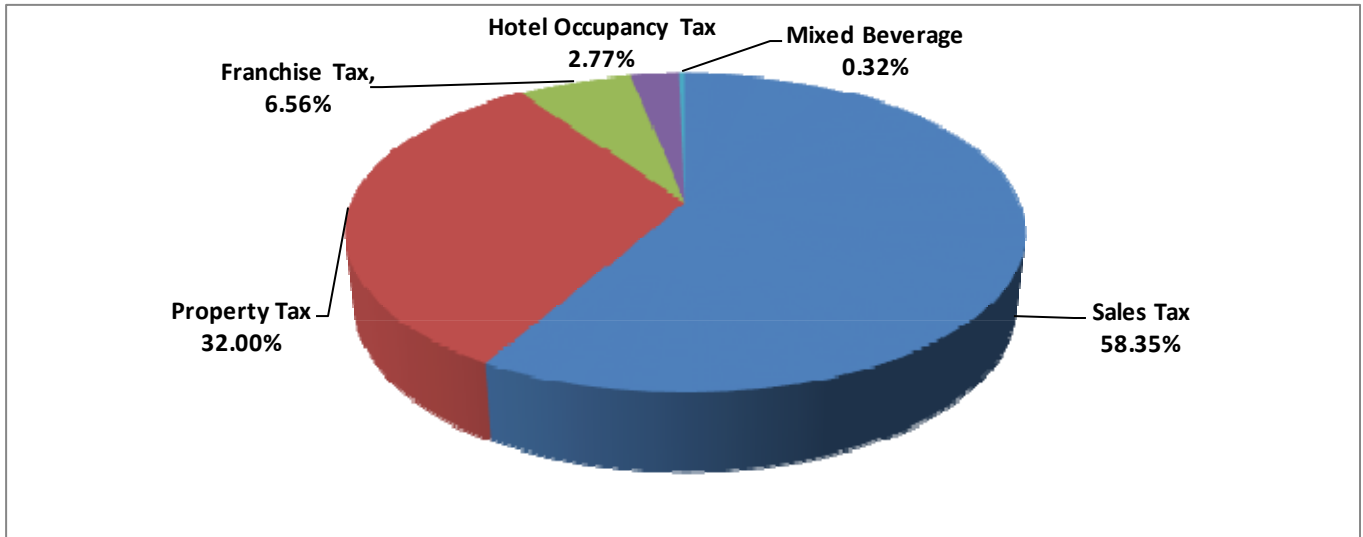
	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2021	2020	2021	2020	2021	2020
REVENUES:						
Program revenues:						
Charges for services	\$ 1,202,700	\$ 1,079,300	\$ 1,875,561	\$ 1,381,333	\$ 3,078,261	\$ 2,460,633
Operating grants and contributions	81,490	159,727	-	-	81,490	159,727
Capital grants and contributions	765,420	287,219	-	-	765,420	287,219
General revenues:						
Property taxes	2,899,528	2,846,825	-	-	2,899,528	2,846,825
Other taxes	6,162,350	4,999,088	-	-	6,162,350	4,999,088
Investment earnings	902	67,352	2	158	904	67,510
Gain (loss) on fixed asset disposal	48,142	50,000	-	-	48,142	50,000
Other	90,046	28,357	-	-	90,046	28,357
Transfers	125,000	125,000	(125,000)	(125,000)	-	-
Total revenues	<u>11,375,578</u>	<u>9,642,868</u>	<u>1,750,563</u>	<u>1,256,491</u>	<u>13,126,141</u>	<u>10,899,359</u>
EXPENSES:						
General government	3,476,793	3,459,623	-	-	3,476,793	3,459,623
Public safety	3,566,616	3,496,269	-	-	3,566,616	3,496,269
Public works	1,947,461	1,678,987	-	-	1,947,461	1,678,987
Animal control	154,242	170,817	-	-	154,242	170,817
Garbage	-	-	1,530,990	1,150,681	1,530,990	1,150,681
Total expenses	<u>9,145,112</u>	<u>8,805,696</u>	<u>1,530,990</u>	<u>1,150,681</u>	<u>10,676,102</u>	<u>9,956,377</u>
Change in net position	2,230,466	837,172	219,573	105,810	2,450,039	942,982
NET POSITION - BEGINNING	<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>
NET POSITION – ENDING	<u>\$ 16,080,674</u>	<u>\$ 13,850,208</u>	<u>\$ 114,045</u>	<u>\$ (105,528)</u>	<u>\$ 16,194,719</u>	<u>\$ 13,744,680</u>

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

- Total revenues increased by \$1,732,710, primarily due to an increase in sales tax, grant proceeds, and contributions.
- Total expenses increased by \$339,416, with the largest increase in public works expenses.

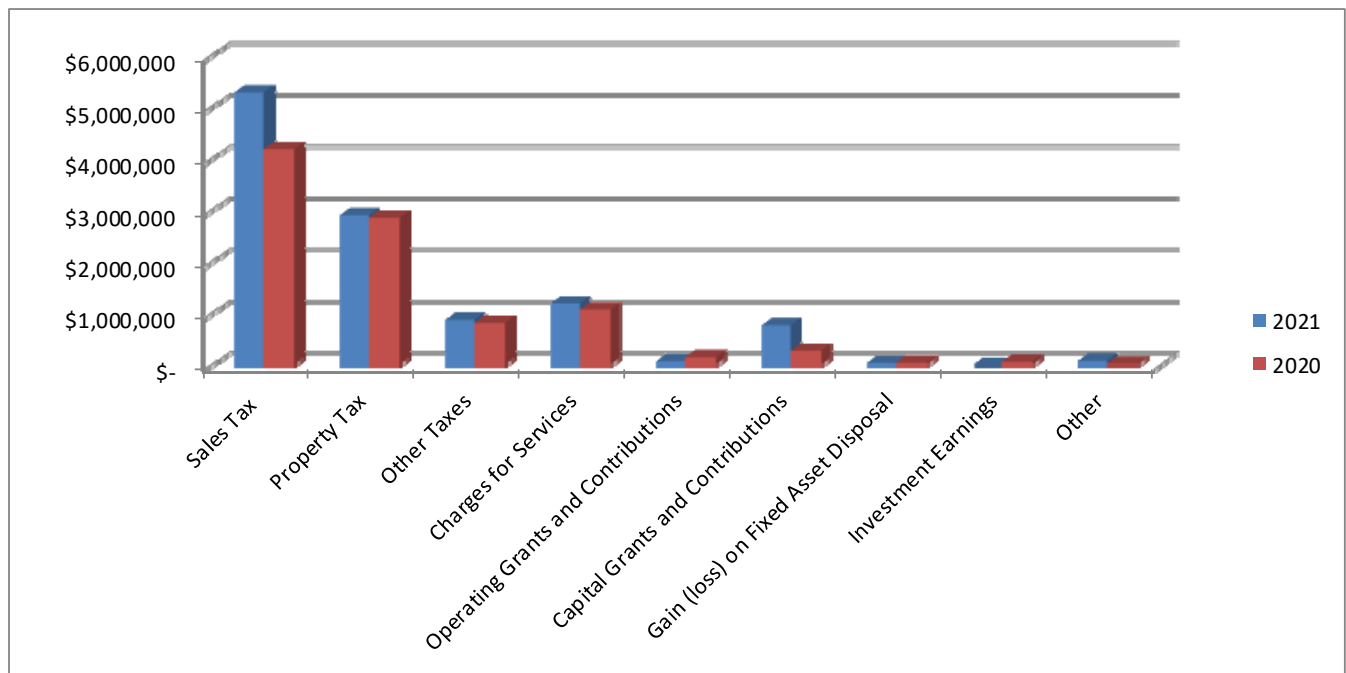
Property tax rates decreased to \$0.409494, with \$0.323414 allocated to operations and \$.08608 allocated to interest and sinking. Property taxes levied changed from \$3,168,286 in 2020 to \$3,197,559 in 2021, an increase of \$29,273. As illustrated in the following graph, property taxes are one of the largest sources of revenue and increased by approximately 1.85% from the prior year. The small growth in the property taxes is a result of a decrease in the tax rate and an increase of approximately 1.9% 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, permits, leases, 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.

