

CITY OF WINNSBORO, TEXAS
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2020

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Rod L. Abbott, CPA PLLC

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Winnsboro, Texas (the "City"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Winnsboro, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated May 11, 2021, on my consideration of the City of Winnsboro, Texas's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Winnsboro, Texas's internal control over financial reporting and compliance.



Rod L. Abbott, CPA PLLC
Tom Bean, Texas
May 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Winnsboro's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2020. Please read this in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- On the government-wide Statement of Net Position, the assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources by \$7,455,402 (net position).
- As of September 2020, the City's total governmental funds reported ending fund balances of \$830,094. The General Fund's fund balance of \$585,977 decreased by \$576,575 during the fiscal year. The General Fund has an unassigned fund balance of \$501,498 at September 30, 2020 compared to \$1,061,749 in the prior year.
- The Utilities Fund's net position totaled \$4,550,987 at September 30, 2020 and the unrestricted net position totaled \$365,377. Total net position for this fund decreased by \$96,765 in 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred inflows / outflows of resources, liabilities and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police, fire, streets, sanitation, animal control, farmers market, maintenance, parks and recreation, airport, library, and general administrative services. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City (known as the primary government), but also the legally separate Winnsboro Economic Development Corporation, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is the only major governmental fund. Financial balances from the other four funds are combined into a single, aggregated presentation.

Proprietary Funds. The City maintains two different types of proprietary funds. An enterprise fund reports the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. An internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its Equipment Replacement programs. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements in more detail. The proprietary fund financial statements provide separate information for the Utilities Fund, which is considered to be a major fund of the City. The Utilities Fund is presented in the business-type activities in the government-wide financial statements.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General Fund budget versus actual results and progress in funding its obligation to provide pension and other post-employment benefits to its employees.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Winnsboro, Texas, total net position as of September 30, 2020 is \$7,455,402. The largest portion of the City's net position, \$5,891,150 (79%), reflects its investment in capital assets (e.g., land, buildings and improvements, water and sewer improvements, vehicles and equipment, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-type Activities		Total	
	FY20	FY19	FY20	FY19	FY20	FY19
Current and other assets	\$ 1,239,138	\$ 1,665,921	\$ 1,563,522	\$ 1,514,093	\$ 2,802,660	\$ 3,180,014
Capital assets	4,032,579	3,134,596	9,387,033	9,795,989	13,419,612	12,930,585
Total assets	<u>5,271,717</u>	<u>4,800,517</u>	<u>10,950,555</u>	<u>11,310,082</u>	<u>16,222,272</u>	<u>16,110,599</u>
Deferred outflows of resources	161,511	286,584	45,120	86,359	\$ 206,631	372,943
Long-term liabilities	2,095,599	2,544,195	6,089,730	6,492,067	8,185,329	9,036,262
Other liabilities	268,366	135,143	305,284	243,713	573,650	378,856
Total liabilities	<u>2,363,965</u>	<u>2,679,338</u>	<u>6,395,014</u>	<u>6,735,780</u>	<u>8,758,979</u>	<u>9,415,118</u>
Deferred inflows of resources	164,848	42,841	49,674	12,909	214,522	55,750
Net position:						
Net investment in cap. assets	2,428,855	1,395,747	3,462,295	3,565,501	5,891,150	4,961,248
Restricted	226,516	223,355	723,315	713,084	949,831	936,439
Unrestricted	249,044	745,820	365,377	369,167	614,421	1,114,987
Total net position	<u>\$ 2,904,415</u>	<u>\$ 2,364,922</u>	<u>\$ 4,550,987</u>	<u>\$ 4,647,752</u>	<u>\$ 7,455,402</u>	<u>\$ 7,012,674</u>

An additional portion of the City's net position of \$949,831 (13%) represents resources that are subject to external restrictions on their usage. All restricted assets of the City relating to both governmental activities and business-type activities are being held for purposes established by state and local laws, future construction, and debt service reserve requirements on the City's outstanding debt. The remaining balance of unrestricted net position in the amount of \$614,421 (8%) may be used to meet the City's ongoing obligations to citizens and creditors.

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Governmental Activities:

The City's total revenue for governmental activities was \$4,017,181, of which 26% was from property taxes and 29% was from sales taxes, franchise taxes, and other taxes. The total expenses for all programs were \$3,477,688. Approximately 41% was for public safety and court, 14% was for streets and maintenance, and 16% was for administration. Governmental activities showed an increase in net position of \$539,493 compared to an increase of \$723,170 in the prior year. \$486,966 in non-recurring insurance proceeds were recognized in 2019 and is the main reason why the 2020 increase in net position is lower than in the prior year.

Business-type Activities:

The City's total revenue for business-type activities was \$2,286,106, including \$2,253,144 for charges for services. Total Utilities Fund expenses were \$2,382,871. Business-type activities had a net decrease in net position of (\$96,765) compared to an increase of \$101,427 in the prior year. The recognition of \$113,721 of bond issuance costs was a main contributor to the Utilities Fund's decrease in net position.

	Governmental Activities		Business-type Activities		Total	
	FY20	FY19	FY20	FY19	FY20	FY19
Revenues:						
Program Revenues:						
Charges for services	\$ 866,990	\$ 644,024	\$ 2,253,144	\$ 2,164,398	\$ 3,120,134	\$ 2,808,422
Operating grants and contributions	172,576	136,563	-	-	172,576	136,563
Capital grants and contributions	722,390	505,921	-	-	722,390	505,921
General Revenues:						
Property taxes	1,047,651	1,015,006	-	-	1,047,651	1,015,006
Sales taxes and franchise fees	1,185,732	1,101,976	-	-	1,185,732	1,101,976
Investment income	1,802	2,118	11,562	13,803	13,364	15,921
Gain on sold assets	20,040	482,140	21,400	85,980	41,440	568,120
Other	-	1,354	-	-	-	1,354
	<u>4,017,181</u>	<u>3,889,102</u>	<u>2,286,106</u>	<u>2,264,181</u>	<u>6,303,287</u>	<u>6,153,283</u>
Expenses:						
General government	554,850	547,904	-	-	554,850	547,904
Parks	212,967	149,189	-	-	212,967	149,189
Public safety and court	1,442,381	1,370,118	-	-	1,442,381	1,370,118
Streets and maintenance	484,233	483,649	-	-	484,233	483,649
Debt service - interest	41,187	72,495	210,038	209,967	251,225	282,462
Other departments	246,524	166,643	-	-	246,524	166,643
Library	129,616	180,070	-	-	129,616	180,070
Water/Sewer/Sanitation	365,930	195,864	2,172,833	1,952,787	2,538,763	2,148,651
	<u>3,477,688</u>	<u>3,165,932</u>	<u>2,382,871</u>	<u>2,162,754</u>	<u>5,860,559</u>	<u>5,328,686</u>
Excess (deficiency) of revenues over expenditures before transfers	539,493	723,170	(96,765)	101,427	442,728	824,597
Transfers In (Out)	-	-	-	-	-	-
Increase in net position	539,493	723,170	(96,765)	101,427	442,728	824,597
Net position - October 1	2,364,922	1,641,752	4,647,752	4,546,325	7,012,674	6,188,077
Prior period adjustments	-	-	-	-	-	-
Net position - September 30	<u>\$ 2,904,415</u>	<u>\$ 2,364,922</u>	<u>\$ 4,550,987</u>	<u>\$ 4,647,752</u>	<u>\$ 7,455,402</u>	<u>\$ 7,012,674</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance- related legal requirements.

Governmental funds - The focus of the City's governmental funds is to provide information on near- term inflows and outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$830,094 with a net decrease in fund balance of (\$560,979). This compares to a (\$95,355) decrease in governmental fund balances in the prior year.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance was \$501,498, while the total fund balance was \$585,977. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balances to total fund expenditures. Unassigned fund balances represent 13% of the total 2020 General Fund expenditures. This same percentage was 27% at September 30, 2019.

