

CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)

FINANCIAL STATEMENTS

For the Fiscal Year Ended
September 30, 2018

PREPARED BY:
THE FINANCE DEPARTMENT

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CPAs | ADVISORS

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**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

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September 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
City of Windcrest Economic Development Corporation
Windcrest, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the City of Windcrest Economic Development Corporation (the "Corporation"), a component unit of the City of Windcrest, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Corporation'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the City of Windcrest Economic Development Corporation as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the general fund on pages 3 through 7 and 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2019, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
April 10, 2019

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
MANAGEMENT’S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the financial performance of the City of Windcrest Economic Development Corporation (the “Corporation”), a component unit of the City of Windcrest, Texas (the “City”), provides an overview of the Corporation’s financial activity for the fiscal year ended September 30, 2018. It should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- The Corporation’s assets exceeded its liabilities by \$562,324 (net position) at September 30, 2018. The Corporation commonly constructs capital assets that are transferred to the City upon completion.
- The Corporation’s total governmental activities revenues were \$578,739, while total expenses were \$231,932, thereby increasing the Corporation’s net position, before restatement, by \$346,807.
- The Corporation reported an ending fund balance of \$568,047, an increase of \$349,273 from the prior fiscal year.

USING THIS ANNUAL FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the Corporation’s basic financial statements, which are comprised of three parts – government-wide financial statements, fund financial statements, and notes to the financial statements. In addition to the basic financial statements, required supplementary information is also presented.

Government-Wide Financial Statements – The government-wide statements are designed to provide readers with a broad overview of the Corporation’s finances in a manner similar to private sector companies.

The *statement of net position* presents information on all of the Corporation’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the Corporation’s financial condition is improving or deteriorating.

The *statement of activities* presents information showing how the Corporation’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected sales taxes).

Both the government-wide financial statements include functions of the Corporation that are principally supported by sales tax revenues (governmental activities). The government-wide financial statements can be found on pages 11-12.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. The only fund of the Corporation is considered a governmental fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements,

governmental fund financial statements focus on near-term inflows and outflows of spendable resources available for current spending, as well as on balances of resources available for spending at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

As mentioned above, the Corporation maintains one governmental fund, the general fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balance. The basic governmental fund financial statements can be found on pages 13-16 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-32 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Corporation adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. Required supplementary information can be found on pages 35-41 of this report.

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Statement of Net Position

Table 1 shows all assets and liabilities of the Corporation and is presented on the accrual basis of accounting.

TABLE 1
CITY OF WINDCREST
ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION
September 30,

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| ASSETS | | |
| Cash | \$ 657,618 | \$ 301,636 |
| Taxes receivable | 122,413 | 121,775 |
| Capital assets (net of accumulated depreciation) | - | 614 |
| Total assets | <u>780,031</u> | <u>424,025</u> |
| DEFERRED OUTFLOW OF RESOURCES | | |
| Deferred outflows related to pensions | 2,056 | 904 |
| Deferred outflows related to OPEB | 197 | - |
| Total deferred outflows of resources | <u>2,253</u> | <u>904</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable | 11,336 | - |
| Interest payable | - | - |
| Accrued liabilities | - | 626 |
| Due to the City of Windcrest | 145,000 | 145,000 |
| Due to other governments | 55,648 | 59,011 |
| Noncurrent liabilities: | | |
| Net pension liability | 140 | 3,076 |
| OPEB liability | 2,034 | - |
| Total liabilities | <u>214,158</u> | <u>207,713</u> |
| DEFERRED INFLOW OF RESOURCES | | |
| Deferred inflows related to pensions | 5,802 | 2 |
| NET POSITION | | |
| Investment in capital assets | - | 614 |
| Restricted for economic development | 562,324 | 216,600 |
| Total net position | <u>\$ 562,324</u> | <u>\$ 217,214</u> |

The Corporation's assets exceeded its liabilities by \$562,324 (net position) at September 30, 2018. The Corporation regularly constructs capital assets that are transferred to the City upon completion.