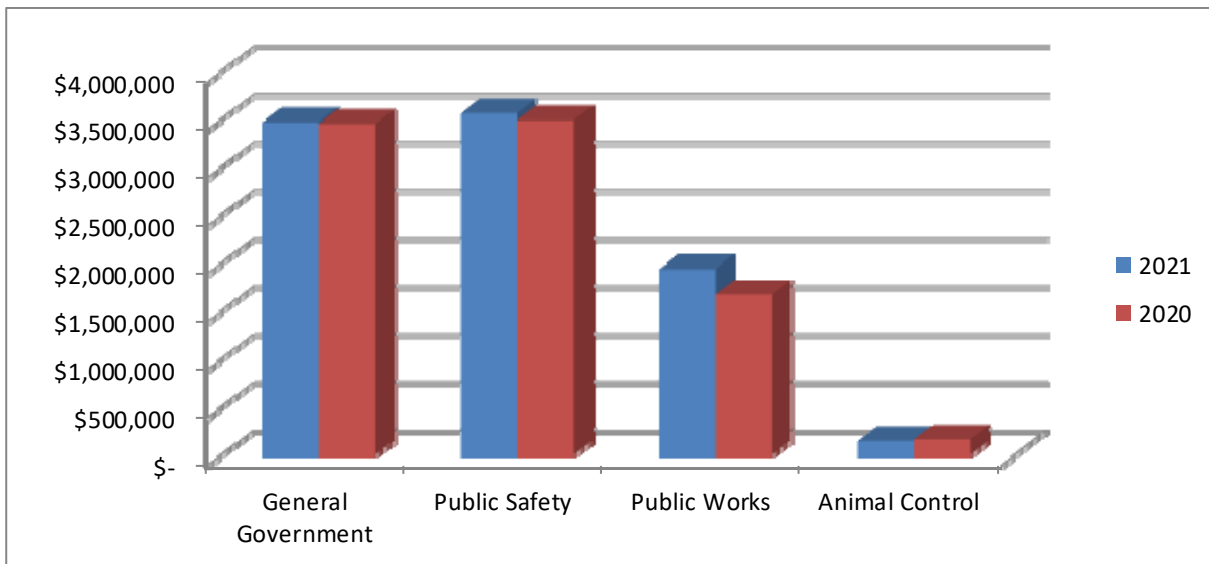
TABLE 3
CITY OF WINDCREST’S NET COST OF SELECT CITY FUNCTIONS

	Net Cost of Services	
	2021	2020
General government	\$ (2,799,862)	\$ (2,975,768)
Public safety	(2,795,458)	(2,631,546)
Public works	(1,346,200)	(1,501,584)
Animal control	(153,982)	(170,552)
Garbage utility	344,571	230,652

The net expense of all governmental activities this year before general revenues was \$6,750,931. This net expense was funded by general revenues of \$9,200,970.

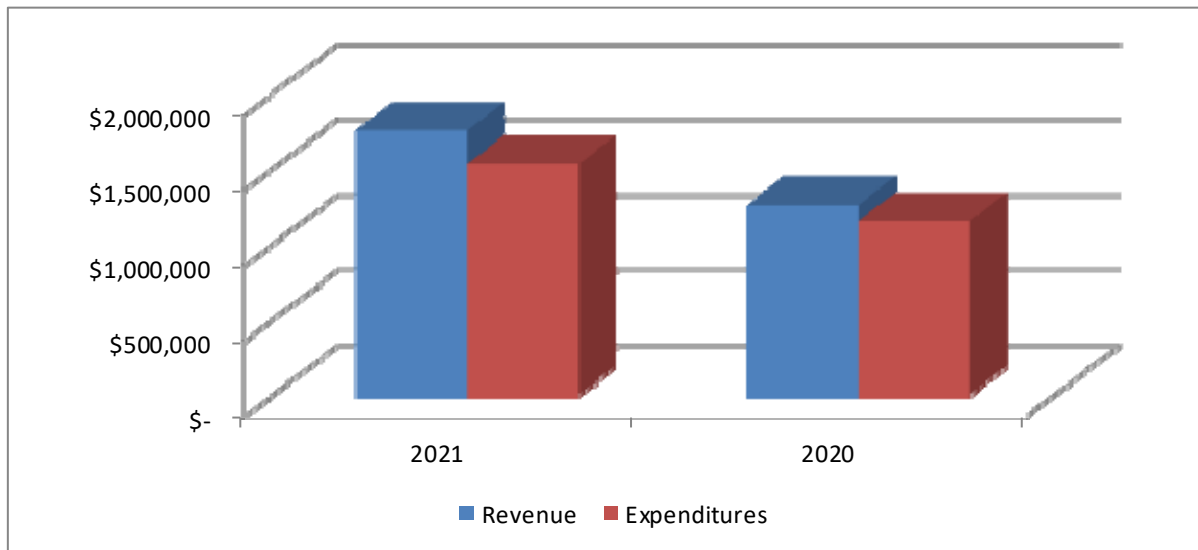
Expenses in governmental activities increased by approximately 3.9%. General government and public safety were the largest cost centers, as illustrated in the graph below. Public works increased by approximately 16% as a result of increases in street construction.

Total Expenses – Governmental Activities



Business-type activities. Revenues of the City’s business-type activities (garbage utility) were \$1,750,563 and expenses were \$1,530,990, yielding an operating income of \$219,573. The net position of the garbage utility ended the year with a surplus of \$114,045. 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 2021, to eliminate the deficit and create a positive net position.

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 funds reported combined ending fund balance of \$8.0 million. Of this total, \$3.3 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 \$3,323,759, while total fund balance was \$3,345,818, an increase of \$1,048,039 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 \$4,266,722 in the 2019 a-streets fund and there was no fund balance left in the 2019 b-fire fund.

Revenues from governmental fund types totaled \$11,079,726, an increase of \$1,640,922 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, leases, interest, and miscellaneous revenue. Expenditures totaled \$13,719,220, an increase of \$2,331,156 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 \$309,480.

Final actual revenues were \$665,582 more than final budgeted revenues.

Final actual expenditures were \$423,282 more than final budget expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of 2021, the City had invested \$16,867,827 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 \$4,005,301 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		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2021	2020	2021	2020	2021	2020
Land	\$ 347,050	\$ 347,050	\$ -	\$ -	\$ 347,050	\$ 347,050
Construction in progress	-	562,267	-	-	-	562,267
Buildings and improvements	2,467,310	2,437,470	12,240	-	2,479,550	2,437,470
Improvements other than buildings	20,862,499	16,586,669	-	-	20,862,499	16,586,669
Furniture and equipment	6,769,514	5,285,086	11,480	-	6,780,994	5,285,086
Total	<u>30,446,373</u>	<u>25,218,542</u>	<u>23,720</u>	-	<u>30,470,093</u>	<u>25,218,542</u>
Total accumulated depreciation	<u>(13,601,960)</u>	<u>(12,356,016)</u>	<u>(306)</u>	-	<u>(13,602,266)</u>	<u>(12,356,016)</u>
 Net capital assets	 <u>\$ 16,844,413</u>	 <u>\$ 12,862,526</u>	 <u>\$ 23,414</u>	 <u>\$ -</u>	 <u>\$ 16,867,827</u>	 <u>\$ 12,862,526</u>

Long-term debt. At year end, the primary government had capital leases of \$46,934 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 \$7,925,000.

	GOVERNMENTAL ACTIVITIES	
	2021	2020
Capital leases	\$ 46,934	\$ 137,531
Bonds	7,925,000	8,235,000
Premium	985,692	1,044,936
Compensated absences	153,740	141,965
Total debt	<u>\$ 9,111,366</u>	<u>\$ 9,559,432</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in developing the 2021-2022 budget:

- Assessed taxable property value increased from \$780,237,817 in 2020 to \$810,526,491 in 2021, an increase of \$30,288,674.
- Revenues available for appropriation in the general fund budget for 2021-2022 are \$8,590,456.
- Estimated general fund operating expenditures for the 2021-2022 budget are \$8,320,227.
- The Ad Valorem tax rate for fiscal year 2021-2022 is budgeted at 0.409494, which consists of \$0.323494 for Operation and Maintenance and \$0.08800 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 and fiscal year 21-22.

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.

The City's management team identified strategies to offset potential revenue declines that may continue into Fiscal Year 2021-2022, including conservative estimate for budgeted revenues and deferral of major expenditures, to allow assessment of the economic recovery.

Still dealing with the uncertainty, in a post pandemic time, there were no major additions (increases) or reductions (decreases) in services approved in Fiscal year 2021-2022 Adopted Budget and the city staff is committed to provide the same or better level of services to the City of Windcrest residents and visitors.

