

TOWN OF WOODSBORO, TEXAS

FINANCIAL STATEMENTS

For the Year Ended July 31, 2013

TOWN OF WOODSBORO, TEXAS
FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
List of Principal Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2 – 3
Management's Discussion and Analysis	4 – 9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	12
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of Statement of Revenues, Expenditures, and Changes In Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Net Position – Proprietary Fund	16
Statement of Revenues, Expenses, and Change in Fund Net Position – Proprietary Fund	17
Statement of Cash Flows – Proprietary Fund	18 – 19
Notes to the Financial Statements	20 – 38
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	39
Texas Municipal Retirement System – Schedule of Funding Progress (unaudited)	40
Note to Required Supplementary Information	41

**TOWN OF WOODSBORO, TEXAS
FINANCIAL STATEMENTS
For the Year Ended July 31, 2013**

TABLE OF CONTENTS

	<u>Page No.</u>
SINGLE AUDIT SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42 – 43
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	44 – 45
Federal Awards Information:	
Schedule of Expenditures of Federal Awards	46
Notes to the Schedule of Expenditures of Federal Awards	47
Schedule of Findings and Questioned Costs	48
Summary Schedule of Prior Audit Findings	49
Individual Grant Information:	
Grant Revenue and Expense Schedule – Contract No. 712094	50
Grant Revenue and Expense Schedule – Contract No. EMW-2012-SS-00018	51
Grant Revenue and Expense Schedule – Contract No. FEMA-DR-1791	52
Grant Revenue and Expense Schedule – Contract No. 1001411	53
Grant Revenue and Expense Schedule – Contract No. DE-EE0000893	54
Grant Revenue and Expense Schedule – Contract No. EMW-2011-SS-0019	55

INTRODUCTORY SECTION

TOWN OF WOODSBORO, TEXAS
LIST OF PRINCIPAL OFFICIALS
July 31, 2013

Mayor	(August – May) George Hernandez, Sr. (May – July) Larry Jochetz
Mayor Pro-tem	(August – May) Larry Jochetz (June – July) Jimmy Blaschke
Council Members	Debra Bolcik Minerva Cisneros (August – June) Jimmy Blaschke Elix Ortiz (May – July) Ralph Cisneros
City Attorney	Donald Kubicek
City Engineer	Robert Viera (LNV Engineering)
Tax Assessor and Collector	Ida M. Turner
Municipal Police Officer	(August - November) Kody Farenthold (January – July) Joseph Roberts
City Secretary	Ruby H. DeLaGarza
City Clerk	Viola Meza
Municipal Court Clerk	Deborah LePore
Municipal Judge	Diego Bustillo
Public Works Director	Gabriel Thomas

FINANCIAL SECTION

Goldman, Hunt & Notz, L.L.P.

Certified Public Accountants

DONALD G. GOLDMAN, CPA

D. DALE HUNT, CPA

JAMIE K. NOTZ, CPA, CVA*

*CERTIFIED VALUATION ANALYST

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA

SYLVIA H. GORIS, CPA

SUE N. GUTHRIE, CPA

TEXAS SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

September 16, 2013

To the Honorable Mayor
and Members of the Town Council
Town of Woodsboro, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Woodsboro, Texas, as of and for the year ended July 31, 2013, and the related notes to the financial statements, which collectively comprise the Town'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 each major fund of the Town of Woodsboro, Texas, as of July 31, 2013, 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 and budgetary comparison information on pages 4-9 and 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Woodsboro, Texas's basic financial statements. The individual grant section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The individual grant section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2013

This discussion and analysis is intended to be an easily readable analysis of the Town of Woodsboro's (Town) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

In addition to the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as general government, public safety, municipal court, streets, animal control and recreation. The Town's business-type activity provides water, sewer and sanitation services to the citizens. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses gross and net costs of Town programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The Town's major governmental funds are presented in their own columns. Statements for the Town's proprietary fund follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

The discussion and analysis of the Town of Woodsboro's financial performance provides an overall review of the Town's financial activities for the year ended July 31, 2013. The intent of this discussion and analysis is to look at the Town's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the Town's financial performance.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2013

Financial Highlights

- The assets of the Town of Woodsboro, Texas exceeded its liabilities at the close of the year ended July 31, 2013 by \$3,455,916. Of this amount, \$1,095,669 of unrestricted net assets is available to meet the Town's ongoing obligations to citizens and creditors.
- At July 31, 2013, the Town's governmental funds reported combined ending fund balances of \$414,588, of which \$356,113 is available for governmental discretion (unassigned and committed fund balances).
- At July 31, 2013, unassigned fund balance for the General Fund was \$219,432 or 19% of total General Fund expenditures.
- The total cost of all Town activities was \$1,870,753 for the year. Net cost of all activities was \$285,726.
- During the year, the Town's net expenses exceeded program revenues of the government activities by \$282,108.

Town as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Assets at July 31, 2013 and 2012 follows:

Town of Woodsboro, Texas
Components of Net Position
July 31, 2013
With Comparative Totals for July 31, 2012
(in thousands)

	Governmental		Business-type		Total		Amount Change	% Change
	Activities	Activities	Activities	Activities	Government	Government		
	July 31, 2013	July 31, 2012	July 31, 2013	July 31, 2012	July 31, 2013	July 31, 2012		
Cash	\$ 389	\$ 395	\$ 226	\$ 153	\$ 615	\$ 548	\$ 67	12.2%
Other assets	403	154	625	567	1,028	721	307	42.6%
Capital assets	225	217	3,059	3,103	3,284	3,320	(36)	-1.1%
Total assets	1,017	766	3,910	3,823	4,927	4,589	338	7.4%
Other liabilities	271	11	96	86	367	97	270	278.4%
Long term debt	-	-	1,105	1,145	1,105	1,145	(40)	-3.5%
Total liabilities	271	11	1,201	1,231	1,472	1,242	230	18.5%
Net assets:								
Invested in capital assets, net of related debt	225	216	1,954	1,958	2,179	2,174	5	0.2%
Restricted	31	34	150	145	181	179	2	1.1%
Unrestricted	490	505	605	489	1,095	994	101	10.2%
Total net position	\$ 746	\$ 755	\$ 2,709	\$ 2,592	\$ 3,455	\$ 3,347	\$ 108	3.2%

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2013

Financial Highlights (Continued)

During the year ended July 31, 2013 the net position of the Town increased approximately \$108,000. Cash increased by \$67,000, inventory increased by \$73,000, fixed asset purchases \$116,000, depreciation expense of \$152,000, decrease in long term debt of \$42,000 and other decreases of \$38,000.

