

CITY OF WINTERS, TEXAS

ANNUAL FINANCIAL AND COMPLIANCE REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2021**

CITY OF WINTERS, TEXAS

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FINANCIAL SECTION

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Winters, Texas as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Winters, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the required TMRS schedules on pages 3 through 8 and pages 39 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the

information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of the City of Winters, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Winters, Texas' internal control over financial reporting and compliance.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
November 21, 2022

Merritt, McLane & Hamby, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Winters, Texas's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on September 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total net position increased \$795,449 from prior year. Net position of our business-type activities increased \$720,163 (11.4%), after the prior period adjustment. Net position of our governmental activities increased \$75,286 (5.8%), after the prior period adjustment.
- During the year, the City's expenses were \$75,286 less than the \$1,831,056 generated in taxes, other revenues for governmental programs, and transfers.
- In the City's business-type activities, revenues were \$2,037,493 while expenses were \$1,317,330, including transfers.
- The total cost of the City's programs was \$2,970,505, and no new programs were added this year.
- The general fund reported fund balance of \$630,164.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, and culture and recreation. Business-type activities include water, sewer and garbage services.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has two kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives.

A budgetary comparison schedule for the general fund can be found in required supplementary information. This statement demonstrates compliance with the City's adopted and final revised budget.

Proprietary funds are required in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water, sewer and garbage. Internal service funds provide services and charge fees to customers within the city organization such as equipment services (repair and maintenance of City vehicles) and the print shop (mail and printing services for City departments). The City has no internal service funds.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements, both with more detail for major enterprise funds.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, other supplementary information, and other information required by the Government Accountability Office (GAO).

Financial Analysis of the City as a Whole

Net position. As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's net position at fiscal year-end is \$8,428,805. This is a \$795,449 increase over last year's net position of \$7,633,356, after the prior period adjustment. The following Table A-1 provides a summary of the City's net position at September 30, 2021.

Table A-1
City of Winter's Net Position

	Governmental Activities		Business-type Activities		Totals		% Difference
	2021	2020	2021	2020	2021	2020	
Current and Other Assets	\$ 939,689	\$ 931,937	\$ 4,786,291	3,785,843	\$ 5,725,980	4,717,780	21.37%
Capital and Non-Current Assets	951,392	834,138	5,668,385	6,031,190	6,619,777	6,865,328	-3.58%
Total Assets	<u>1,891,081</u>	<u>1,766,075</u>	<u>10,454,676</u>	<u>9,817,033</u>	<u>12,345,757</u>	<u>11,583,108</u>	6.58%
Deferred Outflows of Resources	52,151	62,385	31,598	37,778	83,749	100,163	-16.39%
Total Deferred Outflows of Resources	<u>52,151</u>	<u>62,385</u>	<u>31,598</u>	<u>37,778</u>	<u>83,749</u>	<u>100,163</u>	-16.39%
Current Liabilities	230,155	239,734	143,114	82,894	373,269	322,628	15.70%
Long Term Liabilities	284,106	252,084	3,250,707	3,428,569	3,534,813	3,680,653	-3.96%
Total Liabilities	<u>514,261</u>	<u>491,818</u>	<u>3,393,821</u>	<u>3,511,463</u>	<u>3,908,082</u>	<u>4,003,281</u>	-2.38%
Deferred Inflows of Resources	57,746	62,036	34,873	37,464	92,619	99,500	-6.92%
Total Deferred Inflows of Resources	<u>57,746</u>	<u>62,036</u>	<u>34,873</u>	<u>37,464</u>	<u>92,619</u>	<u>99,500</u>	-6.92%
Net Position							
Net Investment in Capital Assets	727,959	648,720	2,520,238	2,722,831	3,248,197	3,371,551	-3.66%
Restricted	105,402	21,933	373,917	70,627	479,319	92,560	417.85%
Unrestricted	537,864	603,953	4,163,425	3,512,426	4,701,289	4,116,379	14.21%
Total Net Position	<u>\$ 1,371,225</u>	<u>\$ 1,274,606</u>	<u>\$ 7,057,580</u>	<u>6,305,884</u>	<u>\$ 8,428,805</u>	<u>7,580,490</u>	11.19%

Net position in the City's governmental activities increased 5.8% to \$1,371,225. Net position increased 11.4% to \$7,057,580, after the prior period adjustment, in the business-type activities of the government. \$3,248,197 of that net position is invested in capital assets net of associated debt (land, buildings and improvements, equipment, etc.) and \$479,319 is restricted. Consequently, unrestricted net position was \$4,701,289 at the end of this year.

Changes in net position. The City's total revenues were \$3,765,954. 58% of the City's revenues come from charges for services, and 27 cents of every dollar raised comes from some type of tax. (See Figure A-1).

The total cost of all programs and services was \$2,970,505. The City's expenses cover a range of services, with nearly half (or 41%) related to our business-type activities. (See Figure A-2).

Governmental Activities

Revenues for the City's governmental activities were \$1,728,461, not including transfers, while total expenses were \$1,755,770. The City is increasing its tax base by bringing in new businesses and homes. The increase of new business adds revenue through three avenues; 1) property tax, and 2) sales tax, and 3) utility service sales.

Figure A-1
City Sources of Revenue for Fiscal Year 2021

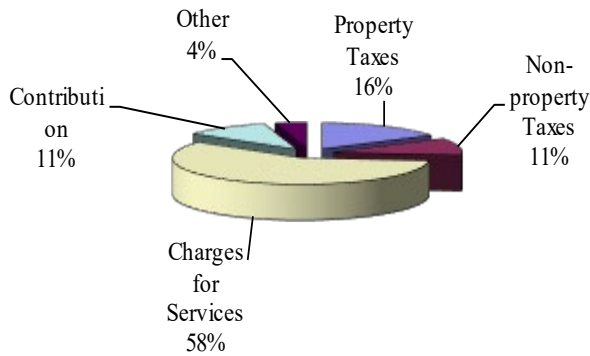


Figure A-2
City Functional Expenses for Fiscal Year 2021

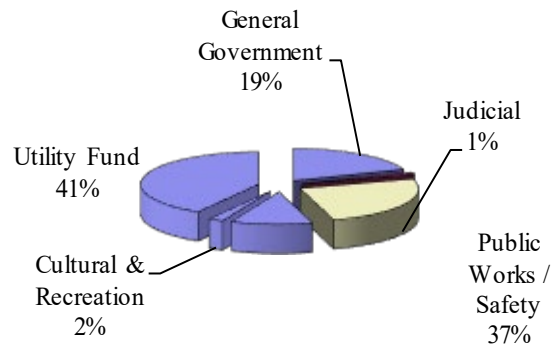


Table A-2
Changes in City of Winter, Texas' Net Position

	Governmental Activities		Business-type Activities		Total		% Difference
	2021	2020	2021	2020	2021	2020	
Revenues							
<u>Program Revenues</u>							
Charges for Services	\$ 493,720	\$ 523,209	\$ 1,709,131	1,783,831	\$ 2,202,851	2,307,040	-4.52%
Capital Grants and Contributions	103,748	26,290	303,290		407,038	26,290	1448.26%
<u>General Revenues</u>							
Property tax	610,206	585,254			610,206	585,254	4.26%
Other taxes	394,772	356,660			394,772	356,660	10.69%
Investment Earnings	44,574	33,139	12,343	8,233	56,917	41,372	37.57%
Miscellaneous Income	81,441	75,875	12,729	1,159	94,170	77,034	22.24%
Transfers	102,595		(102,595)				
Total Revenues	<u>1,831,056</u>	<u>1,600,427</u>	<u>1,934,898</u>	<u>1,793,223</u>	<u>3,765,954</u>	<u>3,393,650</u>	<u>10.97%</u>
Expenses							
General government	567,772	494,630			567,772	494,630	14.79%
Judicial	33,645	46,266			33,645	46,266	-27.28%
Public safety	755,039	711,278			755,039	711,278	6.15%
Public works	337,001	384,708			337,001	384,708	-12.40%
Cultural & recreation	62,313	48,085			62,313	48,085	29.59%
Utility Fund			1,214,735	1,281,540	1,214,735	1,281,540	-5.21%
Total Expenses	<u>1,755,770</u>	<u>1,684,967</u>	<u>1,214,735</u>	<u>1,281,540</u>	<u>2,970,505</u>	<u>2,966,507</u>	<u>0.13%</u>
Changes in Net Position	\$ <u>75,286</u>	\$ <u>(84,540)</u>	\$ <u>720,163</u>	<u>511,683</u>	\$ <u>795,449</u>	<u>427,143</u>	<u>86.23%</u>

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. Governmental funds reported ending fund balances of \$735,566 which is a decrease of \$6,593 over the prior year, after prior period adjustment.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the general fund decreased \$7,374.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

The City's major proprietary fund is the Utility Fund. Total net position at the end of the year was \$7,057,580. The Utility Fund had an increase in net position of \$720,163.