Statement of Activities

Table 2 shows all revenues and expenses of the Corporation and is also presented on the accrual basis of accounting. General revenues consist primarily of the ¼ cent sales tax the Corporation receives for economic development. The total cost of all projects and services was \$231,932 for fiscal year 2018.

TABLE 2
CITY OF WINDCREST
ECONOMIC DEVELOPMENT CORPORATION
CHANGE IN NET POSITION
September 30,

| | 2018 | 2017 |
|---------------------------------------|------------|------------|
| REVENUES | | |
| Sales taxes | \$ 571,339 | \$ 522,103 |
| Interest income | 4,900 | 1,101 |
| Other | 2,500 | - |
| Total revenues | 578,739 | 523,204 |
| EXPENSES | | |
| Economic development | 231,932 | 231,104 |
| Interest | - | 13,122 |
| Total expenses | 231,932 | 244,226 |
| CHANGES IN NET POSITION | 346,807 | 278,978 |
| NET POSITION - BEGINNING | 217,214 | (33,993) |
| RESTATEMENT OF NET POSITION | (1,697) | (27,771) |
| NET POSITION - BEGINNING, AS RESTATED | 215,517 | (61,764) |
| NET POSITION - ENDING | \$ 562,324 | \$ 217,214 |

Total revenues increased \$55,535 from the prior year, primarily due to a \$49,236 increase in sales taxes. Expenses decreased \$12,294 from the prior year. This resulted in an increase of \$346,807 in net position, after restatement.

FINANCIAL ANALYSIS OF THE GENERAL FUND

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

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

As of the close of the current year, the Corporation’s general fund reported an ending fund balance of \$568,047, an increase of \$349,273 from the prior year.

BUDGETARY HIGHLIGHTS

At the end of the current fiscal year, actual revenues were \$68,489 more than budgetary estimates and actual expenditures were less than budgetary estimates by \$115,585. As a result, fund balance increased \$184,074 more than the final amended budgeted increase.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The Corporation’s capital assets for its governmental activities were fully depreciated as of September 30, 2018. Please refer to Note 3 as presented in the notes to the financial statements for more detailed information on the Corporation’s capital asset activity.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Presently, the Board of Directors is not aware of any significant changes in conditions that would have a significant effect on the financial position or activities of the Corporation in the near future.

CONTACTING THE CORPORATION’S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

STATEMENT OF NET POSITION

For the year ended September 30, 2018

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Cash | \$ 657,618 |
| Taxes receivable | 122,413 |
| Capital assets: | |
| Buildings and improvements | 3,350 |
| Less: accumulated depreciation | <u>(3,350)</u> |
| Total assets | <u>780,031</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 2,056 |
| Deferred outflows related to OPEB | <u>197</u> |
| Total deferred outflows of resources | <u>2,253</u> |
| LIABILITIES | |
| Accounts payable | 11,336 |
| Due to the City of Windcrest | 145,000 |
| Due to other governments | 55,648 |
| Noncurrent liabilities: | |
| Net pension liability | 140 |
| OPEB liability | <u>2,034</u> |
| Total liabilities | <u>214,158</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | <u>5,802</u> |
| NET POSITION | |
| Investments in capital assets | - |
| Restricted | <u>562,324</u> |
| Total net position | <u><u>\$ 562,324</u></u> |

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

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

STATEMENT OF ACTIVITIES

For the year ended September 30, 2018

| Functions / Programs | Expenses | Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Position Governmental Activities |
|-------------------------------|-------------------|---------------------------------------|--|
| Governmental Activities: | | | |
| Economic development | \$ 231,932 | \$ - | \$ (231,932) |
| Interest | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>\$ 231,932</u> | <u>\$ -</u> | <u>(231,932)</u> |
| General revenues: | | | |
| | | | 571,339 |
| | | | 4,900 |
| | | | <u>2,500</u> |
| | | | <u>578,739</u> |
| | | | 346,807 |
| | | | <u>217,214</u> |
| | | | <u>(1,697)</u> |
| | | | <u>215,517</u> |
| | | | <u>\$ 562,324</u> |

