

TOWN OF WOODSBORO, TEXAS

FINANCIAL STATEMENTS

For the Year Ended July 31, 2015

**TOWN OF WOODSBORO, TEXAS
FINANCIAL STATEMENTS
For the Year Ended July 31, 2015**

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INTRODUCTORY SECTION

TOWN OF WOODSBORO, TEXAS
LIST OF PRINCIPAL OFFICIALS
July 31, 2015

Mayor	Larry Jochetz
Mayor Pro-tem	Debra Bolcik
Council Members	Debra Bolcik Johnny Cisneros Ralph Cisneros Elix Ortiz Richard Sanchez
City Attorney	Donald Kubicek
City Engineer	Robert Viera (LNV Engineering)
Tax Assessor and Collector	Ida M. Turner
Municipal Police Officer	Robert Lee Valdez
City Secretary	Ruby H. DeLaGarza
City Clerk/Water Clerk	Viola Meza
Municipal Court Clerk	Ruby H. DeLaGarza
Deputy Court Clerk	Raquel Flores
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

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TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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, 2015, 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.

Basis for Qualified Opinion

For the purpose of the pension plan valuation, the expected rate of return on investments is 7.00%. This measurement was used in the actuarial valuation report to measure the total pension asset as of December 31, 2014 (stated at \$158,035 in the governmental activities and \$105,356 in the business-type activities). We were unable to satisfy ourselves with this assumption used as the method to measure the total pension liability.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, 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, 2015, 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 43 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 Supplementary Information for Rural Development and Individual Grant Information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information for Rural Development 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 Supplementary Information for Rural Development is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Individual Grant Information 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.



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

October 6, 2015

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2015

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 required supplementary information and individual grant 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 Position 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 invested in capital assets net of related debt, 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 position, revenue, expenses and changes in net position, 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, 2015. 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, 2015

Financial Highlights

- The assets of the Town of Woodsboro, Texas exceeded its liabilities at the close of the year ended July 31, 2015 by \$5,384,119. Of this amount, \$2,147,398 of unrestricted net assets is available to meet the Town's ongoing obligations to citizens and creditors.
- At July 31, 2015, the Town's governmental funds reported combined ending fund balances of \$1,076,999, of which \$1,735 is unassigned fund balance for the General Fund.
- At July 31, 2015, unassigned fund balance for the General Fund was \$1,735 or .3% of total General Fund expenditures.
- The total cost of all Town activities was \$1,399,871 for the year. Net revenue of all activities was \$256,866.
- During the year, the Town's program revenues exceeded net expenses of the governmental activities by \$253,406.

Town as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Assets at July 31, 2015 and 2014 follows:

Town of Woodsboro, Texas
Components of Net Position
July 31, 2015
With Comparative Totals for July 31, 2014
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2015	July 31, 2014	July 31, 2015	July 31, 2014	July 31, 2015	July 31, 2014		
Cash	\$ 1,175	\$ 690	\$ 281	\$ 380	\$ 1,456	\$ 1,070	\$ 386	36.1%
Restricted assets	191	158	808	500	999	658	341	51.8%
Other assets	350	360	155	169	505	529	(24)	-4.5%
Capital assets	362	277	3,440	3,535	3,802	3,812	(10)	-0.3%
Total assets	2,078	1,485	4,684	4,584	6,762	6,069	693	11.4%
Other liabilities	273	280	93	89	366	369	(3)	-0.8%
Long term debt	-	-	1,012	1,062	1,012	1,062	(50)	-4.7%
Total liabilities	273	280	1,105	1,151	1,378	1,431	(53)	-3.7%
Net position:								
Invested in capital assets, net of related debt	362	277	2,428	2,473	2,790	2,750	40	1.5%
Restricted	181	150	266	243	447	393	54	13.7%
Unrestricted	1,262	778	885	717	2,147	1,495	652	43.6%
Total net position	\$ 1,805	\$ 1,205	\$ 3,579	\$ 3,433	\$ 5,384	\$ 4,638	\$ 746	16.1%

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2015

Financial Highlights (Continued)

During the year ended July 31, 2015 the net position of the Town increased approximately \$746,000. Cash (unrestricted and restricted) increased by \$727,000, inventory decreased by \$14,000, fixed asset purchases were \$176,000, depreciation expense was \$180,000, decrease in long-term debt of \$50,000 and other increases were \$13,000.

A condensed version of the Statement of Activities follows:

Town of Woodsboro, Texas
Condensed Statement of Activities
For the Year Ended July 31, 2015
With Comparative Totals for the Year Ended July 31, 2014
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2015	July 31, 2014	July 31, 2015	July 31, 2014	July 31, 2015	July 31, 2014		
Revenues								
Program revenues								
Charges for services	\$ 789	\$ 582	\$ 769	\$ 795	\$ 1,558	\$ 1,377	\$ 181	13.1%
General revenues								
Taxes	432	400			432	400	32	8.0%
Interest	2	1	2	1	4	2	2	100.0%
Intergovernmental revenue	99	5			99	5	94	1880.0%
Total revenues	<u>1,322</u>	<u>988</u>	<u>771</u>	<u>796</u>	<u>2,093</u>	<u>1,784</u>	<u>309</u>	<u>17.3%</u>
Expenses								
General government	442	374			442	374	68	18.2%
Public safety/municipal								
court	93	60			93	60	33	55.0%
Streets	73	71			73	71	2	2.8%
Animal control	17	17			17	17	-	0.0%
Recreation	9	11			9	11	(2)	-18.2%
Water and sewer			617	608	617	608	9	1.5%
Sanitation			148	145	148	145	3	2.1%
Total expenses	<u>634</u>	<u>533</u>	<u>765</u>	<u>753</u>	<u>1,399</u>	<u>1,286</u>	<u>113</u>	<u>8.8%</u>
Excess (deficiency) before non operating revenues, expenses, and transfers								
Non operating revenues	688	455	6	43	694	498	196	39.4%
Transfers	30	21	22	14	52	35	17	48.6%
Change in net position	(118)	(118)	118	118	-	-	-	0.0%
Beginning net position, as restated	600	358	146	175	746	533	213	40.0%
Beginning net position								
Ending net position	<u>1,205</u>	<u>\$ 1,205</u>	<u>\$ 3,579</u>	<u>\$ 3,433</u>	<u>4,638</u>	<u>4,638</u>	<u>\$ 746</u>	<u>16.1%</u>

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2015

Financial Highlights (Concluded)

Governmental Activities

Revenues

Revenues increased by \$334,000. Ad valorem taxes increased \$25,000, sales taxes increased \$5,000, licenses, permits and fees increased \$205,000, primarily due to amusement machine permits, fines increased \$15,000, intergovernmental revenue increased \$93,000 and miscellaneous income decreased \$11,000.

Expenses

Expenses and other charges increased approximately \$101,000. The largest increase was capital outlay expenditures in the current year of \$51,000. There also was an increase in salary of \$33,000, public safety of \$22,000, and municipal court of \$11,000. Decreases of other charges were \$16,000.

Prior Period Adjustment

Restricted assets were understated by \$101,000 during 2013 and \$21,000 during 2014. Net position previously reported was \$746,000 for 2013 and \$1,083,000 for 2014. Net position as restated during 2015 is \$847,000 for 2013 and \$1,205,000 for 2014. Additional information on the prior period adjustment can be found in the notes to the financial statements.

Business-type Activities

Revenues

Program revenues decreased by \$25,000 due to decreased water sales of \$30,000, a decrease in sewer sales of \$10,000, an increase in sanitation sales of \$3,000 and an increase in other operating revenues of \$12,000.

Expenses

Expenses increased by approximately \$12,000.

Prior Period Adjustment

Restricted assets were understated by \$68,000 during 2013 and \$14,000 during 2014. Net position previously reported was \$3,190,000 for 2013 and \$3,351,000 for 2014. Net position as restated during 2015 is \$ 3,258,000 for 2013 and \$3,433,000 for 2014. Additional information on the prior period adjustment can be found in the notes to the financial statements.

Budgetary Highlights

The Town did not revise its budget for the General Fund during the year ended July 31, 2015. Actual revenues in the General Fund were higher than budgeted revenues by approximately \$475,000, primarily due to municipal court, grant and amusement revenues. Actual General Fund expenditures were lower than budgeted amounts by approximately \$13,000, primarily due to less needed maintenance and repairs.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2015

Capital Assets

At July 31, 2015 the Town had \$3,802,000 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 \$10,000 or less than 1% compared to last year.

Town of Woodsboro, Texas
Capital Assets
July 31, 2015
With Comparative Totals for July 31, 2014
(in thousands)

	Governmental		Business-type		Total		Amount Change	% Change		
	Activities		Activities		Government					
	July 31, 2015	July 31, 2014	July 31, 2015	July 31, 2014	July 31, 2015	July 31, 2014				
Land	\$ 82	\$ 82	\$ -	\$ -	\$ 82	\$ 82	\$ -	0.0%		
Buildings and improvements	97	81	-	-	97	81	16	19.8%		
Machinery and equipment	498	431	5,095	5,054	5,593	5,485	108	2.0%		
Streets	126	120	-	-	126	120	6	5.0%		
Subtotal	803	714	5,095	5,054	5,898	5,768	130	2.3%		
Accumulated depreciation	(441)	(437)	(1,655)	(1,519)	(2,096)	(1,956)	(140)	7.2%		
Capital assets, net	<u>\$ 362</u>	<u>\$ 277</u>	<u>\$ 3,440</u>	<u>\$ 3,535</u>	<u>\$ 3,802</u>	<u>\$ 3,812</u>	<u>\$ (10)</u>	<u>-0.3%</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 \$1,012,000 in certificates of obligation outstanding versus \$1,062,000 in certificates of obligation and capital leases last year. The Town paid \$50,000 in principal reductions.