General Fund Budgetary Highlights

The General Fund Budget for fiscal year 2021 was \$1,174,313. The City did not amend the budget during the year. Total expenditures were more than budgeted by \$753,730. There were some expenditures that were planned and approved by the City council but were not included in the budget. Revenues were \$555,976 more than the budgeted revenues. The most significant items that were over budget were general government, court, police, highways and streets, and swimming pool.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of September 30, 2021, was \$951,392 and \$5,668,385, respectively. The total change in this net investment was an increase of 14.1% in the governmental activities and a decrease of 6.0% for business-type activities. The overall decrease was 3.6% for the City as a whole. The City added two vehicles and some repairs to the swimming pool during the current fiscal year. See Table A-3 for additional information about changes in capital assets during the fiscal year.

Table A-3
City's Capital Assets

	Governmental Activities		Business-type Activities				Total % Change
	2021	2020	2021	2020	2021	2020	
Land	\$ 54,505	\$ 54,505	\$ 329,608	\$ 329,608	\$ 384,113	\$ 384,113	
Construction in progress			32,100		32,100		100.0%
Buildings and improvements	427,888	427,888	101,101	101,101	528,989	528,989	
Equipment			587,918	587,918	587,918	587,918	
Water and sewer system			16,215,780	16,215,780	16,215,780	16,215,780	
Infrastructure	<u>2,673,212</u>	<u>2,486,752</u>			<u>2,673,212</u>	<u>2,486,752</u>	7.5%
Total at historical cost	<u>3,155,605</u>	<u>2,969,145</u>	<u>17,266,507</u>	<u>17,234,407</u>	<u>20,422,112</u>	<u>20,203,552</u>	1.1%
Total accumulated depreciation	<u>2,204,213</u>	<u>2,135,007</u>	<u>11,598,122</u>	<u>11,203,217</u>	<u>13,802,335</u>	<u>13,338,224</u>	3.5%
Net capital assets	<u>\$ 951,392</u>	<u>\$ 834,138</u>	<u>\$ 5,668,385</u>	<u>\$ 6,031,190</u>	<u>\$ 6,619,777</u>	<u>\$ 6,865,328</u>	-3.6%

Long-term Debt

At year-end, the City had \$3,120,000 in certificates of obligation and \$219,347 in notes payable. See Table A-4.

**Table A-4
City's Outstanding Debt**

	Business-type Activities		Difference
	2021	2020	
<i>Governmental Activities</i>			
Notes Payable	\$ 219,347	179,860	22%
<i>Business-type Activities</i>			
Bonds Payable	<u>3,120,000</u>	<u>3,292,000</u>	<u>-5.2%</u>
	<u>\$ 3,339,347</u>	<u>\$ 3,471,860</u>	<u>\$ -3.8%</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's budget for 2022 revenues for the General Fund decreased approximately \$638,000 from 2021 actual revenues. The City's budget for 2022 revenues for the Utility Fund increased approximately \$513,000 from 2021 actual revenues. Budgeted expenditures for the General Fund and the Utility Fund decreased approximately \$125,000 from 2021 actual expenditures.

These indicators were taken into account when adopting the general fund and utility fund budgets for 2022. Property taxes and sales taxes will remain substantially the same as fiscal year 2021.

The General Fund expenditures for fiscal year 2022 are budgeted at \$1,274,313. The City has added no major new programs or initiatives to the 2022 budget. If these estimates are realized, the City's budgetary general fund fund balance is expected to remain consistent with the previous year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Winters, Texas's Mayor at P. O. Box 34, Winters, Texas, 79562.

BASIC FINANCIAL STATEMENTS

CITY OF WINTERS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

ASSETS	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and cash equivalents	\$ 737,036	\$ 3,558,706	\$ 4,295,742
Investments	360,000	365,409	725,409
Receivables:			
Property tax	60,576		60,576
Allowance for uncollectible tax	(11,220)		(11,220)
Right of way	8,446		8,446
Accounts receivable	67,278	160,892	228,170
Sales tax	24,398		24,398
Loans	20,542		20,542
Due to/from other funds	(327,367)	327,367	
Restricted assets		373,917	373,917
Total current assets	939,689	4,786,291	5,725,980
Non-current Assets			
Capital assets:			
Land	54,505	329,608	384,113
Construction in progress		32,100	32,100
Buildings, net	64,480	26,437	90,917
Equipment, net		67,363	67,363
Water and sewer system, net		5,212,877	5,212,877
Infrastructure, net	832,407		832,407
Total non-current assets	951,392	5,668,385	6,619,777
Total Assets	1,891,081	10,454,676	12,345,757
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows - TMRS pension	40,774	24,728	65,502
Deferred outflows - TMRS OPEB	11,377	6,870	18,247
Total Deferred Outflows of Resources	52,151	31,598	83,749

The accompanying notes are an integral part of this statement.

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current Liabilities			
Accounts payable	84,225	52,882	137,107
Accrued liabilities	9,580	19,024	28,604
Other liabilities	60,962		60,962
Accrued interest payable	4,086	28,147	32,233
Compensated absences	13,389	5,061	18,450
Bonds and notes payable - current	57,913	38,000	95,913
Total current liabilities	<u>230,155</u>	<u>143,114</u>	<u>373,269</u>
Non-current Liabilities			
Customer deposits		94,624	94,624
Net pension liability	67,172	40,566	107,738
Net OPEB liability	55,500	33,517	89,017
Bonds and notes payable	161,434	3,082,000	3,243,434
Total non-current liabilities	<u>284,106</u>	<u>3,250,707</u>	<u>3,534,813</u>
Total Liabilities	<u>514,261</u>	<u>3,393,821</u>	<u>3,908,082</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - TMRS	55,770	33,680	89,450
Deferred inflows - OPEB	1,976	1,193	3,169
Total Deferred Inflows of Resources	<u>57,746</u>	<u>34,873</u>	<u>92,619</u>
NET POSITION			
Net investment in capital assets	727,959	2,520,238	3,248,197
Restricted	105,402	373,917	479,319
Unrestricted	537,864	4,163,425	4,701,289
Total Net Position	<u>\$ 1,371,225</u>	<u>\$ 7,057,580</u>	<u>\$ 8,428,805</u>

CITY OF WINTERS, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Primary Government				
Governmental Activities:				
General government	\$ 567,772	\$ 449,313	\$	
Judicial				
Court	33,645			
Public safety				
Police	713,516	44,407		
Fire	41,523			
Public works				
Highways & streets	333,616			103,748
Airport	3,385			
Culture & recreation				
Community center	8,902			
Swimming pool	47,622			
Senior citizens	5,789			
Total governmental activities	<u>1,755,770</u>	<u>493,720</u>		<u>103,748</u>
Business-type Activities				
Utility Fund	<u>1,214,735</u>	<u>1,709,131</u>		<u>303,290</u>
	<u>1,214,735</u>	<u>1,709,131</u>		<u>303,290</u>
Total Primary Government	<u>\$ 2,970,505</u>	<u>\$ 2,202,851</u>	<u>\$</u>	<u>\$ 407,038</u>