A condensed version of the Statement of Activities follows:

Town of Woodsboro, Texas
Condensed Statement of Net Activities
For the Year Ended July 31, 2013
With Comparative Totals for the Year Ended July 31, 2012
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2013	July 31, 2012	July 31, 2013	July 31, 2012	July 31, 2013	July 31, 2012		
Revenues								
Program revenues								
Charges for services	\$ 194	\$ 75	\$ 714	\$ 688	\$ 908	\$ 763	\$ 145	19.0%
General revenues								
Taxes	394	377			394	377	17	4.5%
Intergovernmental revenue	677	132			677	132	545	412.9%
Total revenues	1,265	584	714	688	1,979	1,272	707	55.6%
Expenses								
General government	1,020	360			1,020	360	660	183.3%
Public safety/municipal								
court	42	43			42	43	(1)	-2.3%
Streets	67	64			67	64	3	4.7%
Animal control	17	17			17	17	-	0.0%
Recreation	7	7			7	7	-	0.0%
Water and sewer			570	596	570	596	(26)	-4.4%
Sanitation			148	139	148	139	9	6.5%
Total expenses	1,153	491	718	735	1,871	1,226	645	52.6%
Excess (deficiency) before non operating revenues, expenses, and transfers								
Non operating revenues	112	93	(4)	(47)	108	46	62	134.8%
Transfers	-	-		2	-	2	(2)	-100.0%
Change in net position	(121)	(14)	121	14	-	-	-	0.0%
Beginning net position	(9)	79	117	(31)	108	48	60	125.0%
Ending net position	755	676	2,592	2,623	3,347	3,299	48	1.5%
	\$ 746	\$ 755	\$ 2,709	\$ 2,592	\$ 3,455	\$ 3,347	\$ 108	3.2%

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2013

Financial Highlights (Concluded)

Governmental Activities

Revenues

Revenues increased by \$681,000. Ad valorem taxes increased \$15,000, sales taxes increased \$6,000, franchise taxes decreased \$1,000, licenses, permits and fees increased \$111,000, primarily due to amusement machine permits, fines decreased \$16,000, intergovernmental revenue increased \$540,000 and miscellaneous income increased \$26,000.

Expenses

Expenses and other charges increased approximately \$662,000. The largest increase was pass-through grant expenditures of \$545,000. There also was an increase in salary of \$73,000 and other increases of \$44,000.

Business-type Activities

Revenues

Program revenues increased by \$26,000 due to increased water sales of \$50,000 and an increase in sanitation sales of \$7,000.

Expenses

Expenses decreased by approximately \$17,000.

Budgetary Highlights

The Town did not revise its budget for the General Fund during the year ended July 31, 2013. Actual revenues in the General Fund were higher than budgeted revenues by approximately \$703,000, primarily due to ad valorem taxes, permits and licenses, and intergovernmental revenues. Actual General Fund expenditures were higher than budgeted amounts by approximately \$634,000, primarily due to pass-through grant expenditures.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2013

Capital Assets

At July 31, 2013 the Town had \$3,284,000 invested in capital assets, including police, fire equipment, park and recreation facilities, buildings, roads, and water and sewer lines. This amount represents a net decrease (additions, deletions, and depreciation) of \$36,000 or 1% less than last year.

Town of Woodsboro, Texas
Capital Assets
July 31, 2013
With Comparative Totals for July 31, 2012
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2013	July 31, 2012	July 31, 2013	July 31, 2012	July 31, 2013	July 31, 2012		
Construction in progress	\$ 14	\$ -	\$ -	\$ -	\$ 14	\$ -	\$ 14	100.0%
Land	82	82	-	-	82	82	-	0.0%
Buildings and improvements	53	49	-	-	53	49	4	8.2%
Machinery and equipment	416	408	4,426	4,344	4,842	4,752	90	1.9%
Streets	68	60	-	-	68	60	8	13.3%
Subtotal	633	599	4,426	4,344	5,059	4,943	116	2.3%
Accumulated depreciation	(408)	(382)	(1,367)	(1,241)	(1,775)	(1,623)	(152)	9.4%
Capital assets, net	<u>\$ 225</u>	<u>\$ 217</u>	<u>\$ 3,059</u>	<u>\$ 3,103</u>	<u>\$ 3,284</u>	<u>\$ 3,320</u>	<u>\$ (36)</u>	<u>-1.1%</u>

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Debt Administration

At year-end, the Town had \$1,105,000 in certificates of obligation and capital leases outstanding versus \$1,145,000 last year. The Town paid \$40,000 in principal reductions.

Town of Woodsboro, Texas
Debt Outstanding
July 31, 2013
With Comparative Totals for July 31, 2012
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2013	July 31, 2012	July 31, 2013	July 31, 2012	July 31, 2013	July 31, 2012		
Capital leases	\$ -	\$ -	\$ 34	\$ 48	\$ 34	\$ 48	\$ (14)	-29.2%
Certificates of obligation	-	-	1,071	1,097	1,071	1,097	(26)	-2.4%
Total bonds and notes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,105</u>	<u>\$ 1,145</u>	<u>\$ 1,105</u>	<u>\$ 1,145</u>	<u>\$ (40)</u>	<u>-3.5%</u>

More detailed information on the Town's long-term liabilities is presented in the notes to the financial statements.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2013

Economic Factors and Next Year's Budgets and Rates

- Anticipate that the Town's effective tax rate will approximate the 2013 rate of 0.7352/\$100 valuation.
- Anticipate the Town's water and sewer rates will be studied to ensure that rates keep up with expenses and inflation.
- Will continue to replace old steel water lines with plastic lines, using money out of the new line replacement fund.
- To comply with TCEQ and EPA regulations, will use grant money to construct a ground storage facility for blended water. Will continue to replace broken or slow operating meters. Will use grant money to install a media filtration for arsenic removal.
- Will continue to fund the street maintenance/improvement fund account funded by various sources.
- The budget for the fiscal year ending July 31, 2014 will be as follows:

FUND	REVENUE	EXPENDITURE/ EXPENSES
General Fund	\$558,025	\$558,025
Enterprise Fund - Water	309,100	258,065
Enterprise Fund - Sewer	210,000	261,035
Enterprise Fund - Sanitation	163,400	163,400

Financial Contact

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the City Secretary at 121 N. Wood Avenue, Woodsboro, Texas 78393.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF WOODSBORO, TEXAS
STATEMENT OF NET POSITION
July 31, 2013

	Primary Government		
	Governmental Activities		Business-type Activities
			Total
ASSETS			
Cash	\$ 388,700	\$ 226,194	\$ 614,894
Receivables			
Sales tax	7,036		7,036
Service accounts		89,359	89,359
Franchise tax	12,392		12,392
Ad valorem taxes	60,942		60,942
Grants	264,139	10,300	274,439
Prepaid expenses	2,770	12,500	15,270
Inventory	18,192	134,493	152,685
Committed cash		228,584	228,584
Restricted cash	37,513	150,057	187,570
Capital assets			
Property, plant and equipment	633,837	4,425,965	5,059,802
Less: accumulated depreciation	(408,421)	(1,367,052)	(1,775,473)
Total assets	<u>1,017,100</u>	<u>3,910,400</u>	<u>4,927,500</u>
LIABILITIES			
Accounts payable	266,350	25,621	291,971
Accrued interest		19,886	19,886
Accrued vacation	4,621	909	5,530
Customer deposits payable		49,520	49,520
Noncurrent liabilities:			
Note payable - due within one year		16,102	16,102
Bonds payable - due within one year		27,000	27,000
Note payable - due in more than one year		17,574	17,574
Bonds payable - due in more than one year		1,044,000	1,044,000
Total liabilities	<u>270,971</u>	<u>1,200,612</u>	<u>1,471,583</u>
NET POSITION			
Invested in capital assets, net of related debt	225,416	1,954,237	2,179,653
Restricted for:			
Law enforcement	30,537		30,537
Bond payments		150,057	150,057
Unrestricted	490,176	605,493	1,095,669
Total net position	<u>\$ 746,129</u>	<u>\$ 2,709,787</u>	<u>\$ 3,455,916</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WOODSBORO, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 1,019,601	\$ 154,260	\$ 675,931	\$ (189,410)	\$ -	\$ (189,410)
Public safety/ municipal court	41,668	39,904		(1,764)		(1,764)
Streets	67,095			(67,095)		(67,095)
Animal control	16,859			(16,859)		(16,859)
Recreation	6,980			(6,980)		(6,980)
Total governmental activities	1,152,203	194,164	675,931	(282,108)	-	(282,108)
Business-type activities:						
Water and sewer	570,158	560,595				(9,563)
Sanitation	148,392	154,337				5,945
Total business-type activities	718,550	714,932	-	-	-	(3,618)
Total primary government	\$ 1,870,753	\$ 909,096	\$ 675,931	(282,108)	-	(285,726)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				249,061		249,061
Franchise taxes				60,481		60,481
Sales taxes				84,342		84,342
Transfers				(121,590)		-
Interest income					144	144
Total general revenues and transfers				272,294	121,734	394,028
Change in net position				(9,814)	118,116	108,302
Net position - beginning				755,943	2,591,671	3,347,614
Net position - ending				\$ 746,129	\$ 2,709,787	\$ 3,455,916