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

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

BALANCE SHEET

For the year ended September 30, 2018

| | <u>General Fund</u> |
|-------------------------------------|--------------------------|
| ASSETS | |
| Cash | \$ 657,618 |
| Taxes receivable | <u>122,413</u> |
| Total assets | <u><u>\$ 780,031</u></u> |
| LIABILITIES | |
| Accounts payable | \$ 11,336 |
| Due to the City of Windcrest | 145,000 |
| Due to other governments | <u>55,648</u> |
| Total liabilities | <u>211,984</u> |
| FUND BALANCES | |
| Restricted: | |
| Economic development | <u>568,047</u> |
| Total liabilities and fund balances | <u><u>\$ 780,031</u></u> |

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

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

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

For the year ended September 30, 2018

| | |
|--|--------------------------|
| Total fund balances - governmental funds balance sheet | \$ 568,047 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Long-term liabilities, including net pension liability and total other post-employment benefit liability, are not due and payable in the current period and, therefore, are not reported in the funds. | (2,174) |
| Deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits are not reported in the funds. | <u>(3,549)</u> |
| Net position of governmental activities - statement of net position | <u><u>\$ 562,324</u></u> |

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

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

For the year ended September 30, 2018

REVENUES

| | |
|---------------------|----------------|
| Sales taxes | \$ 571,339 |
| Investment earnings | 4,900 |
| Miscellaneous | <u>2,500</u> |
| Total revenues | <u>578,739</u> |

EXPENDITURES

Current:

| | |
|----------------------|----------------|
| Economic development | <u>229,466</u> |
| Total expenditures | <u>229,466</u> |

| | |
|--|----------------|
| Excess (deficiency) of revenues over (under) expenditures | <u>349,273</u> |
|--|----------------|

| | |
|--------------------------------------|----------------|
| Fund balance - October 1 (beginning) | <u>218,774</u> |
|--------------------------------------|----------------|

| | |
|--------------------------------------|--------------------------|
| Fund balance - September 30 (ending) | <u><u>\$ 568,047</u></u> |
|--------------------------------------|--------------------------|

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

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the year ended September 30, 2018

| | |
|--|------------|
| Net change in fund balances - total governmental funds | \$ 349,273 |
|--|------------|

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

| | |
|---|-------|
| Depreciation of capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds. | (614) |
|---|-------|

| | |
|--|----------------|
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This reconciling item reflects the net of such expenses. | <u>(1,852)</u> |
|--|----------------|

| | |
|---|--------------------------|
| Change in net position of governmental activities - statement of activities | <u><u>\$ 346,807</u></u> |
|---|--------------------------|

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

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(1) Summary of significant accounting policies

The City of Windcrest Economic Development Corporation (the “Corporation”) is a nonprofit industrial corporation, with powers of taxation, created pursuant to Section 4B Article 5190.6 of Vernon’s Texas Civil Statutes (V.T.C.S.), as amended. The Corporation was created on September 25, 1998, to act on behalf of the City of Windcrest (the “City”) for the promotion, development, and enhancement of economic development within the City.

The Corporation is considered to be a governmental entity for the purpose of applying accounting and financial reporting standards. Therefore, its basic financial statements are prepared in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB).

Reporting entity

The Corporation is a component unit of the City. Accordingly, it is included in the City’s financial statements as a discretely presented component unit. The reasons for meeting this criteria follow:

- The Board of Directors is comprised of seven (7) members, appointed by City Council.
- The Board has control over and management supervision of all affairs of the Corporation under the guidance and direction of City Council.
- The City Council approves the Corporation’s programs and expenditures.
- A financial benefit/burden exists.

The Corporation itself does not have any component units.

Government-wide and fund financial statements

The Statement of net position and the statement of activities are government-wide financial statements. They report information on all of the Corporation’s activities. Governmental activities include programs primarily supported by sales taxes.