General Revenues:
Taxes:
 Sales tax
 Property tax
 Right of way
 Hotel/motel
Investment Earnings
Miscellaneous Income
Transfers
Total General Revenues

Change in Net Position

Net Position - Beginning
 Prior period adjustment
Net Position - Beginning, as Restated

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$ (118,459)	\$	(118,459)
(33,645)		(33,645)
(669,109)		(669,109)
(41,523)		(41,523)
(229,868)		(229,868)
(3,385)		(3,385)
(8,902)		(8,902)
(47,622)		(47,622)
(5,789)		(5,789)
<u>(1,158,302)</u>		<u>(1,158,302)</u>
	<u>797,686</u>	<u>797,686</u>
	<u>797,686</u>	<u>797,686</u>
<u>(1,158,302)</u>	<u>797,686</u>	<u>(360,616)</u>
313,069		313,069
610,206		610,206
77,762		77,762
3,941		3,941
44,574	12,343	56,917
81,441	12,729	94,170
102,595	(102,595)	
<u>1,233,588</u>	<u>(77,523)</u>	<u>1,156,065</u>
<u>75,286</u>	<u>720,163</u>	<u>795,449</u>
1,274,606	6,305,884	7,580,490
21,333	31,533	52,866
<u>1,295,939</u>	<u>6,337,417</u>	<u>7,633,356</u>
\$ <u>1,371,225</u>	\$ <u>7,057,580</u>	\$ <u>8,428,805</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF WINTERS, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 597,446	\$ 139,590	\$ 737,036
Investments	360,000		360,000
Receivables:			
Property tax	60,576		60,576
Allowance for uncollectible tax	(11,220)		(11,220)
Right of way	8,446		8,446
Accounts receivable, net	67,278		67,278
Sales tax	24,398		24,398
Loan receivable		20,542	20,542
Total Assets	<u>\$ 1,106,924</u>	<u>\$ 160,132</u>	<u>\$ 1,267,056</u>
LIABILITIES:			
Accounts payable	\$ 83,292	\$ 933	\$ 84,225
Due to other funds	273,570	53,797	327,367
Other liabilities	60,962		60,962
Payroll liabilities	9,580		9,580
Total Liabilities	<u>427,404</u>	<u>54,730</u>	<u>482,134</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	<u>49,356</u>		<u>49,356</u>
Total Deferred Inflows of Resources	<u>49,356</u>		<u>49,356</u>
FUND BALANCE:			
Restricted			
Special programs		105,402	105,402
Unassigned	<u>630,164</u>		<u>630,164</u>
Total Fund Balance	<u>630,164</u>	<u>105,402</u>	<u>735,566</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,106,924</u>	<u>\$ 160,132</u>	<u>\$ 1,267,056</u>

The accompanying notes are an integral part of this statement.

CITY OF WINTERS, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2021

Total fund balances - governmental funds balance sheet	\$	735,566
<p>Amounts reported for governmental activities in the statement of net position (SNP) are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$2,969,145 and the accumulated depreciation was \$2,135,007.		834,138
Capital asset additions are recorded as capital outlay in the fund financial statements and as additions to capital assets in the statement of net assets.		186,460
Depreciation expense decreases net position in SNP.		(69,206)
Compensated absences payable is accrued in the government-wide financial statements, whereas in the fund financial statements, compensated absence expenditures are reported when paid.		(13,389)
Note payables are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental funds balance sheet.		(219,347)
Accrued interest payable is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when paid.		(4,086)
Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$67,172, a deferred resource inflow in the amount of \$55,770 and a deferred resource outflow in the amount of \$40,774. This resulted in a decrease in net position by \$52,168.		(82,168)
Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of \$55,500, a deferred resource inflow in the amount of \$1,976, and a deferred resource outflow in the amount of \$11,377. This resulted in a decrease in net position by \$46,099.		(46,099)
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.		<u>49,356</u>
Net position of governmental activities - statement of net position	\$	<u><u>1,371,225</u></u>

The accompanying notes are an integral part of this statement.

CITY OF WINTERS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes			
Sales tax	\$ 313,069	\$	\$ 313,069
Property tax	612,840		612,840
Right of way	77,762		77,762
Hotel/motel	3,932	9	3,941
License & permits	270		270
Grant income	103,748		103,748
Charges for services	449,043		449,043
Fines & forfeitures	44,407		44,407
Interest & rent	43,777	797	44,574
Miscellaneous	81,441		81,441
Total Revenues	1,730,289	806	1,731,095
EXPENDITURES			
Current			
General government	563,722	25	563,747
Judicial			
Court	33,645		33,645
Public safety			
Police	855,708		855,708
Fire	41,523		41,523
Public works			
Highways & streets	311,858		311,858
Airport	3,385		3,385
Culture & recreation			
Community center	8,902		8,902
Swimming pool	103,511		103,511
Senior citizens	5,789		5,789
Total Expenditures	1,928,043	25	1,928,068
Excess (Deficiency) of Revenues Over (Under) Expenditures	(197,754)	781	(196,973)
OTHER FINANCING SOURCES (USES)			
Loan proceeds	87,785		87,785
Transfers	102,595		102,595
Total Other Financing Sources (Uses)	190,380		190,380
Net Change in Fund Balance	(7,374)	781	(6,593)
Fund Balance - Beginning	698,893	21,933	720,826
Prior period adjustment	(61,355)	82,688	21,333
Fund Balance - Beginning, as Restated	637,538	104,621	742,159
Fund Balance - Ending	\$ 630,164	\$ 105,402	\$ 735,566

The accompanying notes are an integral part of this statement.

CITY OF WINTERS, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Total change in fund balances - total governmental funds	\$	(6,593)
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>		
Capital asset additions are recorded as capital outlay in the fund financial statements and as additions to capital assets in the statement of net assets.		186,460
Depreciation expense decreases net position in SOA.		(69,206)
Debt payments are recorded as expenditures in the fund financial statements but as a reduction to liability in the statement of net assets.		48,298
Loan proceeds are increases to long-term liability in the government wide statements but are shown as other sources in the fund financial statements.		(87,785)
Compensated absences payable is accrued in the government-wide financial statements, whereas in the fund financial statements, compensated absence expenditures are reported when paid.		(4,093)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of December 31, 2020 caused the change in the ending net position to increase in the amount of \$28,717. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$29,647. The City's reported TMRS net pension expense had to be recorded. The net pension expense increased the change in net position by \$14,470. The result of these changes is an increase in net position of \$13,540.		13,540
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of December 31, 2020 caused the change in the ending net position to increase in the amount of \$1,424. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$968. The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by \$4,629. The result of these changes is a decrease in net position of \$4,173.		(4,173)
Various other reclassifications and eliminations including recognizing unavailable revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy.		<u>(1,162)</u>
Change in net position of governmental activities - statement of activities	\$	<u><u>75,286</u></u>