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

TOWN OF WOODSBORO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
July 31, 2013

	General Fund	Police Department Fund	Total Governmental Funds
ASSETS			
Cash - unrestricted	\$ 388,700	\$ -	\$ 388,700
Receivables:			
Sales tax	7,036		7,036
Franchise tax	12,392		12,392
Ad valorem taxes	60,942		60,942
Grants	264,139		264,139
Restricted cash	6,976	30,537	37,513
Prepaid expenses	2,770		2,770
Inventory	<u>18,192</u>		<u>18,192</u>
 Total assets	 <u>\$ 761,147</u>	 <u>\$ 30,537</u>	 <u>\$ 791,684</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 266,350	\$ -	\$ 266,350
Accrued vacation	4,621		4,621
Total liabilities	<u>270,971</u>	<u>-</u>	<u>270,971</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	58,208		58,208
Unavailable revenue - amusement fees	47,917		47,917
Total unavailable revenue	<u>106,125</u>	<u>-</u>	<u>106,125</u>
 Fund balances:			
Non-spendable	20,962		20,962
Restricted	6,976	30,537	37,513
Committed	136,681		136,681
Unassigned	219,432		219,432
Total fund balances	<u>384,051</u>	<u>30,537</u>	<u>414,588</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 761,147</u>	 <u>\$ 30,537</u>	 <u>\$ 791,684</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WOODSBORO, TEXAS
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
July 31, 2013

Total governmental fund balances	\$ 414,588
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	225,416
Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	<u>106,125</u>
Net position of governmental activities	<u><u>\$ 746,129</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WOODSBORO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended July 31, 2013

	General Fund	Police Department Fund	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem taxes, penalty and interest	\$ 254,154	\$ -	\$ 254,154
City sales tax	84,342		84,342
Franchise taxes	60,481		60,481
Licenses, permits and fees	78,729		78,729
Fines	39,904		39,904
Intergovernmental - grant revenue	675,931		675,931
Miscellaneous	27,614		27,614
Total revenues	1,221,155	-	1,221,155
EXPENDITURES			
Current:			
General government	346,811		346,811
Public safety	16,042	866	16,908
Streets	55,077		55,077
Animal control	16,859		16,859
Municipal court	15,440		15,440
Parks	6,019		6,019
Capital outlay	32,387	2,495	34,882
Grant expenditures	5,725		5,725
Pass-through grant	662,964		662,964
Total expenditures	1,157,324	3,361	1,160,685
Excess (deficiency) of revenues over (under) expenditures	63,831	(3,361)	60,470
OTHER FINANCING SOURCES (USES)			
Transfers in	10,171	-	10,171
Transfers out	(131,761)	-	(131,761)
Total other financing sources and uses	(121,590)	-	(121,590)
Net change in fund balances	(57,759)	(3,361)	(61,120)
Fund balances - beginning	441,810	33,898	475,708
Fund balances - ending	\$ 384,051	\$ 30,537	\$ 414,588

The notes to the financial statements are an integral part of this statement.

TOWN OF WOODSBORO, TEXAS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2013

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

Net change in fund balances - total governmental funds \$ (61,120)

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 34,882

Depreciation expense on capital assets reported in the government-wide statement of activities and changes in net assets, does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (26,400)

Some property taxes will not be collected for several months after the Town's fiscal year end, and are not considered "available" revenues in the governmental funds. (5,093)

Some amusement fees will not be recognized until after the Town's fiscal year end, and are not considered "available" revenues in the governmental funds. 47,917

Change in net assets of governmental activities \$ (9,814)

The notes to the financial statements are an integral part of this statement.

TOWN OF WOODSBORO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
July 31, 2013

	Business-type Activities - Enterprise Fund		
	Water, Sewer and Sanitation Fund	Total Enterprise Fund	
ASSETS			
Current assets			
Cash	\$ 226,194	\$ 226,194	
Accounts receivable - customers	89,359	89,359	
Accounts receivable	10,300	10,300	
Inventory	134,493	134,493	
Prepaid fire protection	12,500	12,500	
Total current assets	<u>472,846</u>	<u>472,846</u>	
Noncurrent assets			
Committed cash	228,584	228,584	
Restricted cash	150,057	150,057	
Capital assets			
Property, plant and equipment	4,425,965	4,425,965	
Less: accumulated depreciation	(1,367,052)	(1,367,052)	
Total noncurrent assets	<u>3,437,554</u>	<u>3,437,554</u>	
Total assets	<u>3,910,400</u>	<u>3,910,400</u>	
LIABILITIES			
Current liabilities			
Accounts payable	25,621	25,621	
Accrued interest	19,886	19,886	
Accrued vacation	909	909	
Customer deposits payable	49,520	49,520	
Note payable - current portion	16,102	16,102	
Bonds payable - current portion	27,000	27,000	
Total current liabilities	<u>139,038</u>	<u>139,038</u>	
Noncurrent liabilities			
Note payable	17,574	17,574	
Bonds payable	1,044,000	1,044,000	
Total noncurrent liabilities	<u>1,061,574</u>	<u>1,061,574</u>	
Total liabilities	<u>1,200,612</u>	<u>1,200,612</u>	
NET POSITION			
Invested in capital assets, net of related debt	1,954,237	1,954,237	
Restricted for bond payments	150,057	150,057	
Unrestricted	605,493	605,493	
Total net position	<u>\$ 2,709,787</u>	<u>\$ 2,709,787</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF WOODSBORO, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
PROPRIETARY FUND
For the Year Ended July 31, 2013