Net position is segregated into net investment in capital assets; restricted net position; and, unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues, if any. Direct expenses are those that are clearly identifiable with a specific function. However, all of the Corporation’s activities and programs are funded by general revenues (i.e. sales taxes).

The governmental fund financial statements provide reports on the financial condition and results of operations for the Corporation’s general fund, which is its only fund.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements use the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and the expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental-wide financial statements use the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e. revenues and expenditures).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the Corporation considers all revenues available if they are collectible within sixty (60) days after year end. Expenditures generally are recorded in the accounting period in which the fund liability is incurred, if measurable. However, debt service expenditures are recorded only when payment is due.

Sales tax revenue is recognized under the susceptible to accrual concept since it is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Interest income is recorded as earned, since it is both measurable and available.

Fund accounting

The Corporation reports the general fund as its only fund and is considered to be a major fund. The general fund is the Corporation's primary operating fund that is used to account for all financial resources. Major revenue sources include sales taxes. Expenditures include all costs associated with the daily operations of the Corporation.

Other accounting policies

1. Cash

The Corporation's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Capital assets

Capital assets, which include construction in progress, buildings and improvements, vehicles, furniture and equipment, and improvements other than buildings, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed.

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(1) Summary of significant accounting policies (continued)

Other accounting policies (continued)

2. Capital assets (continued)

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

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

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Building improvements | 5 – 50 |
| Improvements other than buildings | 20 – 50 |
| Vehicles | 3 – 10 |
| Furniture and equipment | 3 – 10 |

3. Long-term obligations

In the government-wide financial statements, long-term debt is reported as non-current liabilities in the statement of net position.

In the governmental fund financial statements, the face amount of debt issued, if any, is reported as other financing sources.

4. Fund balance

The Corporation uses the following criteria when classifying fund balance amounts:

Nonspendable – amounts that are not in spendable form or are required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. At September 30, 2018, the Corporation had \$568,047 in restricted fund balance.

Committed – amounts that require Board action to be used for a specific purpose. Formal action to commit funds must occur prior to fiscal year end and can only be modified or removed by the same formal action.

Assigned – amounts that do not require Board approval but are intended to be used for a specific purpose, as determined by an official or body to which the Board has delegated authority. These amounts do not meet the criteria to be classified as restricted or committed.

Unassigned – residual amount of the general fund that is available to finance operating expenditures.

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(1) Summary of significant accounting policies (continued)

Other accounting policies (continued)

5. Net position flow assumptions

Sometimes the Corporation will fund outlays for a particular purpose from both restricted and unrestricted sources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporation’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

6. Fund balance flow assumptions

Sometimes the Corporation will fund outlays for a particular purpose from both restricted and unrestricted sources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Corporation’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. Sales tax

The City’s sales tax is currently levied at 2.00% of which .25% is allocated to the Corporation. The sales tax is used for the promotion and development of new and expanded business enterprises. During the year, the Corporation recognized \$571,339 in sales tax revenue.

8. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. Pensions

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

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(1) Summary of significant accounting policies (continued)

Other accounting policies (continued)

10. Other post-employment benefits

During the fiscal year 2018, the Corporation changed accounting policies related to the other post-employment benefit (OPEB) liability, deferred outflows of resources, and deferred inflows of resources in the statement of net position by adopting GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Accordingly, the effect of the accounting change is reported in the statement of net position and statement of activities for the current year. The OPEB position has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense.

(2) Budgetary information

The Board of Directors adopts an annual operating budget for the Corporation, which is approved by the City Council. Formal budgetary accounting is employed as a management control. The original adopted and final amended budget for revenues and expenditures and a comparison of the actual revenues and expenditures in the accompanying financial statements to the final amended budgeted amount is presented as required supplementary information. The budget can be amended by the Board of Directors, subject to City Council approval. During the year ended September 30, 2018, total expenditures were \$115,585 less than budgeted expenditures.