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF WINTERS, TEXAS

STATEMENT OF FUND NET POSITION - PROPRIETARY FUND

SEPTEMBER 30, 2021

	Utility Fund	Total Enterprise Fund
	<u> </u>	<u> </u>
ASSETS:		
Current Assets:		
Cash and cash equivalents	\$ 3,558,706	\$ 3,558,706
Investments	365,409	365,409
Accounts receivable, net	160,892	160,892
Due from other funds	327,367	327,367
Restricted assets	373,917	373,917
Total current	<u>4,786,291</u>	<u>4,786,291</u>
Non-current Assets:		
Land	329,608	329,608
Construction in progress	32,100	32,100
Buildings, net	26,437	26,437
Water & sewer system, net	5,212,877	5,212,877
Equipment, net	67,363	67,363
Total non current	<u>5,668,385</u>	<u>5,668,385</u>
Total Assets	<u>10,454,676</u>	<u>10,454,676</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows - TMRS pension	24,728	24,728
Deferred outflows - TMRS OPEB	6,870	6,870
Total Deferred Outflows of Resources	<u>31,598</u>	<u>31,598</u>
LIABILITIES:		
Current Liabilities:		
Accounts payable	52,882	52,882
Accrued liability	19,024	19,024
Accrued interest payable	28,147	28,147
Compensated absences	5,061	5,061
Bonds payable - current	38,000	38,000
Total current liabilities	<u>143,114</u>	<u>143,114</u>
Non-current Liabilities:		
Customer deposits	94,624	94,624
Net pension liability	40,566	40,566
Net OPEB liability	33,517	33,517
Bonds payable	3,082,000	3,082,000
Total non-current liabilities	<u>3,250,707</u>	<u>3,250,707</u>
Total Liabilities	<u>3,393,821</u>	<u>3,393,821</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - TMRS	33,680	33,680
Deferred inflows - OPEB	1,193	1,193
Total Deferred Inflows of Resources	<u>34,873</u>	<u>34,873</u>
NET POSITION		
Net investment in capital assets	2,520,238	2,520,238
Restricted	373,917	373,917
Unrestricted	4,163,425	4,163,425
Total Net Position	<u>\$ 7,057,580</u>	<u>\$ 7,057,580</u>

The accompanying notes are an integral part of this statement.

CITY OF WINTERS, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Utility Fund</u>	<u>Total Enterprise Fund</u>
Operating Revenues		
Water and sewer charges	\$ 1,709,131	\$ 1,709,131
Total operating revenues	<u>1,709,131</u>	<u>1,709,131</u>
Operating Expenses:		
Water department	1,001,544	1,001,544
Lake park facilities	76,603	76,603
Sewer department	122,002	122,002
Total operating expenses	<u>1,200,149</u>	<u>1,200,149</u>
Net operating income	<u>508,982</u>	<u>508,982</u>
Non operating income (expense)		
Interest and rent income	12,343	12,343
Grant revenue	303,290	303,290
Miscellaneous income	12,729	12,729
Interest expense	(14,586)	(14,586)
Transfers	(102,595)	(102,595)
Total non-operating income (expense)	<u>211,181</u>	<u>211,181</u>
Change in Net Position	<u>720,163</u>	<u>720,163</u>
Net Position - Beginning of Year	6,305,884	6,305,884
Prior period adjustment	31,533	31,533
Net Position - Beginning of Yeas, As Restated	<u>6,337,417</u>	<u>6,337,417</u>
Net Position - End of Year	<u>\$ 7,057,580</u>	<u>\$ 7,057,580</u>

The accompanying notes are an integral part of this statement.

CITY OF WINTERS, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Utility Fund</u>	<u>Total Enterprise Fund</u>
<u>Cash flows from operating activities:</u>		
Cash received from customers	\$ 1,740,821	\$ 1,740,821
Cash received from grants	303,290	303,290
Cash received for interest and miscellaneous	25,072	25,072
Cash payments to suppliers for goods and services	<u>(831,672)</u>	<u>(831,672)</u>
Net cash provided by operating activities	<u>1,237,511</u>	<u>1,237,511</u>
<u>Cash flows from capital financing activities:</u>		
Purchase of property and equipment	(32,100)	(32,100)
Net pension liability	(8,339)	(8,339)
Net OPEB liability	2,682	2,682
Net cash used in capital financing activities	<u>(37,757)</u>	<u>(37,757)</u>
<u>Cash flows from noncapital financing activities:</u>		
Due to from other funds	<u>(62,814)</u>	<u>(62,814)</u>
Net cash used in noncapital financing activities	<u>(62,814)</u>	<u>(62,814)</u>
<u>Cash flows from capital and related financing activities:</u>		
Principal paid on bonds payable	<u>(172,000)</u>	<u>(172,000)</u>
Net cash used in capital and related financing activities	<u>(172,000)</u>	<u>(172,000)</u>
Net increase in cash and cash equivalents	964,940	964,940
Cash at Beginning of Year	<u>2,967,683</u>	<u>2,967,683</u>
Cash and cash equivalent	3,558,706	3,558,706
Cash - restricted	373,917	373,917
Cash at End of Year	<u>\$ 3,932,623</u>	<u>\$ 3,932,623</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 720,163	\$ 720,163
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	394,905	394,905
Prior period adjustment	31,533	31,533
(Increase) decrease in operating assets		
Receivables	27,306	27,306
Increase (decrease) in operating liabilities		
Accounts payable	37,247	37,247
Accrued liabilities	10,185	10,185
Accrued interest	11,788	11,788
Utility deposits	4,384	4,384
Net cash provided by operating activities	<u>\$ 1,237,511</u>	<u>\$ 1,237,511</u>

The accompanying notes are an integral part of this statement.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting framework and the more significant accounting principles and practices of the City of Winters, Texas (City) are discussed in subsequent sections of this Note. The remainder of the Notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2021.

Financial Reporting Entity – Basis of Presentation

The City of Winters, Texas operates under the Alderman form of government. The City provides a full range of municipal services including public safety (police and fire), streets, culture and recreation, planning and zoning, and general administrative services. In addition, the City provides water, sewer and sanitation services as a proprietary function of the City.

Government-wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for uses of the City's services; and (2) operating and capital grants and contributions which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting which, generally include the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, right of way (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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 needed.

Fund Types and Major Funds

Governmental funds

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Additionally, the government reports the following nonmajor governmental fund types:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted. Committed, or assigned to expenditures for specified purposes.

Proprietary Fund

The City reports the following major enterprise fund:

Utility Fund – reports for revenues and expenses associated with water and sewer services for the citizens of the City.

Assets, Liabilities, and Net Position or Equity

Cash and cash investments

The City reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value (generally based on quoted market prices). Short-term investments are reported at cost, if any, which approximates fair value.

Inventory

The costs of inventory are recorded as expenditures/expenses when purchased (purchase method).

Capital assets, depreciation, and amortization

The City's property, plant, and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with costs of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in non-operating revenues and expenses in the proprietary fund statements and as general revenues in the government-wide statements.

Estimated useful lives for depreciable assets are as follows:

Water and Sewer System	40 years
Infrastructure	40 years
Buildings	15-40 years
Equipment	5-20 years

Long-term debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds for debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Compensated absences

Accumulated earned but unused compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. An expenditure for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Pensions

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

Other Post-Employment Benefits

The total OPEB liability of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resource measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefit, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Deferred Outflows / Inflows of Resources

Deferred outflows of resources refer to the consumption of net assets that are applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets. The City has no amounts recorded as deferred outflows of resources in the governmental fund financial statements and \$31,598

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

and \$83,749 of deferred outflows related to TMRS in the proprietary funds and government-wide financial statements, respectively.

Deferred inflows of resources refer to the acquisition of net assets that are applicable to a future reporting period. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Specifically, for the current period, the difference in delinquent taxes receivable and the associated allowance for uncollectible taxes of \$49,356 is considered a deferred inflow of resources in the governmental fund financial statements, while \$34,873 and \$92,619 of deferred inflows related to TMRS is considered deferred inflow of resources in the proprietary funds and government-wide financial statements, respectively.

Fund Balance Classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City had \$0 classified as nonspendable at September 30, 2021.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. The City classified \$105,402 restricted for special programs and \$373,917 restricted for grant projects at September 30, 2021.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City has \$0 classified as committed fund balance at September 30, 2021.