Town of Woodsboro, Texas
Debt Outstanding
July 31, 2015
With Comparative Totals for July 31, 2014
(in thousands)

	Governmental		Business-type		Total		Amount Change	% Change		
	Activities		Activities		Government					
	July 31, 2015	July 31, 2014	July 31, 2015	July 31, 2014	July 31, 2015	July 31, 2014				
Capital leases	\$ -	\$ -	\$ -	\$ 18	\$ -	\$ 18	\$ (18)	-100.0%		
Certificates of obligation	-	-	1,012	1,044	1,012	1,044	(32)	-3.1%		
Total bonds and notes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,012</u>	<u>\$ 1,062</u>	<u>\$ 1,012</u>	<u>\$ 1,062</u>	<u>\$ (50)</u>	<u>-4.7%</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, 2015

Economic Factors and Next Year's Budgets and Rates

- Anticipate that the Town's effective tax rate will approximate the 2015 rate of 0.7487/\$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.
- Will continue to fund the street maintenance/improvement fund account funded by various sources.
- Anticipates construction of a new city hall.
- The budget for the fiscal year ending July 31, 2016 will be as follows:

FUND	REVENUE	EXPENDITURE/ EXPENSES
General Fund	\$811,430	\$811,430
Enterprise Fund - Water	\$445,241	\$445,241
Enterprise Fund - Sewer	\$279,500	\$279,500
Enterprise Fund - Sanitation	\$183,398	\$183,398

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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,175,199	\$ 281,549	\$ 1,456,748
Receivables			
Sales tax	6,868		6,868
Service accounts		93,317	93,317
Franchise tax	10,170		10,170
Ad valorem taxes	60,595		60,595
Grants	256,784		256,784
Prepaid expenses	15,270		15,270
Inventory	215	61,359	61,574
Restricted cash	33,214	702,992	736,206
Net pension asset	158,035	105,356	263,391
Capital assets			
Property, plant and equipment	803,234	5,095,170	5,898,404
Less: accumulated depreciation	(441,238)	(1,655,117)	(2,096,355)
Total assets	<u>2,078,346</u>	<u>4,684,626</u>	<u>6,762,972</u>
LIABILITIES			
Accounts payable	266,946	22,162	289,108
Accrued interest		18,787	18,787
Accrued vacation	6,212		6,212
Customer deposits payable		52,746	52,746
Noncurrent liabilities:			
Bonds payable - due within one year		37,000	37,000
Bonds payable - due in more than one year		975,000	975,000
Total liabilities	<u>273,158</u>	<u>1,105,695</u>	<u>1,378,853</u>
NET POSITION			
Invested in capital assets, net of related debt	361,996	2,428,053	2,790,049
Restricted for:			
Law enforcement	22,545		22,545
Bond payments		160,736	160,736
Pension obligations	158,035	105,356	263,391
Unrestricted	1,262,612	884,786	2,147,398
Total net position	<u>\$ 1,805,188</u>	<u>\$ 3,578,931</u>	<u>\$ 5,384,119</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, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Grants and Contributions	Primary Government		Total
		Capital	Governmental Activities	Business-type Activities		
Primary Government						
Governmental activities:						
General government	\$ 442,327	\$ 711,348	\$ 98,555	\$ 367,576	\$ -	\$ 367,576
Public safety/municipal court	93,026	77,672		(15,354)		(15,354)
Streets	72,777			(72,777)		(72,777)
Animal control	16,859			(16,859)		(16,859)
Recreation	9,180			(9,180)		(9,180)
Total governmental activities	<u>634,169</u>	<u>789,020</u>	<u>98,555</u>	<u>253,406</u>		<u>253,406</u>
Business-type activities:						
Water and sewer	617,403	606,223	-		(11,180)	(11,180)
Sanitation	148,299	162,939			14,640	14,640
Total business-type activities	<u>765,702</u>	<u>769,162</u>	<u>-</u>		<u>3,460</u>	<u>3,460</u>
Total primary government	<u>\$ 1,399,871</u>	<u>\$ 1,558,182</u>	<u>\$ 98,555</u>	<u>253,406</u>	<u>3,460</u>	<u>256,866</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes				274,829		274,829
Franchise taxes				66,109		66,109
Sales taxes				91,192		91,192
Transfers in/(out)						-
Interest income				(118,576)	118,576	3,793
Increase in net pension asset				2,131	1,662	59,121
Loss on sale of asset				35,473	23,648	(5,730)
Total general revenues and transfers				(4,759)	(971)	
Change in net position				<u>346,399</u>	<u>142,915</u>	<u>489,314</u>
Net position - beginning, as restated				<u>599,805</u>	<u>146,375</u>	<u>746,180</u>
Net position - ending				<u>1,205,383</u>	<u>3,432,556</u>	<u>4,637,939</u>
				<u>\$ 1,805,188</u>	<u>\$ 3,578,931</u>	<u>\$ 5,384,119</u>