Although the focus of this report is based on the economic condition of the City prevailing as of September 30, 2021, 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:

Rafael Castillo, Jr.
City Manager
City of Windcrest
8601 Midcrown
Windcrest, Texas 78239
rcastillo@windcrest-tx.gov

Natalia Witmer
Municipal Finance Officer
City of Windcrest
8601 Midcrown
Windcrest, Texas 78239
nwitmer@windcrest-tx.gov



WINDCREST
TEXAS

BASIC FINANCIAL STATEMENTS

CITY OF WINDCREST, TEXAS
STATEMENT OF NET POSITION

September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,024,021	\$ 14,334	\$ 8,038,355
Investments	25,000	-	25,000
Receivables (net of allowance for uncollectibles):			
Taxes	2,495,878	-	2,495,878
Fines	399,653	-	399,653
Accounts	14,147	228,662	242,809
Due from primary government	-	-	-
Prepaid expense	22,059	-	22,059
Net pension asset	117,819	-	117,819
Capital assets:			
Land	347,050	-	347,050
Buildings and improvements	2,467,310	12,240	2,479,550
Improvements other than buildings	20,862,499	-	20,862,499
Furniture and equipment	6,769,514	11,480	6,780,994
Less: accumulated depreciation	(13,601,960)	(306)	(13,602,266)
Total capital assets	<u>16,844,413</u>	<u>23,414</u>	<u>16,867,827</u>
Total assets	<u>27,942,990</u>	<u>266,410</u>	<u>28,209,400</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	201,034	-	201,034
Deferred outflows related to OPEB	52,954	-	52,954
Total deferred outflows of resources	<u>253,988</u>	<u>-</u>	<u>253,988</u>
LIABILITIES			
Accounts payable	339,994	110,241	450,235
Accrued liabilities	139,686	-	139,686
Due to other governments	1,245,248	34,949	1,280,197
Due to component units	162,599	-	162,599
Accrued interest payable	43,556	-	43,556
Unearned revenue	503,310	7,175	510,485
Noncurrent liabilities:			
Due within one year	469,612	-	469,612
Due in more than one year	8,880,704	-	8,880,704
Total liabilities	<u>11,784,709</u>	<u>152,365</u>	<u>11,937,074</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	313,285	-	313,285
Deferred inflows related to OPEB	18,310	-	18,310
Total deferred inflows of resources	<u>331,595</u>	<u>-</u>	<u>331,595</u>
NET POSITION			
Net investment in capital assets	12,153,509	23,414	12,176,923
Restricted for:			
Streets	120,804	-	120,804
Other purposes	379,479	-	379,479
Economic Development Corporation	-	-	-
Crime Control and Prevention	-	-	-
Unrestricted	3,426,882	90,631	3,517,513
Total net position	<u>\$ 16,080,674</u>	<u>\$ 114,045</u>	<u>\$ 16,194,719</u>

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

Component Units			
	Economic Development Corp. (Unaudited)		Crime Control and Prevention District
\$	1,000,329	\$	367,685
	-		-
	380,153		380,383
	-		-
	-		-
	163,304		-
	5,279		8,477
	1,465		16,021
	-		-
	3,350		-
	-		104,641
	-		1,698,284
	(3,350)		(977,430)
	-		825,495
	<u>1,550,530</u>		<u>1,598,061</u>
	2,500		27,287
	674		6,938
	<u>3,174</u>		<u>34,225</u>
	1,932		3,924
	6,333		18,319
	154,459		-
	-		-
	-		-
	-		-
	444		5,529
	4,302		49,078
	<u>167,470</u>		<u>76,850</u>
	5,769		45,356
	189		2,197
	<u>5,958</u>		<u>47,553</u>
	-		825,495
	-		-
	-		-
	1,380,276		-
	-		682,388
	-		-
\$	<u>1,380,276</u>	\$	<u>1,507,883</u>

CITY OF WINDCREST, TEXAS

STATEMENT OF ACTIVITIES

For the year ended September 30, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 3,476,793	\$ 507,648	\$ 22,204	\$ 147,079
Public safety	3,566,616	694,792	59,286	17,080
Public works	1,947,461	-	-	601,261
Animal control	154,242	260	-	-
Total governmental activities	<u>9,145,112</u>	<u>1,202,700</u>	<u>81,490</u>	<u>765,420</u>
Business-type activities:				
Garbage utility	1,530,990	1,875,561	-	-
Total business-type activities	1,530,990	1,875,561	-	-
Total primary government	<u>\$ 10,676,102</u>	<u>\$ 3,078,261</u>	<u>\$ 81,490</u>	<u>\$ 765,420</u>
Component units				
Economic Development Corporation (unaudited)	\$ 902,860	\$ -	\$ -	\$ -
Crime Control and Prevention District	1,108,352	-	56,651	-
Total component units	<u>\$ 2,011,212</u>	<u>\$ -</u>	<u>\$ 56,651</u>	<u>\$ -</u>
General revenues				
Taxes:				
Property, levied for general purposes				
Sales				
Hotel occupancy				
Franchise				
Mixed beverage				
Investment earnings				
Gain (loss) on fixed asset disposal				
Miscellaneous				
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		
\$ (2,799,862)	\$ -	\$ (2,799,862)		
(2,795,458)	-	(2,795,458)		
(1,346,200)	-	(1,346,200)		
(153,982)	-	(153,982)		
<u>(7,095,502)</u>	<u>-</u>	<u>(7,095,502)</u>		
-	344,571	344,571		
-	344,571	344,571		
<u>(7,095,502)</u>	<u>344,571</u>	<u>(6,750,931)</u>		
			\$ (902,860)	\$ -
			<u>-</u>	<u>(1,051,701)</u>
			<u>(902,860)</u>	<u>(1,051,701)</u>
2,899,528	-	2,899,528	-	-
5,288,029	-	5,288,029	881,338	1,270,378
250,745	-	250,745	-	-
594,575	-	594,575	-	-
29,001	-	29,001	-	-
902	2	904	429	36
48,142	-	48,142	-	(19,222)
90,046	-	90,046	-	-
125,000	(125,000)	-	-	-
<u>9,325,968</u>	<u>(124,998)</u>	<u>9,200,970</u>	<u>881,767</u>	<u>1,251,192</u>
2,230,466	219,573	2,450,039	(21,093)	199,491
<u>13,850,208</u>	<u>(105,528)</u>	<u>13,650,971</u>	<u>1,401,369</u>	<u>1,308,392</u>
<u>\$ 16,080,674</u>	<u>\$ 114,045</u>	<u>\$ 16,194,719</u>	<u>\$ 1,380,276</u>	<u>\$ 1,507,883</u>

CITY OF WINDCREST, TEXAS

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2021

	General Fund	Capital Projects Fund Series 2019 A-Streets	Capital Projects Fund Series 2019 B-Fire	Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 3,281,664	\$ 4,374,720	\$ -	\$ -	\$ 367,637	\$ 8,024,021
Investments	25,000	-	-	-	-	25,000
Receivables (net of allowance for uncollectibles):						
Taxes	1,972,500	-	-	380,063	30,710	2,383,273
Fines	399,653	-	-	-	-	399,653
Franchise fees	112,605	-	-	-	-	112,605
Other	9,586	-	-	-	4,561	14,147
Prepaid items	<u>22,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,059</u>
Total assets	<u>\$ 5,823,067</u>	<u>\$ 4,374,720</u>	<u>\$ -</u>	<u>\$ 380,063</u>	<u>\$ 402,908</u>	<u>\$ 10,980,758</u>
LIABILITIES						
Accounts payable	\$ 140,857	\$ 107,998	\$ -	\$ 77,977	\$ 13,162	\$ 339,994
Accrued liabilities	139,686	-	-	-	-	139,686
Due to component units	162,599	-	-	-	-	162,599
Due to other governments	1,063,966	-	-	181,282	-	1,245,248
Unearned revenues	<u>503,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>503,310</u>
Total liabilities	<u>2,010,418</u>	<u>107,998</u>	<u>-</u>	<u>259,259</u>	<u>13,162</u>	<u>2,390,837</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	67,178	-	-	-	10,267	77,445
Deferred revenue - fines	<u>399,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>399,653</u>
Total deferred inflows of resources	<u>466,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,267</u>	<u>477,098</u>
FUND BALANCES						
Nonspendable	22,059	-	-	-	-	22,059
Restricted						
Capital projects	-	4,266,722	-	-	-	4,266,722
Streets	-	-	-	120,804	-	120,804
Other purposes	-	-	-	-	379,479	379,479
Unassigned	<u>3,323,759</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,323,759</u>
Total fund balances	<u>3,345,818</u>	<u>4,266,722</u>	<u>-</u>	<u>120,804</u>	<u>379,479</u>	<u>8,112,823</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,823,067</u>	<u>\$ 4,374,720</u>	<u>\$ -</u>	<u>\$ 380,063</u>	<u>\$ 402,908</u>	<u>\$ 10,980,758</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, 2021