Assigned – This classification includes amounts that are constrained by the City Council's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Council or through the Council delegating this responsibility to management through the budgetary process. The City has \$0 classified as assigned at September 30, 2021.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. As such, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budget policy and practice

The Secretary submits an annual budget to the City Council in accordance with specific state statutes. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In September, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Basis of budgeting

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by class as follows: general governmental services, judicial, public safety – police and fire, public works – highways and streets, airport, culture and recreation – community center, swimming pool, and senior citizens. Budget revisions at this level are subject to final review by the City Council.

Budgets for the governmental funds are budgeted on the modified accrual basis of accounting. Revenues are budgeted in the year receipt is expected and expenditures are budgeted in the year that the expenditure is incurred. The budget and actual financial statements are reported on these bases.

NOTE 3: DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Compliance with the Public Funds Investment Act

The Public Funds Investment Act (Government Code 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - continued

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform tests or procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Cash Deposits

City's deposits were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name at September 30, 2021.

Fair Value

Generally accepted accounting principles require the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A fair value hierarchy exists for valuation inputs that give the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example: interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS - continued

While management believes the City’s valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

For all assets and liabilities other than investments carrying value approximates fair value.

Investments are reported at fair value utilizing Level II inputs for the CDs at Security State Bank.

At September 30, 2021, the City of Winters, Texas had the following investments:

	Fair Value	Weighted Average Maturity
Certificates of deposit	\$ 725,409	44 Days

Investment Accounting Policy

The City’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Analysis of Specific Deposit and Investment Risks

- Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2021, the City was not significantly exposed to credit risk.
- Custodial Credit Risk – Deposits and investments are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the City’s name. At September 30, 2021, the City’s deposits and investments were entirely collateralized and therefore, not exposed to custodial credit risk.
- Concentration of Credit Risk – the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The City’s policy is to diversify its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the City’s total investment portfolio will be invested in a single security type or with a single financial institution. At September 30, 2021, the City was not exposed to concentration of credit risk.
- Interest Rate Risk – the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the city manages its exposure to declines in fair values by limiting the maturity of investments to less than one year. The City monitors the interest rates to minimize the exposure to interest rate risk.
- Foreign Currency Risk – the risk that exchange rates will adversely affect the fair value of an investment. As of September 30, 2021, the City was not exposed to foreign currency risk.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 4: RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND UNAVAILABLE REVENUE

Enterprise Receivables

Significant receivables include amounts due from customers primarily for utility services. These receivables are due within one year. The City expects to collect substantially all of these receivables. Therefore, the City's receivables are reported at gross receivables. Receivables at September 30, 2021 are shown as follows:

Primary government:	
General Fund	\$ 67,278
Utility Fund	<u>160,892</u>
Total primary government	\$ <u>228,170</u>

Property Taxes Receivable, Unavailable Revenue, and Property Tax Calendar

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st 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 1st of the year following the year in which tax is imposed. A tax lien automatically attaches to the property on January 1st. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible taxes receivable within the General Fund are based upon historical experience in collecting property taxes. Uncollectible property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In the governmental fund financial statements, property taxes receivable are recorded in the General Fund. At fiscal year-end, the receivables represent delinquent taxes.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

NOTE 5: CAPITAL ASSETS

The following schedule provides a summary of changes in capital assets:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 54,505	\$ _____	\$ _____	\$ 54,505
Total capital assets not being depreciated	<u>54,505</u>			<u>54,505</u>
Capital assets being depreciated				
Buildings	427,888			427,888
Infrastructure	<u>2,486,752</u>	<u>186,460</u>	_____	<u>2,673,212</u>
Total capital assets being depreciated	<u>2,914,640</u>	<u>186,460</u>	_____	<u>3,101,100</u>
Less accumulated depreciation for:				
Buildings	359,457	3,951		363,408
Infrastructure	<u>1,775,550</u>	<u>65,255</u>	_____	<u>1,840,805</u>
Total accumulated depreciation	<u>2,135,007</u>	<u>69,206</u>	_____	<u>2,204,213</u>
Governmental activities capital assets, net	<u>834,138</u>	<u>117,254</u>	_____	<u>951,392</u>

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS - continued

Depreciation was charged to functions as follows:

Governmental activities:

General government	\$	811
Public safety		32,710
Public works		22,899
Culture and recreation		12,786
Total Governmental Activities	\$	<u>69,206</u>

<u>Business-type activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	329,608			329,608
Construction in progress		32,100		32,100
Total capital assets not being depreciated	<u>329,608</u>	<u>32,100</u>		<u>361,708</u>
Capital assets being depreciated				
Water and sewer system	16,215,780			16,215,780
Buildings and improvements	101,101			101,101
Other equipment	587,918			587,918
Total capital assets being depreciated	<u>16,904,799</u>			<u>16,904,799</u>
Less accumulated depreciation for:				
Water and sewer system	10,637,581	365,322		11,002,903
Buildings and improvements	68,559	6,105		74,664
Other equipment	497,077	23,478		520,555
Total accumulated depreciation	<u>11,203,217</u>	<u>394,905</u>		<u>11,598,122</u>
Business-type activities capital assets, net	<u>6,031,190</u>	<u>(362,805)</u>		<u>5,668,385</u>
Total government-wide capital assets, net	\$ <u>6,865,328</u>	\$ <u>(245,551)</u>		\$ <u>6,619,777</u>

NOTE 6: LONG-TERM DEBT

The following is a summary of changes in long-term obligations for the year ended September 30, 2021.

	<u>9/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2021</u>	<u>Due within One Year</u>
<i>Governmental Activities:</i>					
USDA note payable	\$ 40,000	\$	\$ 4,000	\$ 36,000	\$ 4,000
Police vehicles note payable	60,354		19,063	41,291	20,099
CopSync note payable	25,235		25,235		
John Deere Financial	54,271			54,271	17,462
American National Leasing Co		87,785		87,785	16,352
	<u>179,860</u>	<u>87,785</u>	<u>48,298</u>	<u>219,347</u>	<u>57,913</u>

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 6: LONG-TERM DEBT – continued

<i>Business-type Activities:</i>	<u>9/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2021</u>	<u>Due within One Year</u>
Tax and waterworks and sewer system surplus revenue CO					
Series 2007	985,000		55,000	930,000	
Series 2007A	280,000		35,000	245,000	
Series 2010	1,282,000		27,000	1,255,000	28,000
Series 2014	185,000		45,000	140,000	
Series 2017	560,000		10,000	550,000	10,000
Total Business-type Activities	<u>3,292,000</u>		<u>172,000</u>	<u>3,120,000</u>	<u>38,000</u>
Total Debt	<u>\$ 3,471,860</u>	<u>\$ 87,785</u>	<u>\$ 220,298</u>	<u>\$ 3,339,347</u>	<u>\$ 95,913</u>
Compensated absences					
<i>Governmental Activities:</i>	\$ 9,296	4,093		13,389	
<i>Business-type Activities:</i>	<u>5,767</u>		<u>706</u>	<u>5,061</u>	
	<u>\$ 15,063</u>	<u>\$ 4,093</u>	<u>\$ 706</u>	<u>\$ 18,450</u>	

Governmental Activities

\$71,000 note payable due to the U.S. Department of Agriculture, due in annual installments of \$3,000 to \$5,000 through October 1, 2028; interest at 4.5%.

\$106,809 note payable due to John Deere Financial, due in annual installments of \$19,392 through October 13, 2024; interest at 3.56%.

\$72,836 note payable due to CopSync, due in annual installments of \$26,241 through July 7, 2021; interest at 4.0%. The City paid this note in full prior to September 30, 2021.

\$99,634 note payable due to first Financial Bank, due in annual installments of \$22,345 through December 27, 2023; interest at 5.4%.

\$87,785 note payable due to American national Leasing Company, due in annual installments of \$19,473 through August 31, 2026; interest at 3.56%.

Business-type Activities:

\$1,680,000 Series 2007 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, due in annual installments of \$55,000 through October 1, 2038; interest at 0%. Imputed interest is deemed immaterial and, therefore, not recorded.