	Business-type Activities - Enterprise Fund	
	Water, Sewer, and Sanitation Fund	Total Enterprise Fund
OPERATING REVENUES		
Charges for services:		
Water sales	\$ 314,391	\$ 314,391
Sewer	211,620	211,620
Sanitation	154,337	154,337
Late charges	19,180	19,180
Reconnect fees	3,673	3,673
Transfer and other fees	8,155	8,155
Miscellaneous	3,576	3,576
Total operating revenues	<u>714,932</u>	<u>714,932</u>
OPERATING EXPENSES		
Salaries	151,638	151,638
Sanitation charges	148,392	148,392
Repairs and maintenance	14,549	14,549
Materials, asphalt and caliche	9,795	9,795
Truck expenses	11,964	11,964
Sewer plant	18,887	18,887
Postage, office supplies and fees	22,132	22,132
Professional fees	37,333	37,333
Fire protection	30,000	30,000
Insurance	26,170	26,170
Utilities and telephone	49,851	49,851
Uniforms	2,488	2,488
Payroll taxes	11,336	11,336
Depreciation	126,214	126,214
Retirement	3,774	3,774
Total operating expenses	<u>664,523</u>	<u>664,523</u>
Operating income	<u>50,409</u>	<u>50,409</u>
NON OPERATING REVENUES (EXPENSES)		
Interest income	144	144
Grant expenses	(5,200)	(5,200)
Interest expense	(48,827)	(48,827)
Total non operating revenues (expenses)	<u>(53,883)</u>	<u>(53,883)</u>
Income before transfers	(3,474)	(3,474)
Transfers in	131,761	131,761
Transfers out	(10,171)	(10,171)
Change in net position	118,116	118,116
Net position, beginning	<u>2,591,671</u>	<u>2,591,671</u>
Net position, ending	<u>\$ 2,709,787</u>	<u>\$ 2,709,787</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WOODSBORO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended July 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 745,495
Cash paid to suppliers for goods and services	(458,995)
Cash paid to employees for services	<u>(155,423)</u>
Net cash provided (used) by operating activities	<u>131,077</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer from other funds	131,761
Transfer to other funds	<u>(10,171)</u>
Net cash provided (used) by noncapital financing activities	<u>121,590</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of fixed assets	(81,871)
Principal payments on note payable	(14,752)
Principal payments on USDA Series 2000, 2000A and 2008 certificates of obligation	(26,000)
Interest paid	<u>(48,827)</u>
Net cash provided (used) by capital and related financing activities	<u>(171,450)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	144
Grant expenses	<u>(5,200)</u>
Net cash provided (used) by investing activities	<u>(5,056)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

76,161

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

528,674

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 604,835

NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Purchase of asset under capital lease	\$ 67,610
---------------------------------------	-----------

The notes to the financial statements are an integral part of this statement.

TOWN OF WOODSBORO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND (CONTINUED)
For the Year Ended July 31, 2013

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED
(USED) BY OPERATING ACTIVITIES**

Operating income	\$ 50,409
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	126,214
(Increase) decrease in accounts receivable	(5,227)
Increase (decrease) in allowance account	6,174
(Increase) decrease in inventory	(56,397)
Increase (decrease) in accounts payable	6,816
Increase (decrease) in accrued interest payable	(208)
Increase (decrease) in accrued vacation payable	(11)
Increase (decrease) in accrued liabilities	10
Increase (decrease) in meter deposits payable	3,297
Total adjustments	<u>80,668</u>
Net cash provided (used) by operating activities	<u><u>\$ 131,077</u></u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 226,194
Committed cash and cash equivalents	228,584
Restricted cash and cash equivalents	<u>150,057</u>
Total cash and cash equivalents	<u><u>\$ 604,835</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Woodsboro, Texas (Town) was incorporated in 1928 and provides the following services: general government, public safety/municipal court, streets, animal control, recreation, and water, sewer and sanitation services.

Basis of Accounting/Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and reporting policies of the Town relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the Town has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the Town are described below.

A. Government-Wide Financial Statements

The Town Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Town accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide financial statements. The Town has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Town, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The following are the Town's Governmental Fund types:

General Fund

The General Fund is the general operating fund of the Town. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

C. Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds are accounted for using the "economic resources measurement focus and the accrual basis of accounting." Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The Town reports the following major proprietary fund.

Water, Sewer and Sanitation

The Water, Sewer and Sanitation Fund accounts for the activities necessary to provide water and wastewater services to the residents of the Town. These activities include administration, water and wastewater system operations and maintenance, new construction, financing and related debt service.

D. Budget

The Town Council follows these procedures in establishing the Town budget:

1. Thirty to sixty days prior to the beginning of each fiscal year, the department supervisors submit to the Town Council a proposed budget for the fiscal year beginning on the following fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which comments concerning the budget are heard.
3. The budget is legally enacted by the Town Council prior to the beginning of the fiscal year.
4. The City Secretary is authorized to transfer budgeted amounts between the departments within any fund, however any revisions that alter the total expenditures of any fund must be approved by the Town Council. The budget was not amended during this fiscal year.

E. Inventory

The Enterprise Fund inventory is valued at actual cost. Material and supplies, which constitute the bulk of the inventory, are charged to expense when acquired. Inventory on hand at the balance sheet date is appropriately adjusted and recorded as a current asset in the Enterprise Fund.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Vacation and Sick Leave

Vacation is accumulated after the first year of employment and can be used thereafter. Employees shall receive one week of vacation time after one year of employment; two weeks of vacation time two to fourteen years of employment and three weeks of vacation time fifteen years and over. Earned vacation time must be used by December 15 of each year; however, the Town will reimburse employees for a maximum of five unused vacation days accrued during the current year. The Town allows employees twelve sick days each calendar year. Up to thirty-six days of sick leave can be accumulated. Employees can sell back up to five days of sick leave each year. Sick leave is paid only upon illness while in the employment of the Town. Employees leaving the services of the Town shall not be paid for accumulated sick leave.

G. Restricted Resources

The Town applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

H. Classification of Fund Balances and Net Assets

In accordance with *Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions*, the Town classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Town Council.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Net assets have been restricted for USDA and TWDB bond payments.

I. Property Tax

Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 and attach as an enforceable lien on the property as of July 1 of the following year. The Refugio County Tax Assessor Collector bills and collects taxes for the Town. Property taxes not collected within 60 days are deemed not to be material to the financial statements, so no allowance for doubtful accounts has been established.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property Tax (Continued)

The Town reports deferred revenue on its General Fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Town receives resources before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

During the year ended July 31, 2013, the Town levied an ad valorem tax for maintenance and operations at a rate of .7544 per \$100 of assessed value. A total tax levy of \$242,645 resulted, based on a net taxable valuation of \$32,163,920 for the 2012 tax year.

J. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Buildings	10 – 40 years
Equipment	5 – 10 years
Other improvements	7 – 15 years
Streets	10 years
Software	3 – 5 years
Vehicles	5 – 20 years
Water and sewer assets	5 – 50 years

K. Excess of Expenditures over Revenues in Governmental Funds

An excess of \$3,361 of expenditures over revenues occurred in the Police Department Fund in the year ended July 31, 2013.

L. Statement of Cash Flows

For purposes of the statement of cash flows, the Enterprise funds consider all highly liquid investments to be cash equivalents.

M. Restricted Assets

Certain resources of the Town have been set aside in the Enterprise Fund and General Fund for bond requirements, infrastructure and equipment repair or replacement, and law enforcement. These resources are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants or other restrictions.

N. Risk Management

The Town is exposed to various risks of loss due to torts, theft of, damage to and destruction of assets, errors and omissions, the health of and injuries to employees and natural disasters. The Town uses commercial insurance to manage these risks. Claims have not exceeded its insurance coverage.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

O. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and amusement fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 2: CASH

The Town maintains cash that is available for use by all funds, except as restricted. Each fund types' portion of these monies is displayed on the fund balance sheets with the description of "cash" under each fund's caption.

Deposits

At July 31, 2013, the carrying amount of the Town's deposits was \$1,031,051 and the bank balance was \$1,080,855. The entire bank balance was covered by federal depository insurance and collateral with a fair market value of \$1,023,024, held in safekeeping at Independent Bankers Bank for First National Bank of Woodsboro in the Town's name at year-end. The Town has a written depository contract.