Total fund balances - governmental funds balance sheet	\$ 8,112,823
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.	16,844,413
The net pension asset used in governmental funds is not a financial resource and, therefore, is not reported in the funds.	117,819
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.	(9,350,316)
Accrued interest payable is not due and payable in the current period and therefore, is not reported in the funds.	(43,556)
Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are not reported in the funds.	(77,607)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	<u>477,098</u>
Net position of governmental activities - statement of net position	<u><u>\$ 16,080,674</u></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, 2021

	General Fund	Capital Projects Fund Series 2019 A-Streets	Capital Projects Fund Series 2019 B-Fire	Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$ 2,210,246	\$ -	\$ -	\$ -	\$ 677,547	\$ 2,887,793
Sales	4,406,688	-	-	881,341	-	5,288,029
Franchise	577,550	-	-	-	17,025	594,575
Hotel occupancy	-	-	-	-	250,745	250,745
Mixed beverage	29,001	-	-	-	-	29,001
Fines and fees	555,371	-	-	-	34,412	589,783
Licenses and permits	203,466	-	-	-	-	203,466
Intergovernmental	53,000	601,261	-	-	6,919	661,180
Charges for services	245,476	-	-	-	-	245,476
Grant proceeds	228,813	-	-	-	-	228,813
Donations	4,748	-	-	-	5,169	9,917
Investment earnings	433	429	-	8	32	902
Miscellaneous	90,046	-	-	-	-	90,046
Total revenues	<u>8,604,838</u>	<u>601,690</u>	<u>-</u>	<u>881,349</u>	<u>991,849</u>	<u>11,079,726</u>
EXPENDITURES						
Current:						
General government	3,091,128	-	-	-	-	3,091,128
Public safety	3,387,203	-	-	-	12,852	3,400,055
Public works	821,710	-	-	7,340	-	829,050
Animal control	154,016	-	-	-	-	154,016
Debt service:						
Principal	90,597	-	-	-	310,000	400,597
Interest	3,093	-	-	-	352,050	355,143
Capital outlay	371,090	1,883,114	1,422,585	1,733,511	78,931	5,489,231
Total expenditures	<u>7,918,837</u>	<u>1,883,114</u>	<u>1,422,585</u>	<u>1,740,851</u>	<u>753,833</u>	<u>13,719,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>686,001</u>	<u>(1,281,424)</u>	<u>(1,422,585)</u>	<u>(859,502)</u>	<u>238,016</u>	<u>(2,639,494)</u>
OTHER FINANCING SOURCES (USES)						
Other sources - sale of fixed assets	52,642	-	-	-	-	52,642
Transfers in	416,873	-	-	105,584	1,893	524,350
Transfers out	(107,477)	-	-	-	(291,873)	(399,350)
Total other financing sources	<u>362,038</u>	<u>-</u>	<u>-</u>	<u>105,584</u>	<u>(289,980)</u>	<u>177,642</u>
Net change in fund balances (uses)	1,048,039	(1,281,424)	(1,422,585)	(753,918)	(51,964)	(2,461,852)
Fund balance - beginning	<u>2,297,779</u>	<u>5,548,146</u>	<u>1,422,585</u>	<u>874,722</u>	<u>431,443</u>	<u>10,574,675</u>
Fund balance - ending	<u>\$ 3,345,818</u>	<u>\$ 4,266,722</u>	<u>\$ -</u>	<u>\$ 120,804</u>	<u>\$ 379,479</u>	<u>\$ 7,992,019</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, 2021

Net change in fund balances - total governmental funds \$ (2,461,852)

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. 3,981,887

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. 137,114

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. 448,066

Some revenues in the statement of activities do not provide current financial resources and are not included in the governmental funds. 125,251

Change in net position of governmental activities - statement of activities \$ 2,230,466

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

CITY OF WINDCREST, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND

September 30, 2021

	Business-Type Activities	Garbage Utility
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,334	
Accounts receivable (net allowances for uncollectibles)	<u>228,662</u>	
Total current assets		<u>242,996</u>
Capital assets:		
Buildings and improvements		12,240
Furniture and equipment		11,480
Accumulated depreciation		<u>(306)</u>
Capital assets net of accumulated depreciation		<u>23,414</u>
Total assets		<u>266,410</u>
LIABILITIES		
Current liabilities:		
Accounts payable		110,241
Due to other governments		34,949
Unearned revenues		<u>7,175</u>
Total liabilities		<u>152,365</u>
NET POSITION		
Net investment in capital assets		23,414
Unrestricted		<u>90,631</u>
Total net position		<u>114,045</u>
Total liabilities and net position	\$	<u><u>266,410</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, 2021

	Business-Type Activities
	Garbage Utility
OPERATING REVENUES	
Charges for services:	
Commercial customer charges	\$ 1,201,048
Residential customer charges	632,119
Miscellaneous	42,394
Total operating revenues	1,875,561
OPERATING EXPENSES	
Contracted services - commercial sanitation	869,580
Contracted services - residential sanitation	545,138
Personnel	72,904
Bad debt expense	18,724
Depreciation	306
Other	24,338
Total operating expenses	1,530,990
Operating income (loss)	344,571
NONOPERATING REVENUES	
Investment earnings	2
Transfers out	(125,000)
Total nonoperating revenues	(124,998)
Change in net position	219,573
Total net position - beginning	(105,528)
Total net position - ending	\$ 114,045

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, 2021

	Business-Type Activities
	Garbage Utility
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,852,963
Payments to suppliers and service providers	(1,617,439)
Payments to employees	(72,904)
Net cash provided by (used in) operating activities	162,620
CASH FLOWS FROM NONCAPITAL ACTIVITIES	
Payments to other funds	(125,000)
CASH FLOWS FROM CAPITAL ACTIVITIES	
Purchase of capital assets	(23,720)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	2
Net increase (decrease) in cash and cash equivalents	13,902
Cash and cash equivalents at beginning of year	432
Cash and cash equivalents at end of year	\$ 14,334
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	
Operating income (loss)	\$ 344,571
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	306
Change in assets and liabilities:	
Decrease (increase) in receivables	7,870
Increase (decrease) in accounts payable	(3,405)
Increase (decrease) in due to other funds	(162,293)
Increase (decrease) in due to other governments	(12,685)
Increase (decrease) in unearned revenues	(11,744)
Net cash provided by (used in) operating activities	\$ 162,620

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

NOTES TO BASIC FINANCIAL STATEMENTS



WINDCREST
TEXAS

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(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, 2021

(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 **streets fund** accounts for the construction and maintenance of streets and infrastructure being financed from sales tax and grants.

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, 2021

(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, 2021

(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 \$423,282.

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, 2021, 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.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(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, 2021

(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, 2021, the general fund rate was \$0.323414. The debt service fund rate was \$0.08608.

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, 2021

(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, 2021.
- **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, 2021

(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, 2021

(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, 2021, the general fund's unassigned fund balance is \$3,323,759, which equals 44.59% 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: 1.00% to the City's general fund; .25% to the City's streets fund; .25% to ad valorem tax offset; .25% to the WEDC, and .25% to the WCCP.
- **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, 2021

(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, 2021, the City’s cash on hand was \$1,800. The carrying amount of deposits were \$7,885,598 and the bank balances were \$8,772,397. 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 \$367,685 which was fully collateralized and the WEDC carrying balance was \$885,504.