\$655,000 Series 2007A Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, due in annual installments of \$25,000 to \$40,000 through October 1, 2028; interest at 2.15% to 2.75%.

\$1,495,000 Series 2010 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, due in annual installments of \$21,000 to \$60,000 through October 1, 2050; interest at 2.65%.

\$425,000 Series 2014 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, due in annual installments of \$40,000 to \$50,000 through October 1, 2024; interest at 0.02% to 3.8%.

\$580,000 Series 2017 Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, due in annual installments of \$10,000 to \$45,000 through April 1, 2038; interest ranging from 1.16% to 3.26%.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 6: LONG-TERM DEBT – continued

<i>Governmental Activities</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022 \$	57,913	\$ 8,827	\$ 66,740
2023	60,209	6,351	66,560
2024	40,262	3,777	44,039
2025	22,159	2,304	24,463
2026	23,804	1,456	25,260
2027	15,000	1,014	16,014
	<u>\$ 219,347</u>	<u>\$ 23,729</u>	<u>\$ 243,076</u>

The City is required to set aside an amount restricted for debt payments. At September 30, 2021, the City has \$70,637 restricted for debt.

<i>Business-type Activities</i>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022 \$	38,000	\$ 47,188	\$ 85,188
2023	174,000	59,941	233,941
2024	174,000	56,453	230,453
2025	180,000	52,867	232,867
2026	161,000	49,328	210,328
2027-2031	722,000	208,374	930,374
2032-2036	670,000	150,971	820,971
2037-2041	468,000	90,189	558,189
2042-2046	248,000	60,359	308,359
2047-2051	285,000	26,924	311,924
	<u>\$ 3,120,000</u>	<u>\$ 802,594</u>	<u>\$ 3,922,594</u>

NOTE 7: RISK MANAGEMENT – CLAIMS AND JUDGEMENTS

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and through the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of 1,901 individual governmental units located within the state. TML Intergovernmental Risk Pool (Pool) is considered a self-sustaining risk pool that provides coverage for its members. The City’s contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. The Pool’s liability is limited to the coverage that the City elects as stated in the Pool’s Declaration of Coverage for that fund year. Settled claims have not exceeded insurance coverage limits for the past three years.

NOTE 8: BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions. There were no transfers between funds during the year ended September 30, 2021.

The following schedule reports payments within the reporting entity:

<u>Due From</u>	<u>Due To</u>	
General Fund	Utility Fund	\$ 273,570
Accounts Payable Fund	Utility Fund	54,786
Hotel/Motel Fund	Utility Fund	261
Utility Fund	Micro Enterprise	(1,250)
		<u>\$ 327,367</u>

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 9: UNFAVORABLE BUDGET VARIANCES

During the year ended September 30, 2021, the City had the following unfavorable budget variances:

General fund		
General government	\$	399,178
Court		12,920
Police		242,258
Highways & streets		40,481
Community center		1,852
Swimming Pool		72,511
Senior Citizens		189

The most significant budget variances are in the general government, court, police, highways and streets, and swimming pool. The City records garbage sales net of expenditures. However, the revenues and expenditures should be recorded separately. The City had some expenditures paid after the end of the year that were incurred during the 2020 fiscal year. These expenditures were not appropriately budgeted. In addition, there were no budget amendments during the year. The Council approves all expenditures/expenses before paid.

NOTE 10: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Winters participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at tmrs.com.

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

Benefits Provided

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

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	2021	2020
Employee deposit rate	5%	5%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfer	100% Repeating Transfer
Annuity increase (to retirees)	70% of CPI	70% of CPI

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 10: DEFINED BENEFIT PENSION PLAN - continued

Employees covered by benefit terms.

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

	2020	2019
Inactive employees or beneficiaries currently receiving benefits	19	18
Inactive employees entitled to but not yet receiving benefits	11	11
Active employees	15	16
	45	45

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of the Member’s total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city’s contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Winters were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City of Winters were 10.41% and 11.08% in calendar years 2020 and 2021 respectively. The city’s contributions to TMRS for the year ended September 30, 2021, were \$64,290, and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (AORs) 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.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 10: DEFINED BENEFIT PENSION PLAN - continued

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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for the time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Minimum %</u>	<u>Target %</u>	<u>Maximum %</u>
Core Fixed Income	5%	10%	15%
Non-Core Fixed Income	15%	20%	25%
Global Public Equity	20%	30%	40%
Real Estate	5%	10%	15%
Real Return	5%	10%	15%
Absolute Return	5%	10%	15%
Private Equity	5%	10%	15%
Cash Equivalents	0%	0%	10%

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

Changes in the Net Pension Liability

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at 12/31/19	\$ 3,376,521	\$ 3,232,189	\$ 144,332
Changes for the year:			
Service cost	82,210		82,210
Interest	223,194		223,194
Change of benefit terms			-
Difference between expected and actual experience	(1,458)		(1,458)
Changes of assumptions			-
Contributions - employer		65,781	(65,781)
Contributions - employees		31,595	(31,595)
Net investment income		244,814	(244,814)
Benefit payments, including refunds of employee contributions	(222,094)	(222,094)	-
Administrative expense		(1,588)	1,588
Other changes		(62)	62
Net changes	<u>81,852</u>	<u>118,446</u>	<u>(36,594)</u>
Balance at 12/31/20	<u>\$ 3,458,373</u>	<u>\$ 3,350,635</u>	<u>\$ 107,738</u>

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 10: DEFINED BENEFIT PENSION PLAN - continued

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

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

	1% Decrease in Discount Rate <u>(5.75%)</u>	Discount Rate <u>(6.75%)</u>	1% Increase in Discount Rate <u>(7.75%)</u>
City's net pension liability	\$ 546,447	\$ 107,738	\$ (253,422)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2021, the city recognized pension expense of \$42,571.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 16,034	\$ 1,029
Changes in actuarial assumptions	3,408	
Differences between projected and actual investment earnings		88,421
Contributions subsequent to the measurement date	46,060	
Total	<u>\$ 65,502</u>	<u>\$ 89,450</u>

\$46,060 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31,	
2022	\$ (15,051)
2023	6,213
2024	(55,840)
2025	(5,330)

NOTE 11: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 11: *DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - continued*

Benefits Provided

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is affixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Employees of the City were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.34% and 0.66% in calendar years 2020 and 2021, respectively. The City's contributions to OPEB for the year ended September 30, 2021 were \$2,880 and were equal to the required contributions.

Total OPEB Liability

The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

I. Assumptions

- A. Mortality Rates — Same as for the Pension Trust Fund.
- B. Investment Return — A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.
- C. Actuarial Cost Method — For the purpose of calculating an employer's actuarially determined contribution rate, the one-year term cost is used.
- D. Valuation of Assets — Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.
- E. Changes in Actuarial Assumptions and Methods — There were no changes since the prior valuation.

II. Benefit Provisions

- A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.
- B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.
- C. Benefit Amount — The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 11: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - continued

Discount rate.

The discount rate used to measure the Total OPEB Liability was 2.00%. 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.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/19	\$ 76,980
Changes for the year:	
Service cost	2,717
Interest	2,137
Change in benefit terms	
Difference between expected/actual experience	(1,179)
Changes of assumptions	9,626
Benefit payments	(1,264)
Net changes	12,037
Balance at 12/31/20	\$ 89,017

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

The following shows the total OPEB liability calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City of Winters' net OPEB liability	\$ 104,954	\$ 89,017	\$ 76,546

OPEB Plan Total Liability

Detailed information about the OPEB plan's Total OPEB Liability is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense in the amount of \$8,688.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 958	\$ 1,961
Changes in actuarial assumptions	15,005	1,208
Contributions subsequent to the measurement date	2,284	
Total	\$ 18,247	\$ 3,169

\$2,284 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 ended September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 11: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - continued

Year ended December 31:		
2022	\$	3,480
2023		3,456
2024		4,035
2025		1,656
2026		167

NOTE 12: PRIOR PERIOD ADJUSTMENT

During the year, the City discovered there were note receivables not previously recorded in their financial statements. In addition, the City determined they wanted to track the Micro Enterprise in a separate fund. Previously, the activity was recorded in the general fund.