(3) Detailed notes

Cash

At September 30, 2018, cash is comprised of \$657,618 in demand accounts held at the financial institution.

Custodial credit risk – deposits. This is the risk that, in the event of a bank failure, the Corporation may not be able to recover deposits. At September 30, 2018, the deposits of \$657,618 were held in the City's name and collateralized with pledged securities held in the name of the City. The Federal Reserve Bank is the safekeeping agent.

Taxes receivable

At September 30, 2018, \$122,413 is due from the Texas Comptroller of Public Accounts for collected but unremitted sales taxes.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(3) Detailed notes (continued)

Capital assets

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

| | Balance 10/1/17 | Additions | Deletions | Balance 9/30/18 |
|---|--------------------|-----------|-----------|--------------------|
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 3,350 | \$ - | \$ - | \$ 3,350 |
| Total capital assets being depreciated | 3,350 | - | - | 3,350 |
| Less: accumulated depreciation for: | | | | |
| Buildings and improvements | (2,736) | (614) | - | (3,350) |
| Total accumulated depreciation | (2,736) | (614) | - | (3,350) |
| Total capital assets being depreciated, net | 614 | (614) | - | - |
| Governmental activities capital assets, net | \$ 614 | \$ (614) | \$ - | \$ - |

Depreciation expense of governmental activities for the current year totaled \$614.

Employee retirement system

Plan description

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

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(3) Detailed notes (continued)

Employee retirement system (continued)

Benefits provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Corporation-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest. The plan provisions are adopted by the governing body of the Corporation, within the options available in the state statutes governing TMRS. Members are eligible to retire at age sixty (60) and above with five (5) or more years of service or with twenty (20) years of service regardless of age. A member is vested after five (5) years. The contribution rate for the employees is 6%, and the Corporation matching percent is currently 1.5 to 1.

Employees covered by benefit terms

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

| | |
|--|---|
| Inactive employees or beneficiaries currently receiving benefits | - |
| Inactive employees entitled to but not yet receiving benefits | - |
| Active employees | 1 |

Contributions

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

Employees for the Corporation were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the Corporation were 7.77% and 7.89% for calendar years 2017 and 2018 respectively. The Corporation's contributions to TMRS for the year ended September 30, 2018 were \$2,796, and were equal to the required contributions.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(3) Detailed notes (continued)

Employee retirement system (continued)

Net pension liability

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

Actuarial assumptions:

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

| | |
|---------------------------|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.0% per year |
| Investment rate of return | 6.75%, net of pension plan investment expense, including inflation |

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(3) Detailed notes (continued)

Employee retirement system (continued)

Net pension liability (continued)

focused on the area between (1) arithmetic mean (aggressive) without an adjustment for 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 are summarized in the following table:

| ASSET CLASS | TARGET ALLOCATION | LONG-TERM EXPECTED REAL RATE OF RETURN (ARITHMETIC) |
|-----------------------|----------------------|--|
| Domestic Equity | 17.5% | 4.55% |
| International Equity | 17.5% | 6.35% |
| Core Fixed Income | 10.0% | 1.00% |
| Non-Core Fixed Income | 20.0% | 4.15% |
| Real Return | 10.0% | 4.15% |
| Real Estate | 10.0% | 4.75% |
| Absolute Return | 10.0% | 4.00% |
| Private Equity | <u>5.0%</u> | 7.75% |
| Total | <u>100.0%</u> | |

Discount rate

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(3) Detailed notes (continued)

Employee retirement system (continued)

Net pension liability (continued)