The Town, by State law, can invest its fund in the following:

1. Obligations of the United States or its agencies and instrumentality's;
2. Direct obligations of the State of Texas or its agencies;
3. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States;
4. Obligations of states, agencies, counties, cities, and other political subdivision of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent.
5. Certificates of deposit issued by the state and national banks domiciled in this state that are:
 - a. guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
 - b. secured by obligations of paragraphs 1 – 4 above and that have a market value of not less than the principal amount of certificates.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 3: CHANGES IN CAPITAL ASSETS

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 82,341	\$ -	\$ -	\$ 82,341
Construction in progress	-	14,378	-	14,378
Total capital assets not being depreciated	<u>82,341</u>	<u>14,378</u>	<u>-</u>	<u>96,719</u>
Other capital assets				
Buildings and improvements	48,752	3,845		52,597
Machinery and equipment	408,116	8,159		416,275
Streets	59,746	8,500		68,246
Total other capital assets at historical cost	<u>516,614</u>	<u>20,504</u>	<u>-</u>	<u>537,118</u>
Less accumulated depreciation for:				
Buildings and improvements	(35,681)	(1,917)		(37,598)
Machinery and equipment	(322,530)	(20,056)		(342,586)
Streets	(23,810)	(4,427)		(28,237)
Total accumulated depreciation	<u>(382,021)</u>	<u>(26,400)</u>	<u>-</u>	<u>(408,421)</u>
Other capital assets, net	134,593	(5,896)	-	128,697
Governmental activities capital assets, net	<u>\$ 216,934</u>	<u>\$ 8,482</u>	<u>\$ -</u>	<u>\$ 225,416</u>
 Business-type activities:				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other capital assets				
Buildings and improvements				-
Machinery and equipment	4,344,093	81,872	-	4,425,965
Total other capital assets at historical cost	<u>4,344,093</u>	<u>81,872</u>	<u>-</u>	<u>4,425,965</u>
Less accumulated depreciation for:				
Buildings and improvements	-			-
Machinery and equipment	(1,240,838)	(126,214)	-	(1,367,052)
Total accumulated depreciation	<u>(1,240,838)</u>	<u>(126,214)</u>	<u>-</u>	<u>(1,367,052)</u>
Other capital assets, net	3,103,255	(44,342)	-	3,058,913
Business-type activities capital assets, net	<u>\$ 3,103,255</u>	<u>\$ (44,342)</u>	<u>\$ -</u>	<u>\$ 3,058,913</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 3: CHANGES IN CAPITAL ASSETS (Concluded)

Depreciation expense was charged to functions as follows:

Governmental activities						
General government					\$ 4,101	
Public safety					9,320	
Streets					12,018	
Parks					961	
						<u>\$ 26,400</u>
Total governmental activities depreciation expense						
Business-type activities						
Water and sewer					\$ 126,214	
						<u>\$ 126,214</u>
Total business-type activities depreciation expense						

NOTE 4: LONG-TERM DEBT

A. Changes in Long-Term Liabilities

Long-term liability activity for the year ended July 31, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Capital lease - equipment	\$ 48,428	\$ -	\$ (14,752)	\$ 33,676	\$ 16,102
Certificates of obligation:					
Series 2000	489,000		(9,000)	480,000	10,000
Series 2000A	118,000		(2,000)	116,000	2,000
Series 2008	490,000		(15,000)	475,000	15,000
Total business-type activities	<u>1,145,428</u>	<u>-</u>	<u>(40,752)</u>	<u>1,104,676</u>	<u>43,102</u>
Total long-term liabilities	<u>\$ 1,145,428</u>	<u>\$ -</u>	<u>\$ (40,752)</u>	<u>\$ 1,104,676</u>	<u>\$ 43,102</u>

The interest paid for business-type activities was \$4,431 for the capital lease and \$44,396 for bonds for the year ended July 31, 2013 and is charged to interest expense in the water, sewer and sanitation funds.

B. Capital Lease Obligations – Business-type Activities

Purchase of Equipment

On February 20, 2012, the Town of Woodsboro entered into a three-year lease agreement with Government Vehicle Leasing Company to finance the acquisition of equipment. The asset and liability under the capital lease have been recorded at the fair value of the asset, which is equal to the present value of the minimum lease payments at the inception of the lease. The total cost of the asset and the amount financed was \$67,610 with a fixed interest rate of 9.15%. The final lease payment is due on March 28, 2015.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 4: LONG-TERM DEBT (Continued)

B. Capital Lease Obligations – Business-type Activities (Concluded)

Annual requirements to retire the capital lease – equipment through Government Vehicle Leasing Company are as follows:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 16,102	\$ 3,080	\$ 19,182
2015	17,574	1,608	19,182
	<u>\$ 33,676</u>	<u>\$ 4,688</u>	<u>\$ 38,364</u>

C. Certificates of Obligation – Business-type Activities

During the fiscal year ended June 30, 2001, the Town of Woodsboro, Texas authorized the issuance of \$573,000, Series 2000, and \$137,000, Series 2000A, Combination Tax and Combined Waterworks and Sanitary Sewer System Revenue Certificates of Obligation and \$213,000 in grant proceeds for funding of water and wastewater improvements through an agreement with USDA Rural Development. This agreement resulted in \$923,000 in total loan and grant proceeds being committed for these improvements. As of June 30, 2002, all Certificates of Obligation for Series 2000 and Series 2000A were issued. Interest on the Certificates of Obligation is payable March 1 and September 1. Principal payments are due annually on March 1 and continue until March 1, 2040. The interest rate is fixed at 4.50% per annum.

The bond ordinance contains provisions which require that the Town maintain an operating or revenue fund, an interest and sinking fund, a reserve fund, and a repair and replacement fund. The operating fund is to be used for collection of revenues and for payment of day to day expenses for operation and maintenance of the system. The interest and sinking fund is to be used for payment of principal and interest on the bonds. The reserve fund is to be used for payment of principal and interest on the bonds when there are not sufficient funds in the interest and sinking fund. The repair and replacement fund is to be used to pay the cost of any repairs or extensions to the system when no other funds are available. Also, the repair and replacement fund is to be used for payment of principal and interest on the bonds when there are not sufficient funds in the interest and sinking fund or the reserve fund.

During the year ended July 31, 2008, the Town of Woodsboro, Texas authorized the issuance of \$525,000, Texas Water Development Board Series 2008, Combination Tax and Combined Waterworks and Sanitary Sewer System Revenue Certificates of Obligation for the Drinking Water State Revolving Fund Project #61273. The purpose of the loan is to fund the Town's matching part of a grant for funding of a ground storage water tank through an agreement with Texas Water Development Board to bring the water system into compliance with State and Federal regulations. The total \$520,000 Certificates were issued prior to the July 31, 2013 fiscal year. Interest on the Certificates of Obligation is payable March 1 and September 1. Principal payments are due annually on March 1 and continue until March 1, 2028. The interest rate is variable with an average rate of 3.658% per annum.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 4: LONG-TERM DEBT (Continued)

C. Certificates of Obligation – Business-type Activities (Continued)

As of July 31, 2013, the interest and sinking fund, reserve fund, and repair and replacement fund had all been properly established by the Town. The Town is not in compliance with all covenants of the bond ordinance at July 31, 2013. The Reserve Fund and the Repair and Replacement Reverse Fund were underfunded at July 31, 2013 per the USDA bond ordinance for the 2000 and 2000A Series. The annual budget for repayment of Certificates of Obligation and pledged revenue requirements for the TWDB Series 2008 were not in compliance at July 31, 2013.