As of September 30, 2021, 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	\$ 1,800	
Bank deposits	7,885,598	
TexPool (Local Government Investment Pool)	<u>150,957</u>	0.09
Total cash and cash equivalents	<u>\$ 8,038,355</u>	
Investments		
Certificates of deposit	<u>\$ 25,000</u>	0.79
Portfolio weighted average maturity		0.19
Discretely presented component unit:		
Windcrest Crime Control and Prevention		
Bank deposits	<u>\$ 367,685</u>	

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, 2021

(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, 2021:

	<u>September 30, 2021</u>
	<u>The City of Windcrest</u>
Investments measured at amortized cost:	
Certificates of deposit	\$ 25,000
External investment pools - TexPool	<u>150,957</u>
Total investments at amortized cost	<u>175,957</u>
 Total investments	 <u>\$ 175,957</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Deposits and investments (continued)

Accounts receivable

Accounts receivable at September 30, 2021 were as follows:

	General Fund	Streets Fund	Nonmajor Governmental Funds	Garbage Utility Fund	WCCP
Receivables:					
Taxes	\$ 1,984,356	\$ 380,063	\$ 35,916	\$ -	\$ 163,084
Fines	799,305	-	-	-	-
Utilities	-	-	-	355,125	-
Franchise fees	112,605	-	-	-	-
Grants	-	-	-	-	-
Miscellaneous	<u>9,586</u>	<u>-</u>	<u>1,167</u>	<u>-</u>	<u>-</u>
Gross receivables	2,905,852	380,063	37,083	355,125	163,084
Less:					
Allowance for uncollectibles	<u>(411,508)</u>	<u>-</u>	<u>(1,812)</u>	<u>(126,463)</u>	<u>-</u>
Net total receivables	<u>\$ 2,494,344</u>	<u>\$ 380,063</u>	<u>\$ 35,271</u>	<u>\$ 228,662</u>	<u>\$ 163,084</u>

(the remainder of this page intentionally left blank)

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Capital assets

Capital asset activity for the primary government for the year ended September 30, 2021, was as follows:

	Balance October 1, 2020	Issued / Additions	Retired / Deletions	Balance September 30, 2021
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 347,050	\$ -	\$ -	\$ 347,050
Construction in progress	<u>562,267</u>	<u>-</u>	<u>(562,267)</u>	<u>-</u>
Total capital assets not being depreciated	<u>909,317</u>	<u>-</u>	<u>(562,267)</u>	<u>347,050</u>
Capital assets being depreciated:				
Buildings and improvements	2,437,470	29,840	-	2,467,310
Improvements other than buildings	16,586,669	4,275,830	-	20,862,499
Furniture and equipment	<u>5,285,086</u>	<u>1,745,828</u>	<u>(261,400)</u>	<u>6,769,514</u>
Total capital assets being depreciated	<u>24,309,225</u>	<u>6,051,498</u>	<u>(261,400)</u>	<u>30,099,323</u>
Less accumulated depreciation:				
Buildings and improvements	(1,875,875)	(45,913)	-	(1,921,788)
Improvements other than buildings	(6,737,024)	(1,101,024)	-	(7,838,048)
Furniture and equipment	<u>(3,743,117)</u>	<u>(355,907)</u>	<u>256,900</u>	<u>(3,842,124)</u>
Total accumulated depreciation	<u>(12,356,016)</u>	<u>(1,502,844)</u>	<u>256,900</u>	<u>(13,601,960)</u>
Total capital assets being depreciated, net	<u>11,953,209</u>	<u>4,548,654</u>	<u>(4,500)</u>	<u>16,497,363</u>
Governmental activities capital assets, net	<u>\$ 12,862,526</u>	<u>\$ 4,548,654</u>	<u>\$ (566,767)</u>	<u>\$ 16,844,413</u>
	Balance October 1, 2020	Issued / Additions	Retired / Deletions	Balance September 30, 2021
Business-type activities				
Capital assets being depreciated:				
Buildings and improvements	\$ -	\$ 12,240	\$ -	\$ 12,240
Furniture and equipment	<u>-</u>	<u>11,480</u>	<u>-</u>	<u>11,480</u>
Total capital assets being depreciated	<u>-</u>	<u>23,720</u>	<u>-</u>	<u>23,720</u>
Less accumulated depreciation:				
Buildings and improvements	-	(306)	-	(306)
Furniture and equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>-</u>	<u>(306)</u>	<u>-</u>	<u>(306)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>23,414</u>	<u>-</u>	<u>23,414</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 23,414</u>	<u>\$ -</u>	<u>\$ 23,414</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Capital assets (continued)

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

General government	\$ 124,166
Public safety	235,387
Public works	1,139,739
Animal control	<u>3,552</u>
 Total depreciation expense	 <u>\$ 1,502,844</u>

Discretely presented component unit

Capital asset activity for the WCCP for the year ended September 30, 2021 was as follows:

	Balance October 1, 2020	Issued / Additions	Retired / Deletions	Balance September 30, 2021
Discretely presented component unit:				
Capital assets being depreciated:				
Improvements other than buildings	\$ 104,641	\$ -	\$ -	\$ 104,641
Furniture and equipment	<u>1,702,201</u>	<u>102,535</u>	<u>(106,452)</u>	<u>1,698,284</u>
Total capital assets being depreciated	<u>1,806,842</u>	<u>102,535</u>	<u>(106,452)</u>	<u>1,802,925</u>
Less: accumulated depreciation:				
Improvements other than buildings	(21,459)	(20,618)	-	(42,077)
Furniture and equipment	<u>(725,366)</u>	<u>(297,217)</u>	<u>87,230</u>	<u>(935,353)</u>
Total accumulated depreciation	<u>(746,825)</u>	<u>(317,835)</u>	<u>87,230</u>	<u>(977,430)</u>
Total capital assets being depreciated, net	<u>1,060,017</u>	<u>(215,300)</u>	<u>(19,222)</u>	<u>825,495</u>
WCCP capital assets, net	<u>\$ 1,060,017</u>	<u>\$ (215,300)</u>	<u>\$ (19,222)</u>	<u>\$ 825,495</u>

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

Public safety	<u>\$ 317,835</u>
---------------	-------------------

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Transfers

Transfers during the year ended September 30, 2021, were:

	Transfers In	Transfers Out
General fund:		
Nonmajor funds	\$ 291,873	\$ 1,893
Garbage fund	125,000	-
Streets fund	-	105,584
Streets fund		
General fund	105,584	-
Nonmajor funds:		
General fund	1,893	291,873
Garbage fund:		
General fund	-	125,000
Total	\$ 524,350	\$ 524,350

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:

Year Ending September 30,	Principal	Interest	Total Requirements
2022	\$ 46,934	\$ 1,234	\$ 48,168
Total	\$ 46,934	\$ 1,234	\$ 48,168

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(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, 2021:

Equipment	\$ 621,647
Less: accumulated depreciation	<u>(464,889)</u>
Net leased property	<u>\$ 156,758</u>

Changes in long-term liabilities

	Balance October 1, 2020	Issued / Additions	Retired / Payments	Balance Septemer 30, 2021	Due Within One Year
Governmental activities					
Long-term debt					
General obligation bonds	\$ 8,235,000	\$ -	\$ (310,000)	\$ 7,925,000	\$ 325,000
Premium on issuance	1,044,936	-	(59,244)	985,692	59,243
Capital lease - street sweeper	92,666	-	(45,732)	46,934	46,934
Capital lease - light and fixtures	<u>44,865</u>	<u>-</u>	<u>(44,865)</u>	<u>-</u>	<u>-</u>
Total long-term debt	9,417,467	-	(459,841)	8,957,626	431,177
Other long-term liabilities					
Compensated absences	141,965	47,266	(35,491)	153,740	38,435
Net pension liability (asset)	(46,114)	-	(71,705)	(117,819)	-
OPEB liability	<u>197,996</u>	<u>40,954</u>	<u>-</u>	<u>238,950</u>	<u>-</u>
Total other long-term liabilities	<u>293,847</u>	<u>88,220</u>	<u>(107,196)</u>	<u>274,871</u>	<u>38,435</u>
Total	<u>\$ 9,711,314</u>	<u>\$ 88,220</u>	<u>\$ (567,037)</u>	<u>\$ 9,232,497</u>	<u>\$ 469,612</u>
Discretely presented component unit:					
WCCP:					
Other long-term liabilities					
Compensated absences	\$ 17,959	\$ 8,646	\$ (4,490)	\$ 22,115	\$ 5,529
Net pension liability (asset)	(6,143)	-	(9,878)	(16,021)	-
OPEB liability	<u>26,378</u>	<u>6,115</u>	<u>-</u>	<u>32,493</u>	<u>-</u>
Total	<u>\$ 38,194</u>	<u>\$ 14,761</u>	<u>\$ (14,368)</u>	<u>\$ 38,587</u>	<u>\$ 5,529</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Long-term liabilities (continued)

The annual requirement to amortize all long-term bonded debt outstanding as of September 30, 2021, including principal and interest payments, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
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	395,000	263,375	658,375
2027-2031	2,280,000	1,013,800	3,293,800
2032-2036	2,450,000	512,400	2,962,400
2037-2039	1,395,000	85,300	1,480,300
	\$ 7,925,000	\$ 3,113,000	\$ 11,038,000

Defined benefit pension plan

Plan description

The City of Windcrest participates as one of 895 plans in the defined benefit cash-balance 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, Governor appointed Board of Trustees; however, 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 (Annual Report) 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, 2021

(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 member's benefit is calculated based on the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring members may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contribution 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	61
Active employees	<u>74</u>
Total	<u>189</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

Contributions

The contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, 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 contribution rate for each city is determined annually by the actuary using the entry age normal (EAN) actuarial cost method. The City's contribution rate is based on 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 6.97% and 7.27% in calendar years 2021 and 2020, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 and 2020, were \$249,537 and \$236,743, 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, 2021 and 2020, were \$33,929 and \$31,541, 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, 2021 and 2020, were \$3,095 and \$3,151, respectively, and were equal to the required contributions.