General Fund Budgetary Highlights:

Total revenues for the year exceeded budgeted amounts by \$115,475 while the actual expenditures exceeded the budgeted projections by (\$178,278). Sales tax revenue had a \$118,892 positive budget variance, while capital outlays experienced a negative (\$237,439) budget variance. These variances, combined with other variances from the "Other Financing Sources" section, resulted in a net variance of (\$2,493) when compared with budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City constructed or acquired \$877,570 of new capital assets in 2020. A TxDOT grant that funded \$417,150 of airport improvements was the most significant capital asset addition for 2020.

For 2020, the City issued \$5,800,000 of Series 2020 General Obligation Refunding Bonds that refunded \$5,505,000 of existing City bond debt.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The FY 2021 budget was approved at a Special City Council meeting, September 21, 2020. The General Fund budget for FY 2021 is \$3,873,923. The City adopted the property tax rate at \$0.5663/100. The FY 2021 budget will raise more revenue from property taxes than last year's budget by \$56,077, which is a 5.34% increase. Sales taxes are conservatively forecast to be \$884,916, an increase of 11.7% over FY 2020.

The 2018 TxDOT TASA Sidewalk improvement program will be completed during this fiscal year. The sidewalk through Edgewood Park connecting the Wanda Drive to the Winnsboro Elementary School.

TxDOT Aviation awarded the City a Capital Improvement Program grant for the resurfacing of the Winnsboro Municipal Airport Runway and Taxiway. The project total cost was \$480,000 and the City's portion was \$48,000. This project was completed during FY 2020. The resurfacing combined with other airport improvements including a new roof on the hangar, new hangar doors, and new fuel pumps have increased the traffic at the airport. The City will be working with TxDOT Aviation on the development of an Airport Master Plan during this fiscal year. TxDOT will be managing the process and providing a 90/10 grant for funding. The estimated city share of this grant is approximately \$20,000.

The Council expended a portion of the fund balance for consultants to aid the city in the development of a 10 – year strategic plan. The planning process began in November 2020 and continued through May 2021. The plan will provide the city council and staff with actionable steps to improve the quality of life for current and future citizens and to increase economic development in the community.

Housing starts and sales are increasing in the City. Realtors inform the staff that a greater number of homes have sold in the city limits during this fiscal year than in the previous 10 years. Housing sales also reached an all-time high during the year, as a result property values continue to rise.

The downtown business district continues to show strength and there is possibility of future development of new businesses further revitalizing the downtown area. The City has worked with planners and engineers to develop a revitalization plan for the downtown area. The plan includes the relocation of city hall, development of pedestrian area on Market Street, development of a hotel and landscaping. We believe that these types of development will not only benefit businesses in the downtown, but attract new businesses throughout the City and increase the interest in locating to Winnsboro. Five new businesses opened in the downtown area during the year, and another four are scheduled to open next fiscal year.

The City also welcomed the siting of a new manufacturing plant during this fiscal year. The plant produces organic fertilizer for an international market. It is expected to employ approximately 30 individuals and, upon completion and opening in May 2021, will have made a \$7,000,000 investment in the construction of the plant. The plant may also attract other supporting industries to the community.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the City of Winnsboro, Texas, Attn: City Administrator, 501 South Main Street, Winnsboro, Texas 75494.

City of Winnsboro, Texas
Statement of Net Position
September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Economic Development Corporation
Assets				
Cash and cash equivalents	\$ 751,164	\$ 502,750	\$ 1,253,914	\$ 132,416
Investments	2,039	82,766	84,805	338,443
Accounts receivables - net	383,855	254,691	638,546	81,298
Notes receivables - net	84,539	-	84,539	29,875
Inventory	17,541	-	17,541	-
Restricted cash	-	35,046	35,046	-
Restricted investments	-	688,269	688,269	-
Capital assets:				
Non-depreciable capital assets	749,529	100,000	849,529	-
Depreciable capital assets (net)	3,283,050	9,287,033	12,570,083	-
Total assets	<u>5,271,717</u>	<u>10,950,555</u>	<u>16,222,272</u>	<u>582,032</u>
Deferred outflows of resources				
Deferred outflows of resources - Pension	115,183	34,709	149,892	-
Deferred outflows of resources - OPEB	16,206	4,883	21,089	-
Deferred charge on refunding	30,122	5,528	35,650	-
Total deferred outflows of resources	<u>161,511</u>	<u>45,120</u>	<u>206,631</u>	<u>-</u>
Liabilities				
Accounts payable	177,515	53,561	231,076	51,676
Interest payable	5,799	11,464	17,263	-
Accrued wages and payroll liabilities	74,645	21,746	96,391	-
Customer meter deposits	-	218,513	218,513	-
Non-current liabilities:				
Due within one year - Debt issuances	152,888	450,400	603,288	-
Due in more than one year				
Bonds and capital leases	1,450,836	5,474,338	6,925,174	-
Accrued compensated absences	68,767	33,908	102,675	-
Net pension liability	323,016	97,337	420,353	-
Total OPEB liability	110,499	33,747	144,246	-
Total liabilities	<u>2,363,965</u>	<u>6,395,014</u>	<u>8,758,979</u>	<u>51,676</u>
Deferred inflows of resources				
Deferred inflows of resources - Pension	158,034	47,621	205,655	-
Deferred inflows of resources - OPEB	6,814	2,053	8,867	-
Total deferred inflows of resources	<u>164,848</u>	<u>49,674</u>	<u>214,522</u>	<u>-</u>
Net Position				
Net investment in capital assets	2,428,855	3,462,295	5,891,150	-
Restricted for:				
Court security and technology	52,965	-	52,965	-
Farmers market	5,903	-	5,903	-
Library	8,070	-	8,070	-
Tourism and museum	25,851	-	25,851	-
Debt service	95,559	723,315	818,874	-
Economic development	38,168	-	38,168	530,356
Unrestricted	249,044	365,377	614,421	-
Total net position	<u>\$ 2,904,415</u>	<u>\$ 4,550,987</u>	<u>\$ 7,455,402</u>	<u>\$ 530,356</u>

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

City of Winnsboro, Texas
Statement of Activities
For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Economic Development Corporation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
Police	\$ 1,132,798	\$ -	\$ 22,090	\$ -	\$ (1,110,708)	\$ -	\$ (1,110,708)	\$ -
General government	554,850	57,669	2,190	-	(494,991)	-	(494,991)	-
Streets and maintenance	484,233	-	-	203,840	(280,393)	-	(280,393)	-
Sanitation	365,930	570,510	-	-	204,580	-	204,580	-
Fire	236,468	-	50,466	-	(186,002)	-	(186,002)	-
Library	129,616	2,831	14,599	-	(112,186)	-	(112,186)	-
Parks	212,967	16,851	274	-	(195,842)	-	(195,842)	-
Animal control	121,834	6,553	1,035	-	(114,246)	-	(114,246)	-
Municipal court	73,115	176,739	-	-	103,624	-	103,624	-
Airport	84,844	16,248	24,855	417,150	373,410	-	373,410	-
Economic development/Farmer's Market	30,657	19,588	57,066	101,400	147,397	-	147,397	-
Tourism and museum	9,189	-	-	-	(9,189)	-	(9,189)	-
Interest on long-term debt	41,187	-	-	-	(41,187)	-	(41,187)	-
Total governmental activities	3,477,688	866,990	172,576	722,390	(1,715,732)	-	(1,715,732)	-
Business-type activities:								
Water and Sewer - operating	2,382,871	2,253,144	-	-	-	(129,727)	(129,727)	-
Total business-type activities	2,382,871	2,253,144	-	-	-	(129,727)	(129,727)	-
Total primary government	5,860,559	3,120,134	172,576	722,390	(1,715,732)	(129,727)	(1,845,459)	-
Component unit:								
Economic development corporation	409,880	-	-	-	-	-	-	(409,880)
Total component unit	\$ 409,880	-	-	-	-	-	-	(409,880)
General revenues:								
Property taxes					1,047,651	-	1,047,651	-
Sales taxes					910,892	-	910,892	455,433
Franchise and other taxes					274,840	-	274,840	-
Investment interest					1,802	11,562	13,364	9,714
Gain on sale or disposal of assets					20,040	21,400	41,440	-
Transfers in (out)					-	-	-	-
Total general revenues & transfers					2,255,225	32,962	2,288,187	465,147
Change in net position					539,493	(96,765)	442,728	55,267
Net position - beginning					2,364,922	4,647,752	7,012,674	475,089
Net position - ending					\$ 2,904,415	\$ 4,550,987	\$ 7,455,402	\$ 530,356