Annual requirements to retire the USDA 2000 Series Certificates of Obligation are as follows:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 10,000	\$ 21,600	\$ 31,600
2015	10,000	21,150	31,150
2016	10,000	20,700	30,700
2017	11,000	20,250	31,250
2018	11,000	19,755	30,755
2019	12,000	19,260	31,260
2020	12,000	18,720	30,720
2021	13,000	18,180	31,180
2022	13,000	17,595	30,595
2023	14,000	17,010	31,010
2024	15,000	16,380	31,380
2025	15,000	15,705	30,705
2026	16,000	15,030	31,030
2027	17,000	14,310	31,310
2028	18,000	13,545	31,545
2029	18,000	12,735	30,735
2030	19,000	11,925	30,925
2031	20,000	11,070	31,070
2032	21,000	10,170	31,170
2033	22,000	9,225	31,225
2034	23,000	8,235	31,235
2035	24,000	7,200	31,200
2036	25,000	6,120	31,120
2037	26,000	4,995	30,995
2038	27,000	3,825	30,825
2039	28,000	2,610	30,610
2040	<u>30,000</u>	<u>1,350</u>	<u>31,350</u>
	<u>\$ 480,000</u>	<u>\$ 358,650</u>	<u>\$ 838,650</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 4: LONG-TERM DEBT (Continued)

C. Certificates of Obligation – Business-type Activities (Continued)

Annual requirements to retire the USDA 2000A Series Certificates of Obligation are as follows:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 2,000	\$ 5,220	\$ 7,220
2015	2,000	5,130	7,130
2016	2,000	5,040	7,040
2017	3,000	4,950	7,950
2018	3,000	4,815	7,815
2019	3,000	4,680	7,680
2020	3,000	4,545	7,545
2021	3,000	4,410	7,410
2022	3,000	4,275	7,275
2023	3,000	4,140	7,140
2024	4,000	4,005	8,005
2025	4,000	3,825	7,825
2026	4,000	3,645	7,645
2027	4,000	3,465	7,465
2028	4,000	3,285	7,285
2029	4,000	3,105	7,105
2030	5,000	2,925	7,925
2031	5,000	2,700	7,700
2032	5,000	2,475	7,475
2033	5,000	2,250	7,250
2034	6,000	2,025	8,025
2035	6,000	1,755	7,755
2036	6,000	1,485	7,485
2037	6,000	1,215	7,215
2038	7,000	945	7,945
2039	7,000	630	7,630
2040	7,000	315	7,315
	<u><u>\$ 116,000</u></u>	<u><u>\$ 87,255</u></u>	<u><u>\$ 203,255</u></u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 4: LONG-TERM DEBT (Concluded)

C. Certificates of Obligation – Business-type Activities (Concluded)

Annual requirements to retire the TWDB 2008 Series Certificates of Obligation are as follows:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 15,000	\$ 16,935	\$ 31,935
2015	20,000	16,545	36,545
2016	25,000	15,995	40,995
2017	30,000	15,270	45,270
2018	30,000	14,355	44,355
2019	30,000	13,410	43,410
2020	30,000	12,405	42,405
2021	35,000	11,355	46,355
2022	35,000	10,095	45,095
2023	35,000	8,800	43,800
2024	35,000	7,487	42,487
2025	40,000	6,140	46,140
2026	40,000	4,580	44,580
2027	40,000	3,000	43,000
2028	35,000	1,400	36,400
	<u>\$ 475,000</u>	<u>\$ 157,772</u>	<u>\$ 632,772</u>

D. Five Year Schedules

Annual debt service requirements to maturity for all long-term debt is as follows:

Business-Type Activities

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 43,102	\$ 46,835	\$ 89,937
2015	49,574	44,433	94,007
2016	37,000	41,735	78,735
2017	44,000	40,470	84,470
2018	44,000	38,925	82,925
2019-2023	244,000	168,880	412,880
2024-2028	291,000	115,802	406,802
2029-2033	124,000	68,580	192,580
2034-2038	156,000	37,800	193,800
2039-2040	72,000	4,905	76,905
	<u>\$ 1,104,676</u>	<u>\$ 608,365</u>	<u>\$ 1,713,041</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 5: PENSION PLAN

Plan Description

The Town provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the Town are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

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

	Plan Year 2012	Plan Year 2013
Employee deposit rate	5.0%	5.0%
Matching ratio (city to employee)	1 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25	60/5, 0/25
Updated Service Credit	100% Repeating	100% Repeating
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The Town contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the Town make contributions monthly. Since the Town needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 5: PENSION PLAN (Continued)

The annual pension cost and net pension obligation/(asset) are as follows:

1. Annual Required Contribution (ARC)	\$16,810
2. Interest on Net Pension Obligation	0
3. Adjustment to the ARC	0
4. Annual Pension Cost (APC)	16,810
5. Contributions Made	(16,810)
6. Increase (decrease) in net pension obligation	0
7. Net Pension Obligation/(Asset), beginning of year	0
8. Net Pension Obligation/(Asset), end of year	\$ 0

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
2010	\$14,395	\$14,395	100%	\$0
2011	\$12,452	\$12,452	100%	\$0
2012	\$16,810	\$16,810	100%	\$0

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 Equivalent Single Amortization Period	25.4 years - closed period	24.8 years - closed period	25.1 years - closed period
Amortization Period for New Gains/Losses	19 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases*	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at Cost-of-Living Adjustments	3.0%	3.0%	3.0%
	2.1%	2.1%	2.1%

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 5: PENSION PLAN (Continued)

Funded Status and Funding Progress

The funded status as of December 31, 2012, under the two separate actuarial valuations, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2012	\$512,342	\$440,410	116.3%	\$(71,932)	\$285,253	(25.2)%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Supplemental Death Benefits Fund

The Town also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The Town elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The Town 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.

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 postemployment benefit," or OPEB.

Your town offers supplemental death to:	Plan Year 2012	Plan Year 2013
Active employees	Yes	Yes
Retirees	Yes	Yes

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 5: PENSION PLAN (Concluded)

The Town 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 retirees' term life insurance during employees' entire careers.

The Town's contributions to the TMRS SDBF for the years ended 2012, 2011, and 2010 were \$1,440, \$875, and \$868, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates:

(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2010	0.07%	0.07%	100.0%
2011	0.08%	0.08%	100.0%
2012	0.09%	0.09%	100.0%

NOTE 6: INDIVIDUAL FUND DISCLOSURES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables". Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds". There are no interfund receivables or payables as of July 31, 2013.

NOTE 7: SPECIAL REVENUE FUND - CONFISCATED FUNDS

A local agreement was made and entered into by and between the Town of Woodsboro Police Department and the District Attorney of the 24th Judicial District of Texas for Refugio County, Texas in accordance with Article 59.06 of Chapter 59 of the Texas Code of Criminal Procedure regarding the effect of the disposition of contraband forfeited to the State of Texas.

In consideration for the services associated with the forfeiture of contraband, the Town of Woodsboro Police Department agrees that forty percent of all money forfeited and forty percent of the final sum received from the sale of real estate shall be retained by the prosecuting attorney to be used for the official purposes of the office. The prosecuting attorney is further entitled to forty percent of the final sum received from the sale of vehicles seized. If the vehicle is retained by the Police Department, the Police Department agrees to pay the prosecuting attorney forty percent of the vehicle's suggested "Blue Book" value.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 7: SPECIAL REVENUE FUND - CONFISCATED FUNDS (Concluded)

The prosecuting attorney agrees that remaining contraband, after retention of the above stated portion for the prosecuting attorney, will be retained by the Town of Woodsboro Police Department for the law enforcement purposes.

In the event that the office of the prosecuting attorney, or any other law enforcement agency is required to expend significant time and effort in pre-seizure planning of a seizure and/or arrest, the case will be developed as a joint investigation with the percentage apportioned between the parties commensurate with the time and effort required by each of said parties, and an addendum to the agreement will be executed by the parties as it pertains to the particular seizure and/or arrest.