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, 2015

	General Fund	Police Department Fund	Total Governmental Funds
ASSETS			
Cash - unrestricted	\$ 1,175,199	\$ -	\$ 1,175,199
Receivables:			
Sales tax	6,868		6,868
Franchise tax	10,170		10,170
Ad valorem taxes	60,595		60,595
Grants	256,784		256,784
Restricted cash	10,669	22,545	33,214
Net pension asset	158,035		158,035
Prepaid expenses	15,270		15,270
Inventory	215		215
 Total assets	 \$ 1,693,805	 \$ 22,545	 \$ 1,716,350
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 266,946	\$ -	\$ 266,946
Accrued vacation	6,212		6,212
Total liabilities	<u>273,158</u>	<u>-</u>	<u>273,158</u>
 Deferred inflows of resources:			
Unavailable revenue - property taxes	58,299	-	58,299
Unavailable revenue - amusement fees	<u>307,894</u>		<u>307,894</u>
Total unavailable revenue	<u>366,193</u>	<u>-</u>	<u>366,193</u>
 Fund balances:			
Non-spendable	15,485		15,485
Restricted	168,704	22,545	191,249
Committed	868,530		868,530
Unassigned	1,735		1,735
Total fund balances	<u>1,054,454</u>	<u>22,545</u>	<u>1,076,999</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 1,693,805</u>	 <u>\$ 22,545</u>	 <u>\$ 1,716,350</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, 2015

Total governmental fund balances (page 12) \$ 1,076,999

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. 361,996

Other assets are not available to pay for current period expenditures
and, therefore, are reported as unavailable revenue in the funds. 366,193

Net position of governmental activities \$ 1,805,188

TOWN OF WOODSBORO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended July 31, 2015

	General Fund	Police Department Fund	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem taxes, penalty and interest	\$ 273,476	\$ -	\$ 273,476
City sales tax	91,192		91,192
Franchise taxes	66,109		66,109
Licenses, permits and fees	549,291		549,291
Fines	77,672		77,672
Interest income	2,079	52	2,131
Intergovernmental - grant revenue	98,555		98,555
Miscellaneous	10,924	2,447	13,371
Total revenues	1,169,298	2,499	1,171,797
EXPENDITURES			
Current:			
General government	429,303		429,303
Public safety	54,362	500	54,862
Streets	59,616		59,616
Animal control	16,859		16,859
Municipal court	24,984		24,984
Parks	7,319		7,319
Capital outlay	124,028	7,075	131,103
Total expenditures	716,471	7,575	724,046
Excess (deficiency) of revenues over (under) expenditures	452,827	(5,076)	447,751
OTHER FINANCING SOURCES (USES)			
Transfers in	-		-
Transfers out	(118,576)		(118,576)
Increase in net pension asset	35,473		35,473
Total other financing sources (uses)	(83,103)	-	(83,103)
Net change in fund balances	369,724	(5,076)	364,648
Fund balances - beginning, as restated	684,730		684,730
Fund balances - beginning		27,621	27,621
Fund balances - ending	\$ 1,054,454	\$ 22,545	\$ 1,076,999

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, 2015

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

Net change in fund balances - total governmental funds (page 14)	\$ 364,648
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.	131,103
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.	(41,226)
Loss on disposal of capital assets	(4,759)
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.	1,353
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.	<u>148,686</u>
Change in net assets of governmental activities	<u><u>\$ 599,805</u></u>

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, 2015

	Business-type Activities - Enterprise Fund	
	Water, Sewer and Sanitation Fund	Total Enterprise Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 281,549	\$ 281,549
Accounts receivable - customers	93,317	93,317
Inventory	61,359	61,359
Total current assets	<u>436,225</u>	<u>436,225</u>
Restricted assets		
Cash and cash equivalents	702,992	702,992
Net pension asset	105,356	105,356
Total restricted assets	<u>808,348</u>	<u>808,348</u>
Noncurrent assets		
Capital assets		
Property, plant and equipment	5,095,170	5,095,170
Less: accumulated depreciation	(1,655,117)	(1,655,117)
Total noncurrent assets	<u>3,440,053</u>	<u>3,440,053</u>
Total assets	<u>4,684,626</u>	<u>4,684,626</u>
LIABILITIES		
Current liabilities		
Accounts payable	22,162	22,162
Accrued interest	18,787	18,787
Customer deposits payable	52,746	52,746
Bonds payable - current portion	37,000	37,000
Total current liabilities	<u>130,695</u>	<u>130,695</u>
Noncurrent liabilities		
Bonds payable	975,000	975,000
Total noncurrent liabilities	<u>975,000</u>	<u>975,000</u>
Total liabilities	<u>1,105,695</u>	<u>1,105,695</u>
NET POSITION		
Invested in capital assets, net of related debt	2,428,053	2,428,053
Restricted for bond payments	160,736	160,736
Restricted for net pension asset	105,356	105,356
Unrestricted	884,786	884,786
Total net position	<u>\$ 3,578,931</u>	<u>\$ 3,578,931</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, 2015