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

City of Winnsboro, Texas
Balance Sheet - Governmental Type Funds
September 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash	\$ 466,142	\$ 158,154	\$ 624,296
Investments	2,039	-	2,039
Accounts receivable - net	377,569	6,286	383,855
Notes receivable - net	-	84,539	84,539
Inventory	17,541	-	17,541
Total assets	<u>\$ 863,291</u>	<u>\$ 248,979</u>	<u>\$ 1,112,270</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 177,515	\$ -	\$ 177,515
Accrued payroll liabilities	35,436	-	35,436
Accrued wages	39,209	-	39,209
Total current liabilities	<u>252,160</u>	<u>-</u>	<u>252,160</u>
Deferred Inflows of Resources			
Unavailable revenue - Property taxes	<u>25,154</u>	<u>4,862</u>	<u>30,016</u>
Fund Balances			
Non-spendable:			
Inventory	17,541	-	17,541
Non-current notes receivable	-	84,539	84,539
Restricted for:			
Court security and technology	52,965	-	52,965
Debt service	-	95,559	95,559
Economic development	-	38,168	38,168
Farmers market	5,903	-	5,903
Library	8,070	-	8,070
Tourism and museum	-	25,851	25,851
Unassigned	<u>501,498</u>	<u>-</u>	<u>501,498</u>
Total fund balances	<u>585,977</u>	<u>244,117</u>	<u>830,094</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 863,291</u>	<u>\$ 248,979</u>	<u>\$ 1,112,270</u>

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

City of Winnsboro, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
at September 30, 2020

Fund balances of governmental funds	\$	830,094
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		4,032,579
Deferred outflows of resources related to pension, OPEB, and charges on refundings balances do not provide current financial resources and, therefore, are not reported in the governmental funds.		161,511
Deferred inflows of resources related to pension and OPEB balances do not require the use of current financial resources and, therefore, are not reported in the governmental funds.		(164,848)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(2,106,006)
Accrued interest payable for governmental-type long-term debt is recognized in the governmental activities in the statement of net position.		(5,799)
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.		126,868
Property taxes not received at year-end are shown as deferred income on the fund financial statements, but the amount should not be shown as deferred on the statement of net position.		30,016
Net position of governmental activities	<u>\$</u>	<u>2,904,415</u>

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

City of Winnsboro, Texas
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 877,288	\$ 167,951	\$ 1,045,239
Sales	910,892	-	910,892
Franchise	261,226	-	261,226
Other	4,843	8,771	13,614
Sanitation	570,510	-	570,510
Licenses and permits	60,297	-	60,297
Court and police	176,739	-	176,739
Rents and leases	50,573	-	50,573
Grants	258,109	-	258,109
Intergovernmental	100,919	-	100,919
Investment earnings	626	1,070	1,696
Donations and other income	17,292	96	17,388
Total revenues	3,289,314	177,888	3,467,202
Expenditures			
Current:			
General government	524,149	-	524,149
Police	1,080,613	-	1,080,613
Streets and maintenance	380,384	-	380,384
Sanitation	365,930	-	365,930
Fire	212,779	-	212,779
Library	123,942	-	123,942
Parks	195,278	-	195,278
Animal control	121,834	-	121,834
Municipal court	73,115	-	73,115
Airport	51,207	-	51,207
Farmers market	3,235	-	3,235
Museum and tourism	-	9,189	9,189
Economic development	27,422	-	27,422
Capital outlays	676,509	-	676,509
Debt service:			
Principal retirement	70,247	95,000	165,247
Interest and fees	9,115	56,603	65,718
Total expenditures	3,915,759	160,792	4,076,551
Excess of revenues over (under) expenditures	(626,445)	17,096	(609,349)
Other financing sources (uses)			
Issuance of refunding bond	-	1,334,000	1,334,000
Bond issuance costs	-	(33,968)	(33,968)
Bond discounts	-	(9,338)	(9,338)
Proceeds sent to refunding bond escrow	-	(1,290,694)	(1,290,694)
Proceeds from sold assets	48,370	-	48,370
Transfers in (out)	1,500	(1,500)	-
Total other financing sources(uses)	49,870	(1,500)	48,370
Net changes in fund balances	(576,575)	15,596	(560,979)
Fund balances - beginning	1,162,552	228,521	1,391,073
Fund balances - ending	<u>\$ 585,977</u>	<u>\$ 244,117</u>	<u>\$ 830,094</u>

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

City of Winnsboro, Texas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2020

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

Net change in fund balances - total governmental funds	\$ (560,979)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	407,763
Non-cash capital contributions and other contributions not received within sixty days after year-end are not reported as income in the governmental funds.	518,550
In governmental funds, the proceeds from the sale of assets are presented as an other financing source. In the government-wide financial statements, the gain or loss on the sale is calculated and reported.	(28,330)
Current year changes in accrued interest does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(9)
Charges of the internal service fund are included in governmental activities in the statement of activities.	8,977
Principal payments on long-term debt are an expenditure for the governmental funds, but this expenditure is removed for the government-wide financial statements.	165,247
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing the change in deferred revenue and various other items. The net effect of these reclassifications is to decrease net position.	(3,846)
Other modifications are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting for OPEB and pension expense. The net effect of these adjustments is to increase net position.	32,120
Change in net position of governmental activities:	\$ 539,493

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

City of Winnsboro, Texas
Statement of Net Position - Proprietary Fund
September 30, 2020

	<i>Enterprise Fund - Utilities Fund</i>	<i>Internal Service Fund - Equipment Replacement Fund</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 502,750	\$ 126,868
Investments	82,766	-
Accounts receivable - net	254,691	-
Total current assets	<u>840,207</u>	<u>126,868</u>
Noncurrent assets:		
Restricted Cash	35,046	-
Restricted Investments	688,269	-
Total Restricted assets:	<u>723,315</u>	<u>-</u>
Capital assets (non-depreciable):		
Land	100,000	-
Capital assets (net of depreciation):		
Plants, machinery, and equipment	9,287,033	68,090
Total capital assets	<u>9,387,033</u>	<u>68,090</u>
Total noncurrent assets	<u>10,110,348</u>	<u>68,090</u>
Total assets	<u>10,950,555</u>	<u>194,958</u>
Deferred outflows of resources		
Deferred outflows of resources - Pension	34,709	-
Deferred outflows of resources - OPEB	4,883	-
Deferred charge for refunding	5,528	-
Total deferred outflows of resources	<u>45,120</u>	<u>-</u>
Liabilities		
Current liabilities:		
Accounts payable	53,561	-
Accrued payroll and other liabilities	21,746	-
Accrued interest	11,464	-
Customer deposits	218,513	-
Current portion of long-term debt	450,400	-
Total current liabilities	<u>755,684</u>	<u>-</u>
Noncurrent liabilities:		
Accrued compensated absences	33,908	-
Net pension liability	97,337	-
Total OPEB liability	33,747	-
Bonds and certificates of obligation	5,474,338	-
Total noncurrent liabilities	<u>5,639,330</u>	<u>-</u>
Total liabilities	<u>6,395,014</u>	<u>-</u>
Deferred inflows of resources		
Deferred inflows of resources - Pension	47,621	-
Deferred inflows of resources - OPEB	2,053	-
Total deferred inflows of resources	<u>49,674</u>	<u>-</u>
Net position		
Net investment in capital assets	3,462,295	68,090
Restricted for debt service	723,315	-
Unrestricted	365,377	126,868
Total net position	<u>\$ 4,550,987</u>	<u>\$ 194,958</u>