Net pension asset

The City's net pension asset was measured as of December 31, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(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 in fiscal year 2021 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	10.00%	7.75%
Total	<u>100.00%</u>	

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(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 members. 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, 2020.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 10,399,734	\$ 10,452,605	\$ (52,871)
Changes for the year:			
Service cost	483,380	-	483,380
Interest	704,466	-	704,466
Change of benefit terms	-	-	-
Difference between expected and actual experience	28,499	-	28,499
Change of assumptions	-	-	-
Contributions - employer	-	279,791	(279,791)
Contributions - employee	-	230,914	(230,914)
Net investment income	-	793,408	(793,408)
Benefit payments, including refunds of employee contributions	(409,786)	(409,786)	-
Administrative expenses	-	(5,134)	5,134
Other changes	-	(200)	200
Net changes	<u>806,559</u>	<u>888,993</u>	<u>(82,434)</u>
Balance at 12/31/2020	<u>\$ 11,206,293</u>	<u>\$ 11,341,598</u>	<u>\$ (135,305)</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(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:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
City's net pension liability (asset)	\$ <u>1,325,487</u>	\$ <u>(117,819)</u>	\$ <u>(1,290,289)</u>

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:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
WCCP's net pension liability (asset)	\$ <u>180,241</u>	\$ <u>(16,021)</u>	\$ <u>(175,455)</u>

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:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
WEDC's net pension liability (asset)	\$ <u>16,478</u>	\$ <u>(1,465)</u>	\$ <u>(16,041)</u>

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:

	<u>1% Decrease in Discount Rate (5.75%)</u>	<u>Discount Rate (6.75%)</u>	<u>1% Increase in Discount Rate (7.75%)</u>
Combined net pension liability (asset)	\$ <u>1,522,206</u>	\$ <u>(135,305)</u>	\$ <u>(1,481,785)</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(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, 2021, the City recognized pension expense of \$90,634, the WCCP recognized pension expense of \$12,324, and the WEDC recognized pension expense of \$1,127.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 17,757	\$ 56,777
Changes in actuarial assumptions	6,095	-
Difference between projected and actual investment earnings	-	256,508
Contributions made subsequent to the measurement date	<u>177,182</u>	<u>-</u>
Total	<u>\$ 201,034</u>	<u>\$ 313,285</u>

The City reported \$177,182 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Net Deferred Outflows (Inflows) of Resources</u>	
2022	\$ (130,176)
2023	5,887
2024	(150,057)
2025	(15,087)
Thereafter	<u>-</u>
Total	<u>\$ (289,433)</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

At September 30, 2021, 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	\$ 2,382	\$ 7,565
Changes in actuarial assumptions	812	-
Difference between projected and actual investment earnings	-	37,791
Contributions made subsequent to the measurement date	24,093	-
Total	\$ 27,287	\$ 45,356

The WCCP reported \$24,093 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, 2022. 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	
2022	\$ (18,963)
2023	858
2024	(21,859)
2025	(2,198)
Thereafter	-
Total	\$ (42,162)

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Defined benefit pension plan (continued)

At September 30, 2021, 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	\$ 216	\$ 756
Changes in actuarial assumptions	81	-
Difference between projected and actual investment earnings	-	5,013
Contributions made subsequent to the measurement date	2,203	-
Total	\$ 2,500	\$ 5,769

The WEDC reported \$2,203 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, 2022. 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	
2022	\$ (2,461)
2023	111
2024	(2,837)
2025	(285)
Thereafter	-
Total	\$ (5,472)

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan

Plan description

The City participates in a single-employer defined benefit plan, which operates like a 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 members. 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 members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired members are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. As the SDBF covers both active and retiree members, 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 based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. 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 .22% and .21% respectively for calendar years 2021 and 2020. The City's contributions to TMRS were \$7,682 and \$6,854 for the fiscal years ended September 30, 2021 and 2020, respectively, and were equal to the required contributions.

The WCCP's contributions to TMRS were \$1,045 and \$906 for the fiscal years ended September 30, 2021 and 2020, respectively, and were equal to the required contributions.

The WEDC's contributions to TMRS were \$95 and \$91 for the fiscal years ended September 30, 2021 and 2020, respectively, and were equal to the required contributions.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>74</u>
	118

OPEB liability

The City's total OPEB liability of \$197,996 was measured as of December 31, 2020, 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, 2020, 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, 2020, and was determined by an actuarial valuation as of that date.

The combined City, WCCP, and WEDC's total OPEB liability of \$274,413 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

Actuarial assumptions:

The total OPEB liability in the December 31, 2020 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 *	2.00%
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, 2020.

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

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

Changes in the total OPEB liability:

Balance at December 31, 2019	\$	227,010
Changes for the year:		
Service cost		12,315
Interest on the OPEB liability		6,396
Changes of benefit terms		-
Difference between expected and actual experience		(7,625)
Change of assumptions		37,472
Benefit payments		<u>(1,155)</u>
Net changes		<u>47,403</u>
Balance at December 31, 2020	\$	<u><u>274,413</u></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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	<u>1% Decrease in Discount Rate (1.00%)</u>	<u>Current Discount Rate (2.00%)</u>	<u>1% Increase in Discount Rate (3.00%)</u>
City's OPEB liability	<u>\$ 293,978</u>	<u>\$ 238,950</u>	<u>\$ 196,784</u>

The following presents the total OPEB liability of the WCCP, calculated using the discount rate of 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	<u>1% Decrease in Discount Rate (1.00%)</u>	<u>Current Discount Rate (2.00%)</u>	<u>1% Increase in Discount Rate (3.00%)</u>
WCCP's OPEB liability	<u>\$ 39,976</u>	<u>\$ 32,493</u>	<u>\$ 26,759</u>

The following presents the total OPEB liability of the WEDC, calculated using the discount rate of 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	<u>1% Decrease in Discount Rate (1.00%)</u>	<u>Current Discount Rate (2.00%)</u>	<u>1% Increase in Discount Rate (3.00%)</u>
WEDC's OPEB liability	<u>\$ 3,655</u>	<u>\$ 2,970</u>	<u>\$ 2,446</u>

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(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 2.00%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Current Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Combined OPEB liability	\$ <u>337,609</u>	\$ <u>274,413</u>	\$ <u>225,989</u>

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$25,584, the WCCP recognized OPEB expense of \$3,479, and the WEDC recognized OPEB expense of \$318.

At September 30, 2021, 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	\$ -	\$ 13,001
Changes in actuarial assumptions	50,158	5,309
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>2,796</u>	<u>-</u>
Total	<u>\$ 52,954</u>	<u>\$ 18,310</u>

The City reported \$2,796 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, 2022. 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
2022	\$ 9,270
2023	7,053
2024	9,672
2025	5,547
2026	306
Thereafter	<u>-</u>
Total	<u>\$ 31,848</u>

CITY OF WINDCREST, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

At September 30, 2021, 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	\$ -	\$ 1,645
Changes in actuarial assumptions	6,558	552
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	380	-
Total	\$ 6,938	\$ 2,197

The WCCP reported \$380 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, 2022. 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
2022	\$ 1,269
2023	966
2024	1,324
2025	760
2026	42
Thereafter	-
Total	\$ 4,361

At September 30, 2021, 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	\$ -	\$ 149
Changes in actuarial assumptions	639	40
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	35	-
Total	\$ 674	\$ 189

CITY OF WINDCREST, TEXAS
NOTES TO FINANCIAL STATEMENTS

September 30, 2021

(2) Detailed notes (continued)

Other postemployment benefits (OPEB) plan (continued)

The WEDC reported \$35 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, 2022. 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
2022	\$ 131
2023	100
2024	137
2025	78
2026	4
Thereafter	-
Total	<u>\$ 450</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. As of September 30, 2021, the City of Windcrest’s liability to the City of San Antonio was \$933,233 for sales tax collected during FY21 for the annexed area.