The City determined during the year ended September 30, 2021, that some due to due from balances were incorrect.

The following shows the affect to fund balance/net position.

	General Fund	Micro Enterprise	Utility Fund	Total
Governmental Activites				
Funds held in GF moved to SRF	\$ (61,355)	\$ 61,355		\$ -
Loan receivable not previously recorded		21,333		21,333
Due to/from not recorded correctly			31,533	31,533
	<u>(61,355)</u>	<u>82,688</u>	<u>31,533</u>	<u>52,866</u>

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date 18 months. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. GASB No. 95 postponed the effective date one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS - continued

In August 2018, the GASB issued Statement No. 90 *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objectives of this statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. GASB No. 95 postponed the effective date one year. The City determined there was no impact upon its financial position, results of operations or cash flows upon adoption.

In May 2019, the GASB issued Statement No. 91 *Conduit debt obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021 due to GASB No. 95. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92 *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2021. GASB No. 95 postponed the effective date for one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 93 *Replacement of Interbank Offered Rates*. The objective of the Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements of this Statement are effective for reporting periods ending after December 15, 2021. Implementation of this standard has been extended until the reporting periods beginning after December 15, 2022. GASB No. 95 postponed the implementation by one year. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS - continued

City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2020, the GASB issued Statement No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The following statements are postponed by one year: 83, 84, 88, 89, 90, 91, 92 and 93. The following statement is postponed by 18 months: No. 87. The requirements of this Statement are effective immediately.

In May 2020, the GASB issued Statement No. 96 *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirement of this Statement is effective for years beginning after June 15, 2022. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2020, the GASB issued Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements Nos. 14 and 84, and a Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements, and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement are effective for fiscal years beginning after June 15, 2021. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In October 2021, the GASB issued Statement No. 98 *The Annual Comprehensive Financial Report*. This Statement establishes the term *annual comprehensive financial report* and its acronym ACFR. That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged. The City has not determined the impact upon its financial position, results of operations or cash flows upon adoption.

In April 2022, the GASB issued Statement No. 99 *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement are effective as follows: related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges are effective upon issuance; related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022; and related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF WINTERS

NOTES TO FINANCIAL STATEMENTS

NOTE 13: NEW ACCOUNTING PRONOUNCEMENTS - continued

In June 2022, the GASB issued Statement No. 100 *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 101 *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WINTERS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Taxes				
Sales tax	\$ 235,000	\$ 235,000	\$ 313,069	\$ 78,069
Property tax	632,042	632,042	612,840	(19,202)
Right of way	58,000	58,000	77,762	19,762
Hotel/motel	3,000	3,000	3,932	932
License & permits	200	200	270	70
Intergovernmental	111,921	111,921		(111,921)
Grant income			103,748	103,748
Charges for services	61,800	61,800	449,043	387,243
Fines & forfeitures	35,850	35,850	44,407	8,557
Interest & rent	25,500	25,500	43,777	18,277
Miscellaneous	11,000	11,000	81,441	70,441
Total Revenues	<u>1,174,313</u>	<u>1,174,313</u>	<u>1,730,289</u>	<u>555,976</u>
EXPENDITURES				
Current				
General government	164,544	164,544	563,722	(399,178)
Judicial				
Court	20,725	20,725	33,645	(12,920)
Public safety				
Police	613,450	613,450	855,708	(242,258)
Fire	45,325	45,325	41,523	3,802
Public works				
Highways & streets	271,377	271,377	311,858	(40,481)
Airport	15,242	15,242	3,385	11,857
Culture & recreation				
Community center	7,050	7,050	8,902	(1,852)
Swimming pool	31,000	31,000	103,511	(72,511)
Senior citizens	5,600	5,600	5,789	(189)
Total Expenditures	<u>1,174,313</u>	<u>1,174,313</u>	<u>1,928,043</u>	<u>(753,730)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures			<u>(197,754)</u>	<u>(197,754)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds			87,785	87,785
Transfers			102,595	102,595
Total Other Financing Sources (Uses)			<u>190,380</u>	<u>190,380</u>
Net Change in Fund Balance			<u>(7,374)</u>	<u>(7,374)</u>
Fund Balance - Beginning	698,893	698,893	698,893	
Prior period adjustment			(61,355)	(61,355)
Fund Balance - Beginning, as Restated	<u>698,893</u>	<u>698,893</u>	<u>637,538</u>	<u>(61,355)</u>
Fund Balance - Ending	<u>\$ 698,893</u>	<u>\$ 698,893</u>	<u>\$ 630,164</u>	<u>\$ (68,729)</u>

CITY OF WINTERS, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Plan Year Ended December 31,</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability			
Service Cost	\$ 82,210	\$ 77,570	\$ 64,570
Interest (on the total pension liability)	223,194	213,711	210,850
Change in benefit terms			
Difference between expected and actual experience	(1,458)	48,754	(156)
Change of assumptions		10,362	
Benefit payments, including refunds of employee contributions	<u>(222,094)</u>	<u>(202,371)</u>	<u>(276,362)</u>
Net change in total pension liability	81,852	148,026	(1,098)
Total pension liability - beginning	<u>3,376,521</u>	<u>3,228,495</u>	<u>3,229,593</u>
Total pension liability - ending	<u>\$ 3,458,373</u>	<u>\$ 3,376,521</u>	<u>\$ 3,228,495</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 65,781	\$ 59,368	\$ 50,765
Contributions - employee	31,595	30,136	25,562
Net investment income	244,814	447,464	(95,687)
Benefit payments, including refunds of employee contributions	(222,094)	(202,371)	(276,362)
Administrative expense	(1,588)	(2,533)	(1,851)
Other	<u>(62)</u>	<u>(76)</u>	<u>(97)</u>
Net change in plan fiduciary net position	118,446	331,988	(297,670)
Plan fiduciary net position - beginning	<u>3,232,189</u>	<u>2,900,201</u>	<u>3,197,871</u>
Plan fiduciary net position - ending	<u>\$ 3,350,635</u>	<u>\$ 3,232,189</u>	<u>\$ 2,900,201</u>
Net Pension Liability - Ending	<u>\$ 107,738</u>	<u>\$ 144,332</u>	<u>\$ 328,294</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.88%	95.73%	89.83%
Covered Payroll	\$ 631,900	\$ 602,721	\$ 511,245
Net Pension Liability as a Percentage of Covered Payroll	17.05%	23.95%	64.21%

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	64,751	62,061	\$ 56,833	\$ 54,100
	205,877	202,856	203,466	195,839
	11,834	(63,447)	(22,467)	11,072
			18,747	
	<u>(141,061)</u>	<u>(175,035)</u>	<u>(146,114)</u>	<u>(160,739)</u>
	141,401	26,435	110,465	100,272
	3,088,192	3,061,757	2,951,292	2,851,020
\$	<u><u>3,229,593</u></u>	<u><u>3,088,192</u></u>	\$ <u><u>3,061,757</u></u>	\$ <u><u>2,951,292</u></u>
\$	50,791	45,541	\$ 47,024	\$ 53,902
	25,472	24,805	24,646	25,117
	397,092	188,150	4,219	159,223
	(141,061)	(175,035)	(146,114)	(160,739)
	(2,060)	(2,127)	(2,570)	(1,663)
	<u>(103)</u>	<u>(116)</u>	<u>(127)</u>	<u>(137)</u>
	330,131	81,218	(72,922)	75,703
	2,867,740	2,786,522	2,859,444	2,783,741
\$	<u><u>3,197,871</u></u>	<u><u>2,867,740</u></u>	\$ <u><u>2,786,522</u></u>	\$ <u><u>2,859,444</u></u>
\$	<u><u>31,722</u></u>	<u><u>220,452</u></u>	\$ <u><u>275,235</u></u>	\$ <u><u>91,848</u></u>
	99.02%	92.86%	91.01%	96.89%
\$	509,446	496,091	\$ 492,911	\$ 502,334
	6.23%	44.44%	55.84%	18.28%