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

City of Winnsboro, Texas
Statement of Revenues, Expenses, and Changes in
Net Position - Proprietary Fund
For the Year Ended September 30, 2020

	<u>Enterprise Fund - Utilities Fund</u>	<u>Internal Service Fund - Equipment Replacement Fund</u>
Operating revenues:		
Water income	\$ 1,528,512	\$ -
Sewer income	643,048	-
Other charges for services	16,623	8,871
Penalties, fees, and other operating income	64,961	-
Total operating revenues	<u>2,253,144</u>	<u>8,871</u>
Operating expenses:		
Personnel costs	595,426	-
Cost of water	166,850	-
Administration	164,237	-
Depreciation	435,359	24,593
Repairs and maintenance	188,189	-
Supplies	95,080	-
Contractual services	13,979	-
Leases and rentals	30,231	-
Utilities	111,802	-
Lab and chemicals	163,102	-
Permits and fees	38,374	-
Other operating expenses	22,621	-
Bad debt	6,356	-
Insurance	27,506	-
Total operating expenses	<u>2,059,112</u>	<u>24,593</u>
Operating income	<u>194,032</u>	<u>(15,722)</u>
Non-operating revenues (expenses):		
Interest income	11,562	106
Gain (loss) from disposal of assets	21,400	(28,330)
Bond issuance costs	(113,721)	-
Interest expense and fiscal charges	(210,038)	-
Total non-operating revenues (expenses)	<u>(290,797)</u>	<u>(28,224)</u>
Income (loss) before contributions and transfers	<u>(96,765)</u>	<u>(43,946)</u>
Transfers (out)	-	-
Transfers in	-	-
Capital contributions	-	-
Change in net position	(96,765)	(43,946)
Total net position - beginning	4,647,752	238,904
Total net position - ending	<u>\$ 4,550,987</u>	<u>\$ 194,958</u>

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

City of Winnsboro, Texas
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2020

	<i>Enterprise Fund - Utilities Fund</i>	<i>Internal Service Fund - Equipment Replacement Fund</i>
Operating Activities:		
Receipts from customers and users	\$ 2,187,466	\$ 8,871
Payments to suppliers	(1,134,295)	-
Payments to employees	(454,015)	-
Net cash provided (used) by operating activities	599,156	8,871
Capital and Related Financing Activities:		
Cash paid for acquisition and construction of capital assets	(26,403)	-
Interest paid on capital debt	(208,001)	-
Proceeds from sold capital assets	21,400	-
Principal payments on long-term debt	(425,000)	-
Net cash provided (used) by capital and related financing activities	(638,004)	-
Non-capital and Related Financing Activities		
Transfers (to) from other funds	-	-
Net cash provided (used) by non-capital and related financing activities	-	-
Investing Activities:		
Interest received	11,562	106
Net cash provided (used) by investing activities	11,562	106
Net increase (decrease) in cash and cash equivalents	(27,286)	8,977
Cash and cash equivalents, October 1	565,082	117,891
Cash and cash equivalents, September 30	\$ 537,796	\$ 126,868
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 194,032	\$ (15,722)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	435,359	24,593
Decrease (increase) in accounts receivable	(65,678)	-
Increase (decrease) in accounts payable	43,551	-
Increase (decrease) in other liabilities	5,376	-
Increase (decrease) in net pension and OPEB balances	(22,054)	-
Increase (decrease) in customer deposits	8,570	-
Net cash provided by operating activities	\$ 599,156	\$ 8,871
<u>Reconciliation with Statement of Net Position Balances:</u>		
Unrestricted cash	\$ 502,750	\$ 126,868
Restricted cash	35,046	-
Total cash	\$ 537,796	\$ 126,868
Non-cash capital activities:		
Capital contributions	\$ -	\$ -

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Winnsboro, Texas was formed in 1854. The City of Winnsboro is a Type A general-law municipality. The City Administrator is responsible for the overall operation of the City and implementing the policies established by the Mayor and the City Council. The six-member at-large Council serves two-year terms with annual elections. The City provides the following services: police, fire, streets, water, sewer, sanitation, animal control, farmers market, maintenance, parks and recreation, airport, library, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the City of Winnsboro, Texas (the primary government) and its component unit, an entity for which the government is considered financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The City does not have any blended component units. A discretely presented component unit is one reported in a separate column of the financial statements to emphasize it is legally separate from the government.

Discretely Presented Component Unit: The Winnsboro Economic Development Corporation (WEDC) is a Texas nonprofit corporation organized for the purpose of benefitting and accomplishing public purposes of the City of Winnsboro, Texas, by promoting, assisting, and enhancing economic development activities for the City. The board members are appointed by the City of Winnsboro City Council and the WEDC's operating budget is subject to approval by the City Council. The City does not have a voting majority of the corporation. WEDC is funded by a one-half cent sales tax levied on taxable sales within the City of Winnsboro. This tax was enacted by popular vote in 1995 and may be repealed by popular vote. There are no separately issued financial statements of the WEDC.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements consist of the statement of net position and the statement of activities. The government-wide financial statements report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are reported separately from business-type activities. Governmental activities are normally supported by taxes and intergovernmental revenues whereas business-type activities are normally supported by fees and charges for services. Similarly, the primary government is reported separately from legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. BASIS OF ACCOUNTING

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

Government fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded when payment is due.

Revenue sources such as sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental fund:

General Fund - This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

Utilities Fund - This fund is used to account for water and sewer services provided to the citizens of Winnsboro, Texas. The fund operates the water distribution system, the sewage treatment plant, sewage pumping stations, and collection systems for which commercial and residential users are charged fees.

Additionally, the City reports the following type of fund:

Internal Service Fund - The Equipment Replacement fund is established to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City. The fund is used to account for the maintenance and replacement of vehicles and equipment to the other departments of the City.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as an internal balance in the governmental activities column. Similarly, balances between the funds included in business-type activities, (i.e., the enterprise funds) are eliminated so that only the net amount is included as an internal balance in the business-type activities column.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. All taxes are included as general revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities Fund, as well as the City's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the personnel expenses, contractual services, supplies and other expenses, administration, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

The City considers deposits with an initial maturity of ninety days or less to be cash equivalents. The City classifies all certificates of deposit as investments. The City is authorized to invest in obligations collateralized by the FDIC; the U.S. Government; the State of Texas; or obligations of Texas counties, cities, or other political subdivisions the State of Texas with a quality rating of not less than "A". The City's investment policy authorizes the Investment Committee to invest the City's funds in certificates of deposit with depository banks of the City, other state or national banks domiciled in Texas with offices in Winnsboro that are insured by FDIC, investment pools with a rating of AAA or AAAm, or treasury securities issued by the federal government.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the City's governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property taxes receivables are shown net of an allowance for uncollectables. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectables. The property tax receivable allowance is equal to 60 percent of outstanding property taxes at each fiscal year-end.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Notes receivable are recorded net of an allowance for uncollectible notes of \$82,817 for the City and \$0 for the WEDC.

3. Inventories and Prepaid Items

Inventories of the governmental funds are valued at cost using the average cost method. Inventory in the General Fund consists of airport fuel recorded at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Each of the enterprise funds reports such proceeds of revenue bond issuances that are restricted for use in construction, debt service, and capital maintenance. Restricted assets also include interest accrued on unexpended bond proceeds.

5. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns of the government-wide financial statements.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital assets are defined as assets with a normal service life greater than one year and an initial individual cost of more than \$5,000.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The City has elected not to report major general infrastructure assets retroactively as permitted by GASB Statement No. 34 for smaller governments. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest during construction is capitalized to the extent that interest costs exceed interest income on externally restricted bond proceeds. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Capital leases are accounted for in accordance with FASB Accounting Standards Codification (ASC) 840. Amortization of the leased assets is recorded in the depreciation accounts.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

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

6. Compensated Absences

The City allows employees to accumulate earned but unused vacation and sick pay benefits. The City's full-time employees are granted up to 160 hours of vacation and up to 96 hours of sick leave per year of continuous service. Department heads are granted up to 240 hours of vacation. Part-time regular employees are granted up to 60 hours of vacation and 20 hours of sick leave per year of service. A maximum of 160 hours (240 hours for department heads) of accrued vacation leave can be vested and carried forward to succeeding calendar years. A maximum of 120 hours of accrued sick leave can be carried forward to succeeding calendar years. A maximum of 160 or 240 hours accrued vacation is payable to an employee upon termination after six months of employment, except in cases of involuntary separation from service. Upon retirement, employees shall receive pay for any unused vacation leave accumulated up to 160 or 240 hours.

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Governmental Accounting Standards Board Statement No.16, "Accounting for Compensated Absences," no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

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

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

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

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

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Fund balances may be restricted or unrestricted (the total of committed, assigned, and unassigned fund balance). The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Fund balance for governmental funds can consist of the following:

Non-spendable fund balance - includes those amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance - includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Committed fund balance - includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance - includes amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the City Administrator to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignment generally only exists temporarily; in other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance - The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

In the General Fund, the City has a policy to maintain a minimum of twenty-five percent of current year budgeted expenditures in unassigned fund balance. The City was not in compliance with this policy at September 30, 2020.

In the Enterprise Fund, the City has a policy to maintain twenty-five percent of the current year's budget appropriation for operation and maintenance in unrestricted net position. The City was not in compliance with this policy at September 30, 2020.

9. Estimates

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

10. Deferred Outflows/Inflows of Resources

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The deferred pension and OPEB outflows are the deferred outflows of contributions for the amount of contributions made by the City after the liability measurement date, but prior to the City's year end, and both the pension and OPEB have balances for deferred outflows related to changes in assumptions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, the deferred pension inflows consist of the differences in projected and actual earnings and expected and actual experience.

11. Pensions and Other Postemployment Benefit Plan

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

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND RESPONSIBILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the General Fund. All budgeted annual appropriations lapse at year-end and are re-established in the succeeding year.

Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council. Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, and are reflected in the official minutes of the City Council.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - STEWARDSHIP, COMPLIANCE AND RESPONSIBILITY - CONTINUED

During the year, the budget was amended as necessary. The legal level of budgetary control (i.e., the lowest level at which expenditures may not legally exceed appropriation) is the fund level.

B. Excess of Expenditures over Appropriations

The expenditures in the General Fund exceeded appropriations by \$178,278. Most excess of expenditures relate to capital outlays.

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest Rate Risk

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

Custodial Credit Risk

For a deposit, custodial credit risk is the risk that, in the event of a failure of a depository institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of the primary government and the component unit's bank deposits, none were uninsured and uncollateralized at September 30, 2020.

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

<u>Summary of deposits with financial institutions:</u>	
Primary government cash and investments	\$ 2,062,034
Less: petty cash	(2,551)
Deposits with financial institutions (carrying balances)	<u>\$ 2,059,483</u>
 <u>Deposits with financial institutions (bank balances)</u>	
Deposits insured by the F.D.I.C	\$ 2,103,636
Securities pledged by the bank depository	500,000
Bank deposits at-risk at September 30, 2020:	<u>1,603,636</u>
	<u>\$ -</u>

The City's policy on custodial credit risk requires that all deposits and investments of the City funds shall be secured by pledged collateral at a level of 102% of the market value of principal and accrued interest on the deposits or investments less an amount insured by the Federal Deposit Insurance Corporation (FDIC).

The City is authorized to invest in obligations collateralized by the FDIC; the U.S. Government; the State of Texas; or obligations of Texas counties, cities, or other political subdivisions the State of Texas with a quality rating of not less than "A".

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS - CONTINUED

Credit Risk

For an investment, credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy authorizes the Investment Committee to invest the City's funds in certificates of deposit with depository banks of the City, other state or national banks domiciled in Texas with offices in Winnsboro that are insured by FDIC, investment pools with a rating of AAA or AAAM, or treasury securities issued by the federal government.

Concentrations of credit risk of over 5% by issuer are as follows:

Investment Type	Issuer	Fair Value	% of Total Investments
Certificates of deposit (City)	First National Bank of Winnsboro	\$773,244	100%
Certificates of deposit (WEDC)	First National Bank of Winnsboro	\$338,443	100%

NOTE 4- CAPITAL ASSETS

Governmental fund type capital asset activity for the year ended September 30, 2020 is as follows:

	Beginning Balance	Additions	Retirements and Reclasses	Ending Balance
Nondepreciable assets:				
Land	\$ 405,637	\$ 284,171	\$ -	\$ 689,808
Construction in progress	121,912	59,721	(121,912)	59,721
Depreciable assets:				
Infrastructure	2,596,367	381,291	75,562	3,053,220
Buildings and improvements	2,491,067	425,150	46,350	2,962,567
Vehicles and equipment	2,156,497	44,726	(66,236)	2,134,987
Total capital assets being depreciated	7,243,931	851,167	55,676	8,150,774
Less: Accumulated depreciation	(4,636,884)	(268,746)	37,906	(4,867,724)
Net assets being depreciated	2,607,047	582,421	93,582	3,283,050
Total governmental capital assets,	\$ 3,134,596	\$ 926,313	\$ (28,330)	\$ 4,032,579

Proprietary fund type capital asset activity for the year ended September 30, 2020 is as follows:

	Beginning Balance	Additions	Retirements and Reclasses	Ending Balance
Nondepreciable assets:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in progress	166,473	-	(166,473)	-
Depreciable assets:				
Water and sewer system	19,304,430	26,403	166,473	19,497,306
Vehicles and equipment	215,551	-	-	215,551
Total capital assets being depreciated	19,519,981	26,403	166,473	19,712,857
Less: Accumulated depreciation	(9,990,465)	(435,439)	-	(10,425,824)
Net assets being depreciated	9,529,516	(409,036)	166,473	9,287,033
Proprietary fund capital assets, net	\$ 9,795,989	\$ (409,036)	\$ -	\$ 9,387,033

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4- CAPITAL ASSETS - CONTINUED

Depreciation was charged to functions as follows:

<u>Governmental activities:</u>	
General government	\$ 19,009
Fire	23,689
Police	65,199
Streets and Maintenance	103,849
Parks and Recreation	17,689
Airport	33,637
Library	5,674
Total depreciation expense - governmental activities	<u>\$ 268,746</u>
<u>Business-type activities:</u>	
Water and sewer	<u>\$ 435,439</u>
Total depreciation expense - business-type activities	<u>\$ 435,439</u>

NOTE 5 - INTERFUND BALANCES AND TRANSFERS

There are no interfund due to/due from balances at September 30, 2020.