	Business-type Activities - Enterprise Fund	
	Water, Sewer, and Sanitation Fund	Total Enterprise Fund
OPERATING REVENUES		
Charges for services:		
Water sales	\$ 300,735	\$ 300,735
Sewer	263,181	263,181
Sanitation	162,939	162,939
Late charges	25,309	25,309
Reconnect fees	5,155	5,155
Transfer and other fees	6,476	6,476
Miscellaneous	5,367	5,367
Total operating revenues	<u>769,162</u>	<u>769,162</u>
OPERATING EXPENSES		
Salaries	171,919	171,919
Sanitation charges	148,299	148,299
Repairs and maintenance	37,794	37,794
Materials, asphalt and caliche	41,704	41,704
Truck expenses	8,443	8,443
Sewer plant	23,027	23,027
Postage, office supplies and fees	27,070	27,070
Professional fees	28,538	28,538
Insurance	30,087	30,087
Utilities and telephone	47,606	47,606
Uniforms	4,066	4,066
Payroll taxes	13,152	13,152
Depreciation	138,921	138,921
Retirement	1,144	1,144
Total operating expenses	<u>721,770</u>	<u>721,770</u>
Operating income	<u>47,392</u>	<u>47,392</u>
NON OPERATING REVENUES (EXPENSES)		
Interest income	1,662	1,662
Increase in net pension asset	23,648	23,648
Loss on sale of asset	(971)	(971)
Interest expense	(43,932)	(43,932)
Total non operating revenues (expenses)	<u>(19,593)</u>	<u>(19,593)</u>
Income before transfers	27,799	27,799
Transfers in	118,576	118,576
Transfers out	-	-
Change in net position	146,375	146,375
Net position, beginning, as restated	<u>3,432,556</u>	<u>3,432,556</u>
Net position, ending	<u>\$ 3,578,931</u>	<u>\$ 3,578,931</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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 769,839
Cash paid to suppliers for goods and services	(391,754)
Cash paid to employees for services	<u>(173,063)</u>
Net cash provided (used) by operating activities	<u>205,022</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer from other funds	118,576
Transfer to other funds	<u>-</u>
Net cash provided (used) by noncapital financing activities	<u>118,576</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of fixed assets	(45,231)
Principal payments on note payable	(17,574)
Principal payments on USDA Series 2000, 2000A and 2008 certificates of obligation	(32,000)
Interest paid	<u>(43,932)</u>
Net cash provided (used) by capital and related financing activities	<u>(138,737)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>1,662</u>
Net cash provided (used) by investing activities	<u>1,662</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>798,018</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 984,541</u>

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, 2015

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

Operating income	<u>\$ 47,392</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	138,921
(Increase) decrease in accounts receivable	5,929
Increase (decrease) in allowance account	(5,252)
(Increase) decrease in inventory	13,790
Increase (decrease) in accounts payable	2,345
Increase (decrease) in accrued interest payable	(502)
Increase (decrease) in accrued liabilities	1,000
Increase (decrease) in meter deposits payable	1,399
Total adjustments	<u>157,630</u>
Net cash provided (used) by operating activities	<u>\$ 205,022</u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Cash and cash equivalents	<u>\$ 281,549</u>
Restricted cash and cash equivalents	<u>702,992</u>
Total cash and cash equivalents	<u>\$ 984,541</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, 2015

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, deferred inflow of resources, fund balance/net position, 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 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 two categories: 1) charges for services, 2) 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, 2015

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 Change in Net Position, and a Statement of Cash Flows for each major proprietary fund.

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 Change 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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Proprietary Fund Financial Statements (Continued)

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, wastewater and sanitation services to the residents of the Town. These activities include administration, water and wastewater system operations and maintenance, collection of waste, 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 General and Enterprise Funds inventories are valued at actual cost. Material and supplies, which constitute the bulk of the inventory, are charged to expense when used. Inventory on hand at the balance sheet date is appropriately adjusted and recorded as a current asset in the General and Enterprise Funds.

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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Position

In accordance with *Government Accounting Standards Board Statement No. 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 position is restricted for USDA and TWDB bond payments, law enforcement, and pension obligations.

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, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Property Tax (Concluded)

The Town reports deferred inflow of resources on its General Fund balance sheet. Deferred inflow of resources arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflow of resources also arises 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 inflow of resources is removed from the combined balance sheet and revenue is recognized.

During the year ended July 31, 2015, the Town levied an ad valorem tax for maintenance and operations at a rate of .7396 per \$100 of assessed value. A total tax levy of \$272,748 resulted, based on a net taxable valuation of \$36,877,840 for the 2014 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 \$5,076 of expenditures over revenues occurred in the Police Department Fund in the year ended July 31, 2015.

L. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks. The Town also considers all highly liquid investments with maturity of twelve months or less when purchased to be cash equivalents. Carrying values of cash and cash equivalents approximate fair value due to the short-term nature of the instruments.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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, law enforcement, and pension obligations. These resources are classified as restricted 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.

O. Deferred Inflows of Resources

In addition to liabilities, the balance sheet 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.

P. Pensions

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

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

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

In the case of deposits, there is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of July 31, 2015, the carrying amount of the Town's deposits was \$2,192,356, and the bank balance was \$2,229,018. The entire bank balance was covered by federal depository insurance and collateral with a fair market value of \$2,365,901, held in safekeeping at Independent Bankers Bank for First National Bank of Woodsboro in the Town's name.