This agreement will apply to money or property seized and forfeited to the Town of Woodsboro Police Department on or after January 1, 2008. Money and property will be considered forfeited to the State once a judgment of forfeiture has become final, and no motion for new trial or notice of appeal has been taken. Payments to the prosecuting attorney will be made quarterly based on a calendar year. The prosecuting attorney will also be paid interest earned on each quarterly payment from the date of forfeiture until the end of the quarter. All costs of court proceedings will be paid by the Town of Woodsboro Police Department including the cost of titles searched and title policies issued.

The term of this agreement is for a period of one year from January 1, 2008. The agreement will automatically be renewed on a yearly basis after the initial one year term. The agreement may be terminated by either party upon thirty days prior written notice thereof to the other of its intention to terminate upon the date specified in such notice. Any pending forfeitures under this agreement filed prior to the termination date, however, will not be affected by such notices.

NOTE 8: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Interfund transfers for the year ended July 31, 2013 are as follows:

Fund	Transfers In	Transfers Out
General Fund	\$ 10,171	\$ (131,761)
Enterprise Fund	131,761	(10,171)
Total transfers	<u>\$ 141,932</u>	<u>\$ (141,932)</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 9: FUND BALANCES

The non-spendable fund balance is comprised of the following:

- Amount reported in non-spendable form - inventory: \$18,192
- Amount not in cash form - prepaid expenses: 2,770

The Government committed the following fund balance types by taking the following action:

<u>Committed Purpose</u>	<u>Amount</u>	<u>Action</u>
Future City Hall	\$65,384	Town Council to ratify commitment
Street Maintenance	71,297	Town Council to ratify commitment

The Town uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar spending. Additionally, the Government would first use *committed, then assigned, and lastly unassigned* amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Police Department	Fines

A schedule of fund balances is provided below:

	<u>General Fund</u>	<u>Police Department Fund</u>	<u>Total Governmental Funds</u>
FUND BALANCES:			
Non-spendable:			
Inventory	\$ 18,192	\$ -	\$ 18,192
Prepaid expenses	2,770		2,770
Restricted for:			
Law enforcement purposes		30,537	30,537
Municipal court building security	5,481		5,481
Municipal court technical fund	1,495		1,495
Committed to:			
Future city hall	65,384		65,384
Street maintenance	71,297		71,297
Unassigned	219,432		219,432
Total fund balances	\$ 384,051	\$ 30,537	\$ 414,588

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2013

NOTE 10: FEDERAL AND STATE AWARDS

On July 3, 2013, the Town of Woodsboro, Texas entered into a grant agreement with the Texas Department of Housing Community Affairs to participate in the Home Investment Partnership Program. The contract period for this grant agreement is July 3, 2013 through July 10, 2015. As of July 31, 2013, there has been no activity associated with this grant.

Refugio County entered into a grant agreement with the Texas Department of Agriculture in which the asset will be transferred to the Town of Woodsboro, Texas upon completion. As of July 31, 2013, this grant was still in process, therefore, no transferring of assets occurred.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended July 31, 2013

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes:			
Property taxes	\$ 256,500	\$ 254,154	\$ (2,346)
Sales tax revenue	75,000	84,342	9,342
Franchise fees	61,300	60,481	(819)
Municipal Court	94,218	39,904	(54,314)
Intergovernmental - grant revenue	-	675,931	675,931
Animal Control	300	395	95
Future City Hall	7,350	-	(7,350)
Christmas in the Square	1,000	1,455	455
Permits and licenses	300	78,334	78,034
Amusement	15,000	-	(15,000)
Miscellaneous	6,775	26,159	19,384
Total revenues	<u>517,743</u>	<u>1,221,155</u>	<u>703,412</u>
EXPENDITURES			
Salaries	216,228	236,187	(19,959)
Insurance	43,538	37,802	5,736
Vehicle services	19,300	12,185	7,115
Town Square	-	4,192	(4,192)
Street materials	21,000	12,242	8,758
Supplies	17,260	11,120	6,140
Rent	2,200	2,200	-
Utilities	29,200	42,835	(13,635)
Training	2,000	2,976	(976)
Professional fees	13,300	12,247	1,053
Capital outlay	52,700	32,387	20,313
Municipal Court	29,885	15,440	14,445
Animal Control	16,719	16,859	(140)
Pass-through grant expenditures	-	662,964	(662,964)
Miscellaneous expense	<u>54,314</u>	<u>55,688</u>	<u>(1,374)</u>
Total expenditures	<u>517,643</u>	<u>1,157,324</u>	<u>(639,681)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 100</u>	<u>63,831</u>	<u>\$ 63,731</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		10,171	
Transfers out		<u>(131,761)</u>	
Total other financing sources and uses		<u>(121,590)</u>	
Net change in fund balances		<u>(57,759)</u>	
Fund balances - beginning		441,810	
Fund balances - ending		<u>\$ 384,051</u>	

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS (unaudited)
For the Year Ended July 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2010	\$501,327	\$516,917	97.0%	\$15,590	\$297,468	5.2%
12/31/2011	\$489,442	\$445,513	109.9%	(\$43,929)	\$284,187	(15.5%)
12/31/2012	\$512,342	\$440,410	116.3%	(\$71,932)	\$285,253	(25.2%)

TOWN OF WOODSBORO, TEXAS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended July 31, 2013

NOTE 1: BUDGETS

The budget for the Governmental Fund adopted during the fiscal year by the Town Council was prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The General Fund has a legally adopted budget. The Special Revenue Fund budgetary comparisons are not displayed because this budget was not legally adopted during the current fiscal year.

SINGLE AUDIT SECTION

Goldman, Hunt & Notz, L.L.P.

Certified Public Accountants

DONALD G. GOLDMAN, CPA

D. DALE HUNT, CPA

JAMIE K. NOTZ, CPA, CVA*

*CERTIFIED VALUATION ANALYST

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA

SYLVIA H. GORIS, CPA

SUE N. GUTHRIE, CPA

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

September 16, 2013

To the Honorable Mayor
and Members of the Town Council
Town of Woodsboro, 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 each major fund information of Town of Woodsboro, Texas, as of and for the year ended July 31, 2013, and the related notes to the financial statements, which collectively comprise Town of Woodsboro, Texas's basic financial statements, and have issued our report thereon dated September 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Woodsboro, Texas'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 Town of Woodsboro, Texas's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Woodsboro, Texas'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 Town of Woodsboro, Texas'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.



Goldman, Hunt & Notz, L.L.P.

Goldman, Hunt & Notz, L.L.P.

Certified Public Accountants

DONALD G. GOLDMAN, CPA

D. DALE HUNT, CPA

JAMIE K. NOTZ, CPA, CVA*

*CERTIFIED VALUATION ANALYST

MEMBERS OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA

SYLVIA H. GORIS, CPA

SUE N. GUTHRIE, CPA

TEXAS SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

September 16, 2013

To the Honorable Mayor
and Members of the Town Council
Town of Woodsboro, Texas

Report on Compliance for Each Major Federal Program

We have audited Town of Woodsboro, Texas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Woodsboro, Texas's major federal programs for the year ended July 31, 2013. Town of Woodsboro, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Woodsboro, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Woodsboro, Texas's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Woodsboro, Texas's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Woodsboro, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2013.

Report on Internal Control Over Compliance

Management of Town of Woodsboro, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Woodsboro, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Woodsboro, Texas's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Goldman, Hunt & Notz, L.L.P.