Transfers to and from other funds during for the fiscal year ended September 30, 2020, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
Hotel & Motel Tax Fund	General Fund	\$ 1,500	Main Street Project
		<u>\$ 1,500</u>	

NOTE 6 – RECEIVABLES

Receivables at September 30, 2020 consisted of the following:

	<u>Primary Government</u>					<u>Component Unit</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Revolving Loan Fund</u>	<u>Hotel & Motel Tax Fund</u>	<u>Proprietary Fund</u>	<u>Economic Development Corporation</u>
Property tax	\$ 62,885	\$ 12,148	\$ -	\$ -	\$ -	\$ -
Sales tax	162,596	-	-	-	-	81,298
Notes and other	4,454	-	167,356	1,423	-	29,875
Unbilled	72,322	-	-	-	51,246	-
Franchise fees	37,803	-	-	-	-	-
Sanitation and water bills	75,240	-	-	-	210,785	-
Gross receivables	415,300	12,148	167,356	1,423	262,031	111,173
Less: Allowance for uncollectables	(37,731)	(7,285)	(82,817)	-	(7,340)	-
Net receivables	<u>\$ 377,569</u>	<u>\$ 4,863</u>	<u>\$ 84,539</u>	<u>\$ 1,423</u>	<u>\$ 254,691</u>	<u>\$ 111,173</u>

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS

A summary of the City's long-term debt obligations at September 30, 2020 is as follows:

<u>Governmental Activities:</u> Long-term Debt	Original Amount	Fiscal Year of Issue	Final Maturity	Int. Rate	Balance September 30, 2020
Series 2011 General Obligation Refunding Bonds	\$2,090,000	2011	2031	2-4.25%	\$ 100,000
Series 2020 General Obligation Refunding Bonds	1,334,000	2020	2031	.62-2.08%	1,334,000
Series 2020 Bond Discount	(9,338)				(9,338)
Capital Lease - Fire Truck	324,491	2014	2025	2.33%	146,757
Capital Lease - 2017 P.D. Vehicles	70,758	2017	2021	5.15%	2,089
Capital Lease - 2019 P.D. Vehicles	\$ 60,785	2019	2022	7.50%	30,216
Total Governmental Activities long-term debt:					<u>\$ 1,603,724</u>

<u>Business-Type Activities:</u> Long-term Debt	Original Amount	Fiscal Year of Issue	Final Maturity	Int. Rate	Balance September 30, 2020
Series 2011 General Obligation Refunding Bonds	\$6,855,000	2011	2031	2-4.25%	\$ 300,000
Series 2020 General Obligation Refunding Bonds	4,466,000	2020	2031	.62-2.08%	4,466,000
Series 2020 Bond Discount	(31,262)				(31,262)
Series 2005 Certificates of Obligation	1,050,000	2005	2025	0.00%	400,000
Series 2015 Certificates of Obligation	\$1,040,000	2015	2035	0.0-2.04%	790,000
Total Business-Type Activities long-term debt:					<u>\$ 5,924,738</u>

Advance Refunding Bonds:

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

Governmental Activities Long-Term Debt:

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS – CONTINUED

Governmental Activities Long-Term Debt (continued):

General Obligation Refunding Bonds Series 2020 were used to refund \$1,270,000 of the Series 2011 General Obligation Refunding Bonds. Principal is due annually in varying amounts each March 15th. Interest is paid semi-annually in varying amounts each March 15th and September 15th. These bonds are secured by the surplus revenues generated by the City.

Governmental activities refunding bonds debt service requirements at September 30, 2020, are as follows:

Governmental Activities - General Obligation Refunding Bonds

	Totals		2020 G.O. Refunding Bonds		2011 G.O. Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
Fiscal Year Ending						
2021	\$ 104,600	\$ 71,294	\$ 4,600	\$ 18,766	\$ 100,000	\$ 52,528
2022	116,150	18,493	116,150	18,493	-	-
2023	121,900	17,670	121,900	17,670	-	-
2024	120,750	16,659	120,750	16,659	-	-
2025	116,150	15,446	116,150	15,446	-	-
FY 2026-30	701,500	48,459	701,500	48,459	-	-
FY 2031	152,950	1,592	152,950	1,592	-	-
	<u>\$ 1,434,000</u>	<u>\$ 189,613</u>	<u>\$ 1,334,000</u>	<u>\$ 137,085</u>	<u>\$ 100,000</u>	<u>\$ 52,528</u>

In 2014, the City entered into a capital lease for a fire truck in which the City pays the lessor \$30,416 per year. The term of the lease is February 27, 2013 through November 27, 2024. Accordingly, a total of \$30,416 was paid during fiscal year 2020 under this lease, of which \$26,382 was the principal portion. The lease is secured by the related vehicle.

In fiscal year 2018, the City entered into a capital lease for two police vehicles in which the City will pay the lessor \$2,098 per month. The term of the lease is November 27, 2017 through October 27, 2020. A total of \$25,176, including \$24,383 of principal, was paid during fiscal year 2020 under this lease. The lease is secured by the related vehicles.

In fiscal year 2019, the City entered into a capital lease for two police vehicles in which the City will pay the lessor \$1,879 per month. The term of the lease is April 2, 2019 through April 2, 2022. A total of \$22,548, including \$19,482 of principal, was paid during fiscal year 2020 under this lease. The lease is secured by the related vehicles.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS – CONTINUED

The following is a summary of future minimum lease payments at September 30, 2020:

Year Ending September 30,	<u>Governmental Activities</u>			Totals
	2017 P.D. Fire Truck	2017 P.D. Vehicles	2019 P.D. Vehicles	
2021	\$ 30,416	\$ 2,098	\$ 22,549	\$ 55,063
2022	30,416	-	9,395	39,811
2023	30,416	-	-	30,416
2024	30,416	-	-	30,416
2025	30,416	-	-	30,416
Future minimum lease payments	152,080	2,098	31,944	186,122
Less: amount representing interest	(5,323)	(9)	(1,728)	(7,060)
Present value of minimum lease payments	\$ 146,757	\$ 2,089	\$ 30,216	\$ 179,062
Cost of equipment	\$ 324,491	\$ 70,758	\$ 60,785	

Business-Type Activities Long-Term Debt:

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

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

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

General Obligation Refunding Bonds Series 2020 were used to refund \$4,235,000 of the Series 2011 General Obligation Refunding Bonds. Principal is due annually in varying amounts each March 15th. Interest is paid semi-annually in varying amounts each March 15th and September 15th. These bonds are secured by the surplus revenues generated by the City's water and sewer system.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 - LONG-TERM OBLIGATIONS – CONTINUED

Debt service requirements on the Utilities Fund’s bonds and certificates of obligation at September 30, 2020, are as follows:

Fiscal Year	Totals	2020 G.O. Refunding		2011 G.O. Refunding		2015 Certificates of		2005 Certificates of		
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 450,400	\$ 250,094	\$ 15,400	\$ 62,827	\$ 300,000	\$ 174,949	\$ 50,000	\$ 12,318	\$ 85,000	\$ -
2022	523,850	73,999	388,850	61,911	-	-	50,000	12,088	85,000	-
2023	523,100	70,853	408,100	59,155	-	-	50,000	11,698	65,000	-
2024	529,250	66,951	404,250	55,773	-	-	50,000	11,178	75,000	-
2025	528,850	62,274	388,850	51,711	-	-	50,000	10,563	90,000	-
FY 2026-30	2,603,500	203,622	2,348,500	162,232	-	-	255,000	41,390	-	-
FY 2031-35	797,050	22,625	512,050	5,330	-	-	285,000	17,295	-	-
	<u>\$5,956,000</u>	<u>\$ 750,418</u>	<u>\$4,466,000</u>	<u>\$ 458,939</u>	<u>\$300,000</u>	<u>\$ 174,949</u>	<u>\$ 790,000</u>	<u>\$ 116,530</u>	<u>\$400,000</u>	<u>\$ -</u>