Changes in the net pension liability

| | Total Pension Liability (a) | Increase (Decrease) Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
|---|-----------------------------------|--|---------------------------------------|
| | <u>(a)</u> | <u>(b)</u> | <u>(a) - (b)</u> |
| Balance at December 31, 2016 | \$ 39,178 | \$ 36,102 | \$ 3,076 |
| Changes for the year: | | | |
| Service cost | 5,640 | - | 5,640 |
| Interest | 7,397 | - | 7,397 |
| Change of benefit terms | - | - | - |
| Difference between expected and actual experience | (1,307) | - | (1,307) |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 2,765 | (2,765) |
| Contributions - employee | - | 2,135 | (2,135) |
| Net investment income | - | 9,831 | (9,831) |
| Benefit payments, including refunds | | | |
| of employee contributions | (4,576) | (4,576) | - |
| Administrative expense | - | (62) | 62 |
| Other changes | - | (3) | 3 |
| Net changes | <u>7,154</u> | <u>10,090</u> | <u>(2,936)</u> |
| Balance at December 31, 2017 | <u>\$ 46,332</u> | <u>\$ 46,192</u> | <u>\$ 140</u> |

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(3) Detailed notes (continued)

Employee retirement system (continued)

Net pension liability (continued)

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

The following presents the net pension liability of the Corporation, calculated using the discount rate of 6.75%, as well as what the Corporation'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:

| <u>1% Decrease in Discount Rate (5.75%)</u> | <u>Discount Rate (6.75%)</u> | <u>1% Increase in Discount Rate (7.75%)</u> |
|---|------------------------------|---|
| \$ 15,034 | \$ 140 | \$ (11,912) |

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the year ended September 30, 2018, the Corporation recognized pension expense of \$2,465.

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual economic experience | \$ 38 | \$ 886 |
| Changes in actuarial assumptions | - | - |
| Difference between projected and actual investment earnings | - | 4,916 |
| Contributions subsequent to the measurement date | <u>2,018</u> | <u>-</u> |
| Total | <u>\$ 2,056</u> | <u>\$ 5,802</u> |

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(3) Detailed notes (continued)

Employee retirement system (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

\$2,018 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended <u>September 30,</u> | | |
|------------------------------------|----|-----------------------|
| 2019 | \$ | (1,614) |
| 2020 | | (1,647) |
| 2021 | | (1,275) |
| 2022 | | (1,228) |
| 2023 | | - |
| Thereafter | | <u>-</u> |
| Total | \$ | <u><u>(5,764)</u></u> |

Other post-employment benefits (OPEB) plan

Plan description

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

Benefits provided

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(3) Detailed notes (continued)

Other post-employment benefits (OPEB) plan (continued)

Contributions

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

The contribution rate for the Corporation was 0.20% and 0.22% for calendar years 2017 and 2018, respectively. The Corporation's contributions to TMRS for the year ended September 30, 2018 were \$76, and were equal to the required contributions.

Employees covered by benefit terms

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

| | |
|--|----------|
| Inactive employees or beneficiaries currently receiving benefits | 0 |
| Inactive employees entitled to but not yet receiving benefits | 0 |
| Active employees | <u>1</u> |
| | <u>1</u> |

OPEB liability

The Corporation's total OPEB liability of \$2,034 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(3) Detailed notes (continued)

Other post-employment benefits (OPEB) plan (continued)

Actuarial assumptions

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

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

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

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

Changes in the total OPEB liability:

| | |
|--|-----------------|
| Balance at December 31, 2016 | \$ 1,719 |
| Changes for the year: | |
| Service cost | 88 |
| Interest | 66 |
| Change of benefit terms | - |
| Difference between expected and actual experience | - |
| Changes of assumptions | 175 |
| Benefit payments, including refunds of employee contributions | (14) |
| Net changes | <u>315</u> |
| Balance at December 31, 2017 | <u>\$ 2,034</u> |

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(3) Detailed notes (continued)

Other post-employment benefits (OPEB) plan (continued)

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

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

| 1% Decrease in Discount Rate (2.31%) | Discount Rate (3.31%) | 1% Increase in Discount Rate (4.31%) |
|---|-----------------------|---|
| \$ 2,488 | \$ 2,034 | \$ 1,687 |