CITY OF WINTERS, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Fiscal Year Ended September 30,		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contributions	\$ 64,290	\$ 64,546	\$ 57,797
Contributions in relation to actuarially determined contributions	<u>(64,290)</u>	<u>(64,546)</u>	<u>(57,797)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
Covered employee payroll	\$ 590,820	\$ 629,320	\$ 585,508
Contribution as a percentage of covered employee payroll	10.88%	10.26%	9.87%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$	49,046	\$ 52,485	\$ 46,749	\$ 48,515
	<u>(49,046)</u>	<u>(52,485)</u>	<u>(46,749)</u>	<u>(48,515)</u>
\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
\$	488,705	\$ 518,244	\$ 485,986	\$ 476,324
	10.04%	10.13%	9.62%	10.19%

CITY OF WINTERS, TEXAS

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Valuation Date: Actuarially determined contribution rates are calculated as of December 31, and become effective in January, 13 months 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	20 years
Asset Valuation Method	10 year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information There were no benefit changes during the year.

CITY OF WINTERS, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Plan Year Ended December 31,			
	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 2,717	\$ 2,471	\$ 2,301	\$ 2,038
Interest (on the total OPEB liability)	2,137	2,270	2,127	2,147
Change in benefit terms				
Difference between expected and actual experience	(1,179)	1,618	(2,900)	
Change of assumptions	9,626	11,333	(3,455)	4,211
Benefit payments, including refunds of employee contributions	(1,264)	(1,326)	(1,125)	(1,019)
Net change in total OPEB liability	12,037	16,366	(3,052)	7,377
Total OPEB liability - beginning	76,980	60,614	63,666	56,289
Total OPEB liability - ending	<u>\$ 89,017</u>	<u>\$ 76,980</u>	<u>\$ 60,614</u>	<u>\$ 63,666</u>
Covered Payroll	\$ 631,900	\$ 602,721	\$ 511,245	\$ 509,446
Total OPEB Liability as a Percentage of Covered Payroll	14.09%	12.77%	11.86%	12.50%

CITY OF WINTERS, TEXAS

NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

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

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Discount Rate*	2.00%
Retirees' Share of Benefit-Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality Rates - Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF WINTERS, TEXAS

BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	<u>Accounts Payable Fund</u>	<u>Municipal Court Fund</u>	<u>Hotel Occupancy Fund</u>	<u>Micro Enterprise</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS:					
Cash and cash equivalents	\$ 55,751	\$ 4,402	\$ 17,891	\$ 61,546	139,590
Loan receivable				20,542	20,542
Total Assets	<u>\$ 55,751</u>	<u>\$ 4,402</u>	<u>\$ 17,891</u>	<u>\$ 82,088</u>	<u>160,132</u>
LIABILITIES:					
Accounts payable	\$	\$	\$ 933	\$	933
Due to other funds	<u>54,786</u>		<u>261</u>	<u>(1,250)</u>	<u>53,797</u>
Total Liabilities	<u>54,786</u>		<u>1,194</u>	<u>(1,250)</u>	<u>54,730</u>
FUND BALANCE:					
Restricted for:					
Special programs	<u>965</u>	<u>4,402</u>	<u>16,697</u>	<u>83,338</u>	<u>105,402</u>
Total Liabilities and Fund Balance	<u>\$ 55,751</u>	<u>\$ 4,402</u>	<u>\$ 17,891</u>	<u>\$ 82,088</u>	<u>160,132</u>

CITY OF WINTERS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Accounts Payable Fund	Municipal Court Fund	Hotel Occupancy Fund	Micro Enterprise	Total Nonmajor Governmental Funds
REVENUES					
Taxes					
Motel occupancy tax	\$	\$	\$ 9	\$	\$ 9
Interest & rent	95	12	40	650	797
Total Revenues	95	12	49	650	806
EXPENDITURES					
Current					
Miscellaneous	25				25
Total Expenditures	25				25
Net Change in Fund Balance	70	12	49	650	781
Fund balance - beginning	895	4,390	16,648	-	21,933
Prior period adjustment				82,688	82,688
Fund balance - beginning, as restated	895	4,390	16,648	82,688	104,621
Fund balance - ending	\$ 965	\$ 4,402	\$ 16,697	\$ 83,338	\$ 105,402

OTHER INFORMATION REQUIRED BY GAO

Merritt, McLane & Hamby, P.C.

500 Chestnut Street, Suite 1645
Abilene, TX 79602

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City of Winters, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Winters, Texas' basic financial statements, and have issued our report thereon dated November 21, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Winters, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and described as Finding 2021-001 in the accompanying schedule of findings and responses.

City's Response to Findings

The City's response to the finding identified in our 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, we express no opinion on it.

Purpose of this Report

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

Merritt, McLane & Hamby, P.C.

MERRITT, MCLANE & HAMBY, P.C.

Abilene, Texas
November 21, 2022

CITY OF WINTERS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED SEPTEMBER 30, 2021

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the City of Winters, Texas, was an unmodified opinion.
- b. No material weaknesses disclosed during the audit of the financial statements. No significant deficiencies were reported.
- c. One instance of noncompliance not considered material to the financial statements of the City of Winters, Texas was disclosed during the audit.

II. Findings Relating to the Financial Statements Which Are Required to be Reported in Accordance with *Generally Accepted Government Auditing Standards.*

2021-001 Noncompliance with budgeting requirements

Type of Finding:	Noncompliance not considered material to the financial statements
Criteria:	Governmental entities are required to approve and amend the budget before expending funds.
Effect:	The City's expenditures exceeded their budget in the General Administration, Municipal Court, Police, Highways and Streets, Community Center, and swimming pool.
Cause:	The City did not amend the budget during the year.
Recommendation:	It is recommended that the City monitor and amend their budget during the year as the need arise.
Corrective Action:	The City will monitor these areas and budget appropriately.

Contact: Sheila Lincoln, City Secretary
(325) 754-4424

CITY OF WINTERS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2021

2020-001 Financial Reporting

Type of Finding: Material Weakness

Criteria: Management of the City is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In addition, we recorded numerous audit adjustments to the City’s recorded account balances, which if not recorded, would have resulted in a material misstatement of the City’s financial statements.

Cause: The City does not prepare and has not developed an internal control system to provide for the preparation of the financial statements and related disclosures without significant adjustments.

Effect: Although this circumstance is not unusual for a City of this size, the preparation of financial statements and adjusting journal entries as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by City personnel. The need for the audit adjustments indicates that the City’s interim financial information is not materially correct, which may affect management decisions made during the course of the year.

Recommendation: Auditing standards require that auditors communicate this deficiency; however, the City prepares budgetary and other financial reports for Board review on a routine basis. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

View of Responsible
Officials: The City hired an outside accounting firm to aid in account reconciliations and “clean up” of certain accounts.

2020-002 Noncompliance with budgeting requirements

Type of Finding: Noncompliance not considered material to the financial statements

Criteria: Governmental entities are required to approve and amend the budget before expending funds.

Effect: The City’s expenditures exceeded their budget in the General Administration, Municipal Court, Airport, Parks and Recreation, and Debt Service.

Cause: The City did not amend the budget during the year.

Recommendation: It is recommended that the City monitor and amend their budget during the year as the need arise.

CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2021

Finding 2021-001

The budget to actual expenditure report will be reviewed monthly to determine the budget is not overspent. In the event additional expenditures are needed in a particular department, the budget will be amended and the amendment will be approved by the City Council and noted in the minutes.