Changes in long-term liabilities for the year ended September 30, 2020, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General Obligation Refunding Bonds	\$ 1,465,000	\$ 1,334,000	\$(1,365,000)	\$ 1,434,000	\$ 104,600
Bond Premiums (discounts)	24,540	(9,338)	(24,540)	(9,338)	-
Capital Leases	249,309	-	(70,247)	179,062	48,288
Accrued Compensated Absences	62,509	6,258	-	68,767	-
Net Pension Liability	651,552	-	(328,536)	323,016	-
Total OPEB Liability	91,285	19,214	-	110,499	-
Total Governmental activities l-t liabilities:	<u>\$2,544,195</u>	<u>\$ 1,350,134</u>	<u>\$(1,788,323)</u>	<u>\$2,106,006</u>	<u>\$ 152,888</u>
Business activities:					
General Obligation Refunding Bonds	\$ 4,870,000	\$ 4,466,000	\$(4,570,000)	\$ 4,766,000	\$ 315,400
Bond Premiums (discounts)	80,489	(31,262)	(80,489)	(31,262)	-
Certificates of Obligation	1,280,000	-	(90,000)	1,190,000	135,000
Accrued Compensated Absences	37,734	-	(3,826)	33,908	-
Net Pension Liability	196,336	-	(98,999)	97,337	-
Total OPEB Liability	27,508	6,239	-	33,747	-
Total Business-type activities l-t liabilities:	<u>\$6,492,067</u>	<u>\$4,440,977</u>	<u>\$(4,843,314)</u>	<u>\$6,089,730</u>	<u>\$ 450,400</u>

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City carries commercial insurance for all such risks of loss through Traveler's Insurance Company. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in the past fiscal year.

NOTE 9 - PENSION PLAN

A. Plan Description

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

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

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. At retirement, the benefit is calculated as if the sum of employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. Plan provisions for the City were as follows:

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN - CONTINUED

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

Inactive employees or beneficiaries currently receiving benefits:	27
Inactive employees entitled to buy, but not yet receiving benefits:	32
Active employees:	<u>40</u>
Total:	99

C. Contributions

The contribution rates for employees in TMRS are 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are 100%, 150%, or 200%, as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.94% and 9.1% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$166,698, and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN - CONTINUED

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

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

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

Asset Class	Target Allocation	Geometric Real Rate of Return
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.44%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%

Discount Rate

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN - CONTINUED

Changes in the Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liab./ (Asset) (a) - (b)
Balances at 12/31/2018:	\$ 5,513,841	\$ 4,665,952	\$ 847,889
Changes for the year:			
Service cost	213,653		213,653
Interest	369,975		369,975
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(80,481)		(80,481)
Effect of assumptions changes or inputs	40,001		40,001
Refund of contributions	-		-
Benefit payments	(279,112)	(279,112)	-
Administrative expenses		(4,076)	4,076
Member contributions		91,071	(91,071)
Net investment income		720,974	(720,974)
Employer contributions		162,836	(162,836)
Other changes		(122)	122
Balances at 12/31/2019:	\$ 5,777,877	\$ 5,357,523	\$ 420,354

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

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability (asset)	\$ 1,188,972	\$ 420,354	\$ (212,397)

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - PENSION PLAN - CONTINUED

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

For the year ended September 30, 2020, the City recognized pension expense of \$113,085.

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

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 164,462	\$ -
Changes of assumptions	-	27,382
Net difference between projected and actual earnings	41,193	-
Contributions subsequent to the measurement date	N/A	122,510
Totals:	<u>\$ 205,655</u>	<u>\$ 149,892</u>

The amount of deferred outflows of resources related to pensions in the amount of \$122,510 resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021.

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

<u>Fiscal Year Ending:</u>	
2021	\$ (47,006)
2022	(60,854)
2023	10,793
2024	(81,206)
2025	-
Thereafter	-
	<u>\$ (178,273)</u>

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

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

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

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

B. Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The membership at the actuarial valuation and measurement date of December 31, 2019 consists of:

Inactive employees or beneficiaries currently receiving benefits:	18
Inactive employees entitled to buy, but not yet receiving benefits:	9
Active employees:	<u>40</u>
Total:	67

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

Employees for the City were required to contribute 0.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.25% and 0.24% in calendar year 2020 and 2019, respectively.

Actuarial Methods and Assumptions

Significant methods and assumptions used in the December 31, 2019; actuarial valuation are as follows:

Actuarial Cost Method	Entry Age Normal
Discount Rate	2.5% as of December 31, 2019(3.71% in prior year) Source: Fidelity Index's "20-Year Municipal GO AA Index"
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Retirees' share of benefit related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. These rates are projected on a fully generational basis with scale UMB.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

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

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

Total OPEB Liability

The City's total OPEB liability of \$143,796 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balances at 12/31/2018:	\$ 118,793	\$ -	\$ 118,793
Changes for the year:			
Service cost	5,829		5,829
Interest	4,495		4,495
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	(8,636)		(8,636)
Effect of assumptions changes or inputs	24,408		24,408
Refund of contributions	-		-
Benefit payments	(1,093)		(1,093)
Administrative expenses		-	-
Member contributions		-	-
Net investment income		-	-
Employer contributions		-	-
Other changes		-	-
Balances at 12/31/2019:	\$ 143,796	\$ -	\$ 143,796

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

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

	1% Decrease 1.75%	Current Discount Rate 2.75%	1% Increase 3.75%
Total OPEB liability	\$ 175,954	\$ 143,796	\$ 119,063

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

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

For the year ended September 30, 2020, the City recognized an OPEB expense of \$13,090.

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

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	\$ 8,867	\$ -
Changes of assumptions	-	17,723
Contributions subsequent to the measurement date	N/A	3,366
Totals:	<u>\$ 8,867</u>	<u>\$ 21,089</u>

\$3,366 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

<u>Fiscal Year Ending:</u>	
2021	\$ 2,766
2022	1,612
2023	2,042
2024	2,436
2025	-
Thereafter	-
	<u>\$ 8,856</u>

NOTE 11 -CONTINGENT LIABILITIES

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

The City is involved in a claim against the City, arising in the normal course of operations. The suit is being handled by counsel appointed by the City's insurance carrier. Management believes that attorney fees and any potential liability from the claim will be paid by the insurance carrier. Therefore, no provision has been recorded in the accompanying basic financial statements for such claim.

NOTE 12 - SUBSEQUENT EVENTS

In preparing these financial statements, management of the City has evaluated events and transactions for potential recognition or disclosure through May 11, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Winnsboro, Texas
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual - General Fund
For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes:				
Property	\$ 841,900	\$ 841,900	\$ 877,288	\$ 35,388
Sales	792,000	792,000	910,892	118,892
Franchise	239,122	239,122	261,226	22,104
Other	4,800	4,800	4,843	43
Sanitation	449,630	576,447	570,510	(5,937)
Licenses and permits	71,500	74,526	60,297	(14,229)
Court and police	242,425	242,425	176,739	(65,686)
Rents and leases	75,290	80,290	50,573	(29,717)
Grants	156,950	196,863	258,109	61,246
Intergovernmental	55,566	100,566	100,919	353
Investment earnings	1,060	1,060	626	(434)
Donations and other income	21,840	23,840	17,292	(6,548)
Total revenues	<u>2,952,083</u>	<u>3,173,839</u>	<u>3,289,314</u>	<u>115,475</u>
Expenditures				
Current:				
General government	422,027	516,746	524,149	(7,403)
Police	1,024,714	1,095,548	1,080,613	14,935
Streets and maintenance	344,569	380,183	380,384	(201)
Sanitation	207,100	363,238	365,930	(2,692)
Fire	180,514	207,310	212,779	(5,469)
Library	164,628	185,189	123,942	61,247
Parks	179,499	213,263	195,278	17,985
Animal control	116,786	117,881	121,834	(3,953)
Municipal court	74,814	74,814	73,115	1,699
Airport	44,974	72,636	51,207	21,429
Farmers market	3,500	5,750	3,235	2,515
Economic development	4,901	29,901	27,422	2,479
Capital outlays	222,937	439,070	676,509	(237,439)
Debt service:				
Principal retirement	26,382	26,382	70,247	(43,865)
Interest expense	9,570	9,570	9,115	455
Total expenditures	<u>3,026,915</u>	<u>3,737,481</u>	<u>3,915,759</u>	<u>(178,278)</u>
Excess of revenues over (under) expenditures	(74,832)	(563,642)	(626,445)	(62,803)
Other financing sources (uses)				
Proceeds from sold assets	2,000	48,371	48,370	(1)
Transfers in (out)	1,500	(58,811)	1,500	60,311
Total other financing sources(uses)	3,500	(10,440)	49,870	60,310
Net changes in fund balances	(71,332)	(574,082)	(576,575)	\$ (2,493)
Fund balances - beginning	1,162,552	1,162,552	1,162,552	
Fund balances - ending	<u>\$ 1,091,220</u>	<u>\$ 588,470</u>	<u>\$ 585,977</u>	