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

For the year ended September 30, 2018, the Corporation recognized OPEB expense of \$189.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected and actual economic experience | \$ - | \$ - |
| Changes in actuarial assumptions | 141 | - |
| Difference between projected and actual investment earnings | - | - |
| Contributions subsequent to the measurement date | 56 | - |
| Total | \$ 197 | \$ - |

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended September 30, 2018

(3) Detailed notes (continued)

Other post-employment benefits (OPEB) plan (continued)

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

| Year ended September 30, | | |
|-----------------------------|----|------------|
| 2019 | \$ | 34 |
| 2020 | | 34 |
| 2021 | | 34 |
| 2022 | | 34 |
| 2023 | | 5 |
| Thereafter | | - |
| Total | \$ | <u>141</u> |

Commitments

In 2007, the City of Windcrest and the Corporation entered into an agreement with the City of San Antonio, Texas, under which the City of San Antonio released an area from its jurisdiction and allowed for the City of Windcrest to accept and annex the area into the municipal limits of the City of Windcrest. The boundary change agreement provides for the sharing of future tax revenues on the annexed area for the next 30 years. Under the terms of the agreement, the City of San Antonio and the City of Windcrest each receive 50% of the local sales taxes due to the City of Windcrest and distributed by the State Comptroller for taxable business activity conducted on the annexed area. During the fiscal year ended September 30, 2018 the Corporation received \$193,663 in sales tax revenue from the annexed area.

Restatement of net position

During fiscal year 2018, the Corporation adopted GASB Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*” With the adoption of this standard, the Corporation must assume their total other post-employment benefit liability related to the Supplemental Death Benefit Fund held with TMRS and requires a restatement of beginning net position in the amount of \$1,697.

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
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**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**

For the year ended September 30, 2018

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Sales taxes | \$ 510,000 | \$ 510,000 | \$ 571,339 | \$ 61,339 |
| Investment earnings | 250 | 250 | 4,900 | 4,650 |
| Miscellaneous | <u>-</u> | <u>-</u> | <u>2,500</u> | <u>2,500</u> |
| Total revenues | <u>510,250</u> | <u>510,250</u> | <u>578,739</u> | <u>68,489</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Salaries and benefits | 142,101 | 142,101 | 95,692 | 46,409 |
| Economic development projects | 98,000 | 98,000 | 13,950 | 84,050 |
| Other | <u>104,950</u> | <u>104,950</u> | <u>119,824</u> | <u>(14,874)</u> |
| Total expenditures | <u>345,051</u> | <u>345,051</u> | <u>229,466</u> | <u>115,585</u> |
| Excess (deficiency) of revenues over (under) expenditures | 165,199 | 165,199 | 349,273 | 184,074 |
| Fund balance, beginning | <u>218,774</u> | <u>218,774</u> | <u>218,774</u> | <u>-</u> |
| Fund balance, ending | <u>\$ 383,973</u> | <u>\$ 383,973</u> | <u>\$ 568,047</u> | <u>\$ 184,074</u> |

**CITY OF WINDCREST, TEXAS
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SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

For the measurement period ended December 31,

| | 2017 | 2016 |
|---|-----------|-----------|
| Total Pension Liability | | |
| Service cost | \$ 5,640 | \$ 1,654 |
| Interest (on the total pension liability) | 7,397 | 2,459 |
| Changes of benefit terms | - | - |
| Difference between expected and actual experience | (1,307) | 110 |
| Change of assumptions | - | - |
| Benefit payments, including refunds of employee contributions | (4,576) | (1,288) |
| Net change in total pension liability | 7,154 | 2,935 |
| Total pension liability - beginning | 39,178 | 36,243 |
| Total pension liability - ending (a) | \$ 46,332 | \$ 39,178 |
| Plan Fiduciary Net Position | | |
| Contributions - employer | \$ 2,765 | \$ 935 |
| Contributions - employee | 2,135 | 774 |
| Net investment income | 9,831 | 2,261 |
| Benefit payments, including refunds of employee contributions | (4,576) | (1,288) |
| Administrative expense | (62) | (26) |
| Other | (3) | (1) |
| Net change in plan fiduciary net position | 10,090 | 2,655 |
| Plan fiduciary net position - beginning | 36,102 | 33,447 |
| Plan fiduciary net position - ending (b) | \$ 46,192 | \$ 36,102 |
| Net pension liability (a) - (b) | \$ 140 | \$ 3,076 |
| Plan fiduciary net position as a percentage of total pension liability | 99.70% | 92.15% |
| Covered payroll | 35,584 | 12,894 |
| Net pension liability as a percentage of total covered payroll | 0.39% | 23.86% |