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, 2015

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
Total capital assets not being depreciated	<u>82,341</u>	<u>-</u>	<u>-</u>	<u>82,341</u>
Other capital assets				
Buildings and improvements	80,816	16,450	(42,244)	97,266
Machinery and equipment	431,104	108,639	(42,244)	497,499
Streets	<u>120,114</u>	<u>6,014</u>	<u>(42,244)</u>	<u>126,128</u>
Total other capital assets at historical cost	<u>632,034</u>	<u>131,103</u>	<u>(42,244)</u>	<u>720,893</u>
Less accumulated depreciation for:				
Buildings and improvements	(40,261)	(3,077)	37,485	(43,338)
Machinery and equipment	(363,793)	(30,277)	37,485	(356,585)
Streets	<u>(33,443)</u>	<u>(7,872)</u>	<u>37,485</u>	<u>(41,315)</u>
Total accumulated depreciation	<u>(437,497)</u>	<u>(41,226)</u>	<u>37,485</u>	<u>(441,238)</u>
Other capital assets, net	194,537	89,877	(4,759)	279,655
Governmental activities capital assets, net	<u>\$ 276,878</u>	<u>\$ 89,877</u>	<u>\$ (4,759)</u>	<u>\$ 361,996</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other capital assets				
Buildings and improvements				-
Machinery and equipment	5,053,671	45,231	(3,732)	5,095,170
Total other capital assets at historical cost	<u>5,053,671</u>	<u>45,231</u>	<u>(3,732)</u>	<u>5,095,170</u>
Less accumulated depreciation for:				
Buildings and improvements	-	-	-	-
Machinery and equipment	(1,518,957)	(138,921)	2,761	(1,655,117)
Total accumulated depreciation	<u>(1,518,957)</u>	<u>(138,921)</u>	<u>2,761</u>	<u>(1,655,117)</u>
Other capital assets, net	3,534,714	(93,690)	(971)	3,440,053
Business-type activities capital assets, net	<u>\$ 3,534,714</u>	<u>\$ (93,690)</u>	<u>\$ (971)</u>	<u>\$ 3,440,053</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 3: CHANGES IN CAPITAL ASSETS (Concluded)

Depreciation expense was charged to functions as follows:

	<u>Amount</u>
Governmental activities	
General government	\$ 13,024
Public safety	13,180
Streets	13,161
Parks	1,861
Total governmental activities depreciation expense	<u>\$ 41,226</u>
Business-type activities	
Water and sewer	<u>\$ 138,921</u>
Total business-type activities depreciation expense	<u>\$ 138,921</u>

NOTE 4: LONG-TERM DEBT

A. Changes in Long-Term Liabilities

Long-term liability activity for the year ended July 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities					
Capital lease - equipment	\$ 17,574	\$ -	\$ (17,574)	\$ -	\$ -
Certificates of obligation:					
Series 2000	470,000		(10,000)	460,000	10,000
Series 2000A	114,000		(2,000)	112,000	2,000
Series 2008	460,000		(20,000)	440,000	25,000
Total business-type activities	<u>1,061,574</u>	<u>-</u>	<u>(49,574)</u>	<u>1,012,000</u>	<u>37,000</u>
Total long-term liabilities	<u>\$ 1,061,574</u>	<u>\$ -</u>	<u>\$ (49,574)</u>	<u>\$ 1,012,000</u>	<u>\$ 37,000</u>

The interest paid for business-type activities was \$1,608 for the capital lease and \$42,324 for bonds for the year ended July 31, 2015 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 were recorded at the fair value of the asset, which was 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 was due on March 28, 2015.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 4: LONG-TERM DEBT (Continued)

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. During fiscal year ended July 31, 2013, \$5,000 was not issued due to a lapse in time, therefore, the total amount of Certificates issued was \$520,000. 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 fixed with a rate of 3.15% per annum.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 4: LONG-TERM DEBT (Continued)

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

As of July 31, 2015, all interest and sinking funds, reserve funds, and repair and replacement funds have been properly established by the Town. The Town is in compliance with all covenants of all bond ordinances at July 31, 2015.

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>
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	30,000	1,350	31,350
	<u>\$ 460,000</u>	<u>\$ 315,900</u>	<u>\$ 775,900</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

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>
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>\$ 112,000</u></u>	<u><u>\$ 76,905</u></u>	<u><u>\$ 188,905</u></u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

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>
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><u>\$ 440,000</u></u>	<u><u>\$ 124,292</u></u>	<u><u>\$ 564,292</u></u>

D. Five Year Schedules

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

Business-Type Activities

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2016	\$ 37,000	\$ 41,735	\$ 78,735
2017	44,000	40,470	84,470
2018	44,000	38,925	82,925
2019	45,000	37,350	82,350
2020	45,000	35,670	80,670
2021-2025	267,000	149,402	416,402
2026-2030	224,000	92,950	316,950
2031-2035	137,000	57,105	194,105
2036-2040	169,000	23,490	192,490
	<u><u>\$ 1,012,000</u></u>	<u><u>\$ 517,097</u></u>	<u><u>\$ 1,529,097</u></u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 5: PENSION PLAN

A. Plan Description

The Town participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Plan provisions for the Town were as follows:

	Plan Year 2014
Employee deposit rate	5.0%
Matching ratio (city to employee)	1 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/25
Updated Service Credit	100% Repeating
Annuity Increase (to retirees)	70% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	6
Active employees	10
Total	17

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 5: PENSION PLAN (Continued)

C. Contributions

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

Employees for the Town were required to contribute 5% of their annual gross earnings during the fiscal year 2015. The contributions rates for the Town were 1.01% and .20% in calendar years 2014 and 2015, respectively. The Town's contributions to TMRS for the year ended 2015, were \$2,922.