FEDERAL AWARDS INFORMATION

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended July 31, 2013

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Contract Number	Expenditures		
			From Direct Awards	From Pass Through Awards	Total Expenditures
U.S. Department of Housing & Urban Development					
Office of Community Planning & Development					
Community Development Block Grant					
Pass-through:					
Texas Department of Housing Community Affairs	14.239	1001411	\$ -	\$ 406,180	\$ 406,180
Home Investment Partnership Program					
U.S. Department of Homeland Security					
Homeland Security Grant Program					
Pass-through:					
State of Texas Governor's Division of					
Emergency Management					
Stonegarden Grant	97.067	Stonegarden			12,967
Hazard Mitigation Grant Program					
Pass-through:					
Texas Department of Public Safety					
Texas Division of Emergency Management					
Pass-through:					
Town of Woodsboro, Texas					
Pass-through:					
Woodsboro Independent School District	97.039	DR 1791			
Total federal assistance			\$ -	\$ 675,931	\$ 675,931

TOWN OF WOODSBORO, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended July 31, 2013

NOTE 1: BASIS OF ACCOUNTING

The modified basis of accounting is used for the Schedule of Expenditures of Federal Awards. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities for the current period. Expenditures are recorded when the liability is incurred.

NOTE 2: MAJOR PROGRAM

The major program is identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended July 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

* Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> X	no
* Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> X	no
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> X	no

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> X	no
* Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> X	no

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

yes X no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	Home Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

Section II- Financial Statement Findings

None

Section III- Federal Award Findings and Questioned Costs

None

TOWN OF WOODSBORO, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended July 31, 2013

Finding Number	Fiscal Year	Finding	CFDA No.	Contract No.	Questioned Cost	Comments
(1) Audit findings that have been fully corrected:		7/31/2012	None*			
(2) Audit findings not corrected or partially corrected:		None				
(3) Corrective action taken is significantly different from corrective action previously reported:		None				
(4) Audit findings that are no longer valid:		None				

* Note: No single audit was required for the prior fiscal year.

INDIVIDUAL GRANT INFORMATION

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2013

Community Development Block Grant

State Grantor: Texas Department of Agriculture

Pass Through Grantor: Office of Community Planning & Development

CFDA Number: 14.228

Contract Number: 712094

Contract Period: September 15, 2012 to September 14, 2014

	Budget	Prior Year	Current Year	Total
Revenue:				
Federal/State	\$ 47,265	\$ -	\$ -	\$ -
Local match	<u>4,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>51,992</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Expenses:				
Federal/State				
Certifications, presentations, reports & publications	750	-	-	-
Base mapping & studies	8,610	-	-	-
Water system	5,565	-	-	-
Wastewater system	5,565	-	-	-
Street and road system	3,255	-	-	-
Storm drainage system	5,565	-	-	-
Park, recreation & open space	2,415	-	-	-
Economic Development	3,255	-	-	-
Thoroughfare study	1,680	-	-	-
Central business district	3,570	-	-	-
Capital improvements plan	2,415	-	-	-
Subdivision ordinance	2,310	-	-	-
Zoning ordinance	2,310	-	-	-
Local match				
Base mapping & studies	<u>4,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>51,992</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2013

Operation Stonegarden Grant Program

Federal Grantor: Department of Homeland Security

Pass Through Grantor: State of Texas Governor's Division of Emergency Management

CFDA Number: 97.067

Contract Number: EMW-2012-SS-00018

Contract Period: September 1, 2012 to February 28, 2014

	Original Budget	Prior Year	Current Year	Total
Revenue:				
Federal/State	\$ 8,833	\$ -	\$ -	\$ -
Total revenue	<u>8,833</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Expenses:				
Federal/State				
Overtime/fringe benefits	7,239	-	-	-
Reimbursement for mileage	<u>1,594</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>8,833</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2013

Hazard Mitigation Grant Program

Federal Grantor: U. S. Department of Homeland Security

Pass Through Grantor: Texas Department of Public Safety

Sub-Recipient: Woodsboro Independent School District

CFDA Number: 97.039

Contract Number: FEMA-DR-1791 Project #61

Contract Period: December 17, 2009 to December 17, 2011

	Original Budget	Final Amended Budget	Prior Year	Current Year	Total
Revenue:					
Federal/State	\$ 1,485,278	\$2,038,164	\$ 1,575,000	\$ 256,784	\$ 1,831,784
Local match	495,093	525,000	525,000	-	525,000
Total revenue	1,980,371	2,563,164	2,100,000	256,784	2,356,784
Expenses:					
Federal/State					
WISD	1,485,278	2,038,164	1,575,000	256,784	1,831,784
Local match					
WISD	495,093	525,000	525,000	-	525,000
Total expenses	1,980,371	2,563,164	2,100,000	256,784	2,356,784
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2013

Home Investment Partnership Program

Homeowner Rehabilitation Assistance

Federal Grantor: U.S. Department of Housing and Urban Development

Pass Through Grantor: Texas Department of Housing Community Affairs

CFDA Number: 14.239

Contract Number: 1001411

Contract Period: May 12, 2011 to May 10, 2013

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>
Revenue:				
Federal/State	\$ 541,200	\$ 5,465	\$ 406,180	\$ 411,645
Local match	17,000	-	8,330	8,330
	558,200	5,465	414,510	419,975
Expenses:				
Federal/State				
Project costs	522,000	3,545	393,750	397,295
Administration	19,200	1,920	12,430	14,350
Local match				
General administrative	17,000	-	8,330	8,330
	558,200	5,465	414,510	419,975
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2013

Energy Efficiency and Conservation Block Grant
 SECO Stimulus American Recovery and Reinvestment Act
 Federal Grantor: U.S. Department of Energy
 CFDA Number: 81.128
 DOE Award Number: DE-EE0000893
 Sub-Award Number: 4757MM
 Contract Period: May 20, 2010 to June 30, 2012

	Budget	Prior Year	Current Year	Total
Revenue:				
Federal/State	\$ 23,030	\$ 22,730	\$ -	\$ 22,730
Local match	-	-	-	-
Total revenue	<u>23,030</u>	<u>22,730</u>	<u>-</u>	<u>22,730</u>
 Expenses:				
Federal/State				
Consultant	1,500	1,500	-	1,500
Subcontractor	21,530	21,230	-	21,230
Local match				
General administrative	-	-	-	-
Total expenses	<u>23,030</u>	<u>22,730</u>	<u>-</u>	<u>22,730</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2013

Operation Stonegarden Grant Program

Federal Grantor: Department of Homeland Security, FEMA Grant Programs Directorate

Pass Through Grantor: Texas Department of Public Safety

CFDA Number: 97.067

Contract Number: EMW-2011-SS-0019

Contract Period: September 1, 2011 to August 31, 2012

	Original Budget	Prior Year	Current Year	Total
Revenue:				
Federal/State	\$ 30,332	\$ 12,010	\$ 12,967	\$ 24,977
Total revenue	<u>30,332</u>	<u>12,010</u>	<u>12,967</u>	<u>24,977</u>
Expenses:				
Federal/State				
Overtime amount	14,000	1,809	10,665	12,474
Fringe amount	1,960	182	887	1,069
Mileage amount	4,613	260	1,415	1,675
Equipment amount				
Tank scope	6,259	6,259	-	6,259
Equipment amount				
Density meter	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Total expenses	<u>30,332</u>	<u>12,010</u>	<u>12,967</u>	<u>24,977</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>