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

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SCHEDULE OF CONTRIBUTIONS - PENSION

For the year ended September 30, 2018

| | 2018 | 2017 |
|--|-----------|-----------|
| Actuarially determined contributions | \$ 2,796 | \$ 1,082 |
| Contributions in relation to the actuarially determined contributions | 2,796 | 1,082 |
| Contribution deficiency (excess) | \$ - | \$ - |
| Covered payroll | \$ 35,584 | \$ 12,894 |
| Contributions as a percentage of covered payroll | 7.86% | 8.39% |

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

**CITY OF WINDCREST, TEXAS
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**SCHEDULE OF CHANGES IN OTHER POST-EMPLOYMENT BENEFIT (OPEB)
LIABILITY AND RELATED RATIOS**

For the measurement period ended December 31,

| | 2017 |
|---|-----------|
| Total OPEB Liability | |
| Service cost | \$ 88 |
| Interest on the total OPEB liability | 66 |
| Changes of benefit terms | - |
| Difference between expected and actual experience | - |
| Change of assumptions | 175 |
| Benefit payments | (14) |
| Net change in total other post-employment benefit liability | 315 |
| Total OPEB liability - beginning | 1,719 |
| Total OPEB liability - ending | \$ 2,034 |
| Covered payroll | \$ 35,584 |
| Total OPEB liability as a percentage of covered payroll | 5.72% |

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

**CITY OF WINDCREST, TEXAS
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SCHEDULE OF CONTRIBUTIONS - OTHER POST-EMPLOYMENT BENEFITS

For the year ended September 30, 2018

| | 2018 |
|--|--------------------|
| Actuarially determined contributions | \$ 76 |
| Contributions in relation to the actuarially determined contributions | <u>76</u> |
| Contribution deficiency (excess) | <u><u>\$ -</u></u> |
| Covered payroll | \$ 35,584 |
| Contributions as a percentage of covered payroll | 0.21% |

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

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended September 30, 2018

Budgets

The Board of Directors adopts an annual operating budget for the Corporation, which is approved by the City Council. Formal budgetary accounting is employed as a management control. The original adopted and final amended budget for revenues and expenditures and a comparison of the actual revenues and expenditures in the accompanying financial statements to the final amended budgeted amount is presented as required supplementary information. The budget can be amended by the Board of Directors, subject to City Council approval. During the year ended September 30, 2018, total expenditures were \$115,585 less than budgeted expenditures.

Schedule of contributions - pensions

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 | 28 Years |
| Asset Valuation Method | 10 Year Smoothed Market, 15% Soft Corridor |
| Inflation | 2.50% |
| Salary Increases | 3.5% to 10.50% Including Inflation |
| Investment Rate of Return | 6.75% |
| Retirement Age | Experience-based table of rates that are specific to the Corporation's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. |

**CITY OF WINDCREST, TEXAS
ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Windcrest, Texas)**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

For the year ended September 30, 2018

Schedule of contributions – OPEB

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

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

Other information

There were no benefit changes during the year.

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

To: The Board of Directors of
City of Windcrest Economic Development Corporation
Windcrest, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the City of Windcrest Economic Development Corporation (the “Corporation”), a component unit of the City of Windcrest, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Corporation’s basic financial statements, and have issued our report thereon dated April 10, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

ABIP, PC

San Antonio, Texas
April 10, 2019