In 2020, the City of Windcrest entered into a 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, 2021

(2) Detailed notes (continued)

Tax incentives

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

The City has an agreement with a business that incentivizes that business to maintain a set level of employment in order for that business's real and personal property to receive a 100% property tax abatement. Under the agreement if the business does not meet or only partially meets the employment requirements than the business will be required to make a payment to the City of Windcrest for property taxes abated in a proportionate amount to the percentage that the employment requirements were not met. In addition, if the business ceases use of the leased property for a continuous period of three months or more then 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.



WINDCREST
TEXAS

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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,767,511	\$ 6,767,511	\$ 7,223,485	\$ 455,974
Licenses and permits	238,800	238,800	203,466	(35,334)
Intergovernmental	63,000	63,000	53,000	(10,000)
Charges for services	201,520	201,520	245,476	43,956
Fines	598,815	598,815	555,371	(43,444)
Grant proceeds	25,000	25,000	228,813	203,813
Donations	-	-	4,748	4,748
Investment earnings	17,610	17,610	433	(17,177)
Miscellaneous	<u>27,000</u>	<u>27,000</u>	<u>90,046</u>	<u>63,046</u>
Total revenues	<u>7,939,256</u>	<u>7,939,256</u>	<u>8,604,838</u>	<u>665,582</u>
Expenditures				
Current:				
General government	3,371,311	3,371,311	3,091,128	280,183
Public safety	3,351,728	3,351,728	3,387,203	(35,475)
Public works	986,270	986,270	821,710	164,560
Animal control	184,118	184,118	154,016	30,102
Debt service:				
Principal	-	-	90,597	(90,597)
Interest	-	-	3,093	(3,093)
Capital outlay	<u>139,212</u>	<u>448,692</u>	<u>371,090</u>	<u>77,602</u>
Total expenditures	<u>8,032,639</u>	<u>8,342,119</u>	<u>7,918,837</u>	<u>423,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(93,383)</u>	<u>(402,863)</u>	<u>686,001</u>	<u>1,088,864</u>
Other financing sources (uses)				
Other sources - sale of fixed assets	-	-	52,642	52,642
Transfers in	325,000	325,000	416,873	91,873
Transfers out	<u>-</u>	<u>-</u>	<u>(107,477)</u>	<u>(107,477)</u>
Total other financing sources (uses)	<u>325,000</u>	<u>325,000</u>	<u>362,038</u>	<u>37,038</u>
Net change in fund balance	231,617	(77,863)	1,048,039	1,125,902
Fund balance, beginning	<u>2,297,779</u>	<u>2,297,779</u>	<u>2,297,779</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,529,396</u>	<u>\$ 2,219,916</u>	<u>\$ 3,345,818</u>	<u>\$ 1,125,902</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>2020</u>	<u>2019</u>	<u>2018</u>
Total pension liability			
Service cost	\$ 483,380	\$ 443,803	\$ 439,605
Interest (on the total pension liability)	704,466	668,625	624,725
Difference between expected and actual experience	-	(180,314)	14,822
Change of assumptions	28,499	19,354	-
Benefit payments, including refunds of employee contributions	<u>(409,786)</u>	<u>(470,775)</u>	<u>(390,996)</u>
Net change in total pension liability	806,559	480,693	688,156
Total pension liability - beginning	<u>10,399,734</u>	<u>9,919,041</u>	<u>9,230,885</u>
Total pension liability - ending (a)	<u>\$ 11,206,293</u>	<u>\$ 10,399,734</u>	<u>\$ 9,919,041</u>
Plan fiduciary net position			
Contributions - employer	\$ 279,791	\$ 261,647	\$ 290,102
Contributions - employee	230,914	212,177	222,015
Net investment income	793,408	1,400,512	(276,107)
Benefit payments, including refunds of employee contributions	(409,786)	(470,775)	(390,996)
Administrative expense	(5,134)	(7,912)	(5,336)
Other	<u>(200)</u>	<u>(238)</u>	<u>(278)</u>
Net change in plan fiduciary net position	888,993	1,395,411	(160,600)
Plan fiduciary net position - beginning	<u>10,452,605</u>	<u>9,057,194</u>	<u>9,217,794</u>
Plan fiduciary net position - ending (b)	<u>\$ 11,341,598</u>	<u>\$ 10,452,605</u>	<u>\$ 9,057,194</u>
Net pension liability (asset) (a) - (b)	<u>\$ (135,305)</u>	<u>\$ (52,871)</u>	<u>\$ 861,847</u>
Plan fiduciary net position as a percentage of total pension liability (asset)	101.21%	100.51%	91.31%
Covered payroll	<u>\$ 3,848,565</u>	<u>\$ 3,536,279</u>	<u>\$ 3,464,188</u>
Net pension liability (asset) as a percentage of total covered payroll	-3.52%	-1.50%	24.88%

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

2017	2016	2015	2014
\$ 427,165	\$ 370,018	\$ 328,283	\$ 275,134
591,432	549,932	533,422	494,716
(122,172)	24,294	(142,145)	(2,409)
-	-	69,964	-
<u>(427,824)</u>	<u>(288,176)</u>	<u>(278,972)</u>	<u>(203,164)</u>
468,601	656,068	510,552	564,277
<u>8,762,284</u>	<u>8,106,216</u>	<u>7,595,664</u>	<u>7,031,387</u>
<u>\$ 9,230,885</u>	<u>\$ 8,762,284</u>	<u>\$ 8,106,216</u>	<u>\$ 7,595,664</u>
\$ 258,551	\$ 209,018	\$ 190,467	\$ 164,263
199,610	173,040	161,451	155,633
1,119,294	505,614	10,925	394,581
(427,824)	(288,176)	(278,972)	(203,164)
(5,799)	(5,710)	(6,654)	(4,119)
<u>(295)</u>	<u>(308)</u>	<u>(329)</u>	<u>(339)</u>
1,143,537	593,478	76,888	506,855
<u>8,074,257</u>	<u>7,480,779</u>	<u>7,403,891</u>	<u>6,897,036</u>
<u>\$ 9,217,794</u>	<u>\$ 8,074,257</u>	<u>\$ 7,480,779</u>	<u>\$ 7,403,891</u>
<u>\$ 13,091</u>	<u>\$ 688,027</u>	<u>\$ 625,437</u>	<u>\$ 191,773</u>
99.86%	92.15%	92.28%	97.48%
<u>\$ 3,326,828</u>	<u>\$ 2,884,008</u>	<u>\$ 2,690,844</u>	<u>\$ 2,593,878</u>
0.39%	23.86%	23.24%	7.39%

CITY OF WINDCREST, TEXAS

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

For the year ended September 30, 2021

Schedule of contributions	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contributions	\$ 286,561	\$ 271,435	\$ 269,902
Contributions in relation to the actuarially determined contribution	<u>286,561</u>	<u>271,435</u>	<u>269,902</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 4,062,161</u>	<u>\$ 3,715,577</u>	<u>\$ 3,577,981</u>
Contributions as a percentage of covered payroll	7.05%	7.31%	7.54%

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 261,364	\$ 244,326	\$ 202,494	\$ 183,726
<u>261,364</u>	<u>244,326</u>	<u>202,494</u>	<u>183,726</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 3,326,842</u>	<u>\$ 3,198,543</u>	<u>\$ 2,809,689</u>	<u>\$ 2,667,358</u>
7.86%	7.64%	7.21%	9.28%

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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
OPEB liability				
Service cost	\$ 12,315	\$ 8,487	\$ 9,700	\$ 8,317
Interest on the OPEB liability	6,396	6,883	6,433	6,205
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(7,625)	(7,944)	(9,153)	-
Change of assumptions	37,472	38,830	(13,983)	16,343
Benefit payments	<u>(1,155)</u>	<u>(1,061)</u>	<u>(1,386)</u>	<u>(1,331)</u>
 Net change in OPEB liability	 47,403	 45,195	 (8,389)	 29,534
 OPEB liability - beginning	 <u>227,010</u>	 <u>181,815</u>	 <u>190,204</u>	 <u>160,670</u>
 OPEB liability - ending	 <u>\$ 274,413</u>	 <u>\$ 227,010</u>	 <u>\$ 181,815</u>	 <u>\$ 190,204</u>
 OPEB liability as a percentage of covered payroll	 7.13%	 6.42%	 5.25%	 5.72%

*GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the fourth 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 8,822	\$ 7,803	\$ 7,618	\$ 7,132
Contributions in relation to the actuarially determined contributions	<u>8,822</u>	<u>7,803</u>	<u>7,618</u>	<u>7,132</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 4,062,161</u>	<u>\$ 3,715,577</u>	<u>\$ 3,577,981</u>	<u>\$ 3,326,842</u>
Contributions as a percentage of covered payroll	0.22%	0.21%	0.21%	0.21%

GASB 75 requires 10 fiscal years of data to be provided in this schedule. This is the fourth 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, 2021

(1) Budgetary information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The general fund, school crossing guard fund, police donations fund, asset seizures and forfeitures (state) fund, police education and training fund, court technology fund, building security fund, hotel/motel tax fund, public, education and government fund, and debt service fund maintain legally adopted budgets. Generally accepted accounting principles requires budget to actual schedules in the required supplementary information (RSI) for the general fund and each major special revenue fund that has a legally adopted budget.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year-end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

(2) Schedule of contributions

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	25 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.