D. Net Pension Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the Town, rates are multiplied by a factor of 94.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 5: PENSION PLAN (Continued)

D. Net Pension Liability (Continued)

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 5: PENSION PLAN (Continued)

D. Net Pension Liability (Concluded)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balance at 12/31/2013	\$ 374,893	\$ 579,163	\$ (204,270)
Changes for the year:			
Service cost	28,152		28,152
Interest	26,117		26,117
Change in benefit terms	-		-
Difference between expected and actual experience	(58,879)		(58,879)
Changes in assumptions	-		-
Contributions - employer		3,673	(3,673)
Contributions - employee		18,084	(18,084)
Net investment income		33,129	(33,129)
Benefit payments, including refunds of employee contributions	(31,727)	(31,727)	-
Administrative expense		(346)	346
Other changes		(28)	28
Net changes	(36,337)	22,785	(59,122)
Balance at 12/31/2014	\$ 338,556	\$ 601,948	\$ (263,392)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 7.0%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Town's net pension liability(asset)	\$(212,003)	\$(263,392)	\$(305,111)

Pension Plan Fiduciary Net Position

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

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 5: PENSION PLAN (Continued)

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

For the year ended July 31, 2015, the Town recognized pension expense (income) of \$(11,178).

At July 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience		(\$8,678)
Changes in actuarial assumptions		\$ 0
Difference between projected and actual investment earnings	\$1,482	
Contributions subsequent to the measurement date December 31, 2014	\$ 774	
Total	\$2,256	(\$8,678)

Deferred outflows of resources of \$774, related to pensions resulting from contributions subsequent to the measurement date, will not be recognized as a reduction of the net pension liability for the year ending July 31, 2015 due to immateriality. Also, due to immateriality, other amounts reported as deferred outflows and inflows of resources related to pensions will not be recognized in pension expense as follows:

Year ended Dec 31:	Net deferred outflows (inflows) of resources
2015	\$ (7,196)
2016	(7,196)
2017	(7,196)
2018	(7,194)
2019	(8,678)
Thereafter	(6,811)
Total	\$ (44,271)

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 5: PENSION PLAN (Concluded)

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 2014	Plan Year 2015
Active employees	Yes	Yes
Retirees	Yes	Yes

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 2015, 2014, and 2013 were \$544, \$725, and \$1,440, 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
2012	0.09%	0.09%	100.0%
2013	0.10%	0.10%	100.0%
2014	0.12%	0.12%	100.0%

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

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, 2015.

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.

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 their 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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

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, 2015 are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ (118,576)
Enterprise Fund	118,576	-
Total transfers	\$ 118,576	\$ (118,576)

NOTE 9: FUND BALANCES

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

- Amount reported in non-spendable form - inventory: \$215
- Amount not in cash form - prepaid expenses: \$15,270

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	\$669,124	Town Council action
Street maintenance	\$121,405	Town Council action
Dodson field	\$ 78,001	Town Council action

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

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 9: FUND BALANCES (Concluded)

A schedule of fund balances is provided below:

	General Fund	Police Department Fund	Total Governmental Funds
FUND BALANCES:			
Non-spendable:			
Inventory	\$ 215	\$ -	\$ 215
Prepaid expenses	15,270		15,270
Restricted for:			
Law enforcement purposes		22,545	22,545
Municipal court building security	7,098		7,098
Municipal court technical fund	3,571		3,571
Net pension asset	158,035		158,035
Committed to:			
Future city hall	669,124		669,124
Street maintenance	121,405		121,405
Dodson field	78,001		78,001
Unassigned	1,735		1,735
Total fund balances	<u>\$ 1,054,454</u>	<u>\$ 22,545</u>	<u>\$ 1,076,999</u>

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, 2015, there has been no activity associated with this grant.

As of July 31, 2015, FEMA Grant #FEMA-DR-1791 Project #61, \$256,784 in expenditures is pending approval for reimbursement. This grant was reopened due to the failure of inspection and repairs were required. This grant is a pass-through grant in which the Town receives the federal funds and passes the funds through to the sub-recipient, Woodsboro Independent School District.

NOTE 11: FUTURE CITY HALL

As of July 31, 2015, \$16,450 has been expended for the costs of demolition of an outdated building on the land of which the future City Hall will be built and for engineering costs for the construction plans of the new building.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2015

NOTE 12: CHANGE IN ACCOUNTING PRINCIPLE

Effective August 1, 2014, the Town implemented *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. This Statement requires the reporting of net pension liability (or asset), pension expense, and related deferred inflows and outflows of resources associated with providing retirement benefits to active and inactive employees in the financial statements. As a result of implementing GASB Statement No. 68 during the fiscal year ended July 31, 2015, the net positions and fund balances of the Town's governmental and business-type activities have been restated to reflect the change in accounting principle. The impact of this restatement on net position is as follows:

	Governmental Activities	Business-type Activities	Total
Net position, July 31, 2014, as previously stated	\$ 1,082,821	\$ 3,350,848	\$ 4,433,669
Restatement of net position - adoption of GASB Statement No. 68	<u>122,562</u>	<u>81,708</u>	<u>204,270</u>
Net position, July 31, 2014, as restated	<u>\$ 1,205,383</u>	<u>\$ 3,432,556</u>	<u>\$ 4,637,939</u>