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

CITY OF WINNSBORO, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Total Pension Liability						
Service cost	\$ 213,653	\$ 187,497	\$ 180,483	\$ 174,025	\$ 156,184	\$ 118,965
Interest on total pension liability	369,975	348,379	347,311	333,768	331,354	328,888
Effect of plan changes	-	-	-	-	-	218,452
Difference between expected and actual experience	(80,481)	43,166	(238,855)	(9,058)	(4,156)	(131,074)
Effect of assumptions changes or inputs	40,001	-	-	-	29,960	-
Benefit payments/Refund of contributions	(279,112)	(265,244)	(287,994)	(314,681)	(307,656)	(292,664)
Net Change in Total Pension Liability	264,036	313,798	945	184,054	205,686	242,567
Total pension liability, beginning	5,513,841	5,200,043	5,199,098	5,015,044	4,809,358	4,566,791
Total pension liability, ending	\$ 5,777,877	\$ 5,513,841	\$ 5,200,043	\$ 5,199,098	\$ 5,015,044	\$ 4,809,358
Fiduciary Net Position						
Employer contributions	162,836	165,612	154,666	144,972	146,456	112,224
Member contributions	91,071	80,865	75,982	73,366	68,502	65,782
Investment income (net of expenses)	720,974	(144,672)	595,354	278,279	6,211	234,080
Benefit payments/Refund of contributions	(279,112)	(265,244)	(287,994)	(314,681)	(307,656)	(292,664)
Administrative expenses	(4,076)	(2,798)	(3,087)	(3,144)	(3,783)	(2,444)
Other	(122)	(146)	(156)	(169)	(188)	(201)
Net Change in Fiduciary Net Position	691,571	(166,383)	534,765	178,623	(90,458)	116,777
Fiduciary Net Position, beginning	4,665,952	4,832,335	4,297,571	4,118,948	4,209,406	4,092,629
Fiduciary Net Position, ending	5,357,523	4,665,952	4,832,336	4,297,571	4,118,948	4,209,406
Net pension liability / (asset), ending	\$ 420,354	\$ 847,889	\$ 367,707	\$ 901,527	\$ 896,096	\$ 599,952
Fiduciary net position as a percentage of total pension liability	92.72%	84.62%	92.93%	82.66%	82.13%	87.53%
Covered-employee payroll	\$ 1,821,427	\$ 1,601,167	\$ 1,509,058	\$ 1,467,329	\$ 1,370,035	\$ 1,315,636
Net pension liability as a percentage of covered payroll	23.08%	52.95%	24.37%	61.44%	65.41%	45.60%

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

Note 2 - The discount rate changed from 7.0% to 6.75% in 2015.

**CITY OF WINNSBORO, TEXAS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 166,698	\$ 158,453	\$ 165,378	\$ 144,972	\$ 147,107	\$ 141,383
Contributions in relation to the contractually required contributions	<u>166,698</u>	<u>158,453</u>	<u>165,378</u>	<u>144,972</u>	<u>147,107</u>	<u>141,383</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,840,538	\$ 1,715,882	\$ 1,576,309	\$ 1,495,112	\$ 1,481,484	\$ 1,395,342
Contributions as a percentage of covered employee payroll	9.06%	9.23%	10.49%	9.70%	9.93%	10.13%

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

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll, Closed

Remaining Amortization Period 27 years

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

Inflation 2.5%

Salary Increases 3.50% to 10.50% including inflation

Investment Rate of Return 6.75%

Retirement Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.

Mortality RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

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

CITY OF WINNSBORO, TEXAS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	December 31, 2019	December 31, 2018	December 31, 2017
Total OPEB Liability			
Service cost	\$ 5,829	\$ 5,764	\$ 4,829
Interest on total pension liability	4,495	4,132	4,054
Effect of plan changes	-	-	-
Difference between expected and actual experience	(8,636)	(3,721)	-
Effect of assumptions changes or inputs	24,408	(8,543)	9,721
Benefit payments/Refund of contributions	(1,093)	(1,601)	(1,358)
Net Change in Total OPEB Liability	<u>25,003</u>	<u>(3,969)</u>	<u>17,246</u>
Total OPEB liability, beginning	<u>118,793</u>	<u>122,762</u>	<u>105,516</u>
Total OPEB liability, ending	<u>\$ 143,796</u>	<u>\$ 118,793</u>	<u>\$ 122,762</u>
Covered payroll	\$ 1,821,427	\$ 1,601,167	\$ 1,509,058
Total OPEB liability as a percentage of covered payroll	7.89%	7.42%	8.14%

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

**CITY OF WINNSBORO, TEXAS
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 4,552	\$ 4,235	\$ 4,183
Contributions in relation to the contractually required contributions	<u>4,552</u>	<u>4,235</u>	<u>4,183</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,840,538	\$ 1,715,882	\$ 1,576,309
Contributions as a percentage of covered employee payroll	0.25%	0.25%	0.27%

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

COMPLIANCE AND INTERNAL CONTROLS SECTION

Rod L. Abbott, CPA PLLC

Certified Public Accountant

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

To the City Council
City of Winnsboro, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Winnsboro, Texas (the "City"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Winnsboro, Texas's basic financial statements and have issued my report thereon dated May 11, 2021.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001, that I consider to be a material weakness.

Compliance and Other Matters

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

City of Winnsboro, Texas's Response to Findings

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

Purpose of this Report

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



Rod L. Abbott, CPA PLLC
Tom Bean, Texas
May 11, 2021

City of Winnsboro, Texas
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I – Findings Related to the Financial Statements

Reference Number 2020-001

Year-End Accounting Closing Procedures

Criteria:	The City should have a process in place to accurately complete most needed year-end closing adjustments.
Condition Found:	The City did not have a process in place to identify all needed closing entries. Long-term debt, unbilled receivables, capital assets, and fund balances were some of the areas involved in this deficiency.
Context:	Management was unable to properly adjust balances to the correct fiscal year-end 2020 amounts.
Effect:	The lack of accurate closing procedures can lead to misstated City balances both at the fund-level and at the government-wide financial statement level.
Cause:	Year-end closing adjustments have typically been performed by a City consultant accountant or the auditor.
Questioned Costs:	N/A
Recommendation:	I recommend the City use a consultant accountant on a regular basis for training, to ensure proper closing entries and reconciliations to financial balances, and also review year-end balances for any needed adjustments before closing the fiscal year-end to be audited. The auditor may also be useful for general inquiries and understanding why the 2020 audit adjustments were needed.
View of Responsible Officials:	The City will strive to better utilize the services of the consultant accountant and auditor and to ensure financial misstatements in the areas noted above are reduced in future fiscal years.

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

Current year finding 2020-001 is considered a recurring finding from the prior year, but improvement was made in 2020 as far as the total number of needed auditor adjustments.