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, 2021

	SPECIAL REVENUE			
	School Crossing Guard	Asset Seizure and Forfeitures (Federal)	Asset Seizure and Forfeitures (State)	County Fire Contributions
Assets				
Cash and cash equivalents	\$ 43,883	\$ 497	\$ 2,901	\$ 5,646
Taxes receivable (net of allowance for uncollectibles):	-	-	-	-
Other receivables	<u>569</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 44,452</u>	<u>\$ 497</u>	<u>\$ 2,901</u>	<u>\$ 5,646</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources				
Unavailable revenue - property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances				
Restricted	<u>44,452</u>	<u>497</u>	<u>2,901</u>	<u>5,646</u>
Total fund balances	<u>44,452</u>	<u>497</u>	<u>2,901</u>	<u>5,646</u>
Total liabilities and fund balances	<u>\$ 44,452</u>	<u>\$ 497</u>	<u>\$ 2,901</u>	<u>\$ 5,646</u>

SPECIAL REVENUE

Police Donations	Police Education and Training	Roosevelt Scholarships	Court Technology	Building Security	Hotel/Motel Tax
\$ 4,628	\$ 2,971	\$ -	\$ 44,716	\$ 8,655	\$ 184,183
-	-	-	-	-	20,443
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,628</u>	<u>\$ 2,971</u>	<u>\$ -</u>	<u>\$ 44,716</u>	<u>\$ 8,655</u>	<u>\$ 204,626</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,507</u>	<u>\$ 8,655</u>	<u>\$ -</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,507</u>	<u>8,655</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,628</u>	<u>2,971</u>	<u>-</u>	<u>40,209</u>	<u>-</u>	<u>204,626</u>
<u>4,628</u>	<u>2,971</u>	<u>-</u>	<u>40,209</u>	<u>-</u>	<u>204,626</u>
<u>\$ 4,628</u>	<u>\$ 2,971</u>	<u>\$ -</u>	<u>\$ 44,716</u>	<u>\$ 8,655</u>	<u>\$ 204,626</u>

CITY OF WINDCREST, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2021

	<u>SPECIAL REVENUE</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>PEG Fund</u>	<u>Debt Service Fund</u>	
Assets			
Cash and cash equivalents	\$ 54,060	\$ 15,497	\$ 367,637
Taxes receivable (net of allowance for uncollectibles):	-	10,267	30,710
Other receivables	3,394	598	4,561
Total assets	\$ 57,454	\$ 26,362	\$ 402,908
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 13,162
Total liabilities	-	-	13,162
Deferred inflows of resources			
Unavailable revenue - property taxes	-	10,267	10,267
Total deferred inflows of resources	-	10,267	10,267
Fund balances			
Restricted	57,454	16,095	379,479
Total fund balances	57,454	16,095	379,479
Total liabilities and fund balances	\$ 57,454	\$ 26,362	\$ 402,908



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, 2021

	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	-	-	-	-
Franchise	-	-	-	-
Intergovernmental	6,919	-	-	-
Fines and fees	-	-	-	-
Donations	-	-	-	-
Investment earnings	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>6,920</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Public safety	110	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay	<u>16,950</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>17,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,140)</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(10,140)	-	-	-
Fund balance - beginning	<u>54,592</u>	<u>497</u>	<u>2,901</u>	<u>5,646</u>
Fund balances - ending	<u>\$ 44,452</u>	<u>\$ 497</u>	<u>\$ 2,901</u>	<u>\$ 5,646</u>

SPECIAL REVENUE

Police Donations	Police Education and Training	Roosevelt Scholarships	Court Technology	Building Security	Hotel/Motel Tax
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	250,745
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	16,060	18,352	-
3,250	1,919	-	-	-	-
<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>27</u>
<u>3,250</u>	<u>1,921</u>	<u>-</u>	<u>16,062</u>	<u>18,352</u>	<u>250,772</u>
758	3,887	2,004	2,793	3,300	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	4,507	57,474	-
<u>758</u>	<u>3,887</u>	<u>2,004</u>	<u>7,300</u>	<u>60,774</u>	<u>-</u>
<u>2,492</u>	<u>(1,966)</u>	<u>(2,004)</u>	<u>8,762</u>	<u>(42,422)</u>	<u>250,772</u>
-	-	-	-	1,893	-
-	-	-	-	-	(291,873)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,893</u>	<u>(291,873)</u>
2,492	(1,966)	(2,004)	8,762	(40,529)	(41,101)
<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>\$ 4,628</u>	<u>\$ 2,971</u>	<u>\$ -</u>	<u>\$ 40,209</u>	<u>\$ -</u>	<u>\$ 204,626</u>

CITY OF WINDCREST, TEXAS

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

For the year ended September 30, 2021

	<u>SPECIAL REVENUE</u>		Total Nonmajor Governmental Funds
	PEG Fund	Debt Service Fund	
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes:			
Property taxes	\$ -	\$ 677,547	\$ 677,547
Hotel-motel taxes	-	-	250,745
Franchise	17,025	-	17,025
Intergovernmental	-	-	6,919
Fines and fees	-	-	34,412
Donations	-	-	5,169
Investment earnings	-	-	32
Total revenues	<u>17,025</u>	<u>677,547</u>	<u>991,849</u>
EXPENDITURES			
Current:			
Public safety	-	-	12,852
Debt service:			
Principal	-	310,000	310,000
Interest	-	352,050	352,050
Capital outlay	-	-	78,931
Total expenditures	<u>-</u>	<u>662,050</u>	<u>753,833</u>
Excess (deficiency) of revenues over (under) expenditures	<u>17,025</u>	<u>15,497</u>	<u>238,016</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	1,893
Transfers out	-	-	(291,873)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(289,980)</u>
Net change in fund balances	17,025	15,497	(51,964)
Fund balance - beginning	<u>40,429</u>	<u>598</u>	<u>431,443</u>
Fund balances - ending	<u>\$ 57,454</u>	<u>\$ 16,095</u>	<u>\$ 379,479</u>

CITY OF WINDCREST, TEXAS

**WINDCREST CRIME CONTROL AND PREVENTION
BALANCE SHEET**

September 30, 2021

	<u>Crime Control and Prevention District</u>
Assets	
Cash and cash equivalents	\$ 367,685
Taxes receivable	380,383
Prepaid expense	<u>8,477</u>
Total assets	<u><u>\$ 756,545</u></u>
Liabilities and fund balances	
Liabilities	
Accounts payable	\$ 3,924
Accrued liabilities	<u>18,319</u>
Total liabilities	<u><u>22,243</u></u>
Fund balances	
Nonspendable	8,477
Restricted	<u>725,825</u>
Total fund balances	<u><u>734,302</u></u>
Total liabilities and fund balances	<u><u>\$ 756,545</u></u>

CITY OF WINDCREST, TEXAS

**WINDCREST CRIME CONTROL AND PREVENTION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE**

For the year ended September 30, 2021

	<u>Crime Control and Prevention District</u>
Revenues	
Taxes	\$ 1,270,378
Grant proceeds	56,651
Investment earnings	<u>36</u>
Total revenues	<u>1,327,065</u>
Expenditures	
Current:	
Public safety	803,364
Capital outlay	<u>102,535</u>
Total expenditures	<u>905,899</u>
Excess (deficiency) of revenues over (under) expenditures	<u>421,166</u>
Net change in fund balance	421,166
Fund balance, beginning	<u>313,136</u>
Fund balance, ending	<u><u>\$ 734,302</u></u>

COMPLIANCE SECTION



WINDCREST
TEXAS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the 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, 2021, 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 18, 2022.

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 18, 2022