The impact of this restatement on fund balance at July 31, 2015, is as follows:

<u>Restated amount by fund:</u>	<u>Amount</u>
General Fund	<u>\$122,562</u>

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, 2015

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Taxes:			
Property taxes	\$ 258,500	\$ 273,476	\$ 14,976
Sales tax revenue	85,000	91,192	6,192
Franchise fees	68,300	66,109	(2,191)
Municipal court	60,000	77,672	17,672
Intergovernmental - grant revenue	-	98,555	98,555
Animal control	300	305	5
Christmas in the Square	3,700	1,640	(2,060)
Permits and licenses	400	3,267	2,867
Amusement permits	200,000	545,314	345,314
Interest income	1,150	2,079	929
Miscellaneous	52,350	9,689	(42,661)
Total revenues	<u>729,700</u>	<u>1,169,298</u>	<u>439,598</u>
EXPENDITURES			
Salaries	308,760	288,597	20,163
Insurance	49,480	49,309	171
Vehicle services	27,500	17,653	9,847
Town Square	9,200	5,494	3,706
Street materials	62,000	17,888	44,112
Supplies	17,000	9,961	7,039
Rent	2,200	2,200	-
Utilities	30,200	41,728	(11,528)
Training	4,050	2,088	1,962
Professional fees	15,300	12,622	2,678
Capital outlay	13,500	107,578	(94,078)
Capital outlay - Future City Hall	54,105	16,450	37,655
Municipal court	26,910	24,984	1,926
Animal control	16,719	16,859	(140)
Fire protection	30,000	30,000	-
Miscellaneous expense	62,776	73,060	(10,284)
Total expenditures	<u>729,700</u>	<u>716,471</u>	<u>13,229</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>452,827</u>	<u>\$ 452,827</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		-	
Transfers out		(118,576)	
Increase in net pension asset		35,473	
Total other financing sources (uses)		<u>(83,103)</u>	
Net change in fund balances		369,724	
Fund balances - beginning, as restated		684,730	
Fund balances - ending		<u>\$ 1,054,454</u>	

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (unaudited)
For the Year Ended July 31, 2015

	<u>2014</u>
Total pension liability	
Service cost	\$ 28,152
Interest (on the total pension liability)	26,117
Changes of benefit terms	-
Difference between expected and actual experience	(58,879)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(31,727)</u>
Net change in total pension liability	(36,337)
Total pension liability - beginning	<u>374,893</u>
Total pension liability - ending (a)	<u>\$ 338,556</u>
Plan fiduciary net position	
Contributions - employer	\$ 3,673
Contributions - employee	18,084
Net investment income	33,129
Benefit payments, including refunds of employee contributions	(31,727)
Administrative expense	(346)
Other	<u>(28)</u>
Net change in plan fiduciary net position	22,785
Plan fiduciary net position - beginning	<u>579,163</u>
Plan fiduciary net position - ending (b)	<u>\$ 601,948</u>
Net pension liability - ending (a) - (b)	\$ (263,392)
Plan fiduciary net position as a percentage of total pension liability	177.80%
Covered employee payroll	\$ 361,677
Net pension liability as a percentage of covered employee payroll	-72.83%

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended July 31, 2015

	<u>2014</u>
Actuarially determined contribution	\$ 2,953
Contributions in relation to the actuarially determined contribution	<u>3,264</u>
Contribution deficiency (excess)	\$ (311)
Covered employee payroll	\$ 303,484
Contributions as a percentage of covered employee payroll	1.08%

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended July 31, 2015

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of percent of payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes	There were no benefit changes during the year.
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TOWN OF WOODSBORO, TEXAS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended July 31, 2015

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.

SUPPLEMENTARY INFORMATION FOR RURAL DEVELOPMENT

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:

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STEPHANIE S. KOCH, 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

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, each major fund and the aggregate remaining fund of the Town of Woodsboro, Texas, as of and for the year ended July 31, 2015, and the related notes to the financial statements, which collectively comprise the Town of Woodsboro, Texas' basic financial statements, and have issued our report thereon dated October 6, 2015.

Internal Control Over Financial Reporting

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

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

Lack of client expertise in financial accounting and reporting.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Woodsboro, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.

October 6, 2015

TOWN OF WOODSBORO, TEXAS
SUPPLEMENTARY INFORMATION FOR RURAL DEVELOPMENT
COMPARATIVE SCHEDULE
WATER, SEWER AND SANITATION FUND
For the Years Ended July 31, 2015 and 2014

	2015	2014
Current assets	\$ 436,225	\$ 548,874
Long-term assets	<u>4,248,401</u>	<u>4,034,709</u>
 Total assets	 <u>4,684,626</u>	 <u>4,583,583</u>
 Current liabilities	 130,695	 139,027
Long-term liabilities	<u>975,000</u>	<u>1,012,000</u>
 Total liabilities	 <u>1,105,695</u>	 <u>1,151,027</u>
 Net position	 <u>\$ 3,578,931</u>	 <u>\$ 3,432,556</u>
 Operating income:		
Charges for water service	\$ 300,735	\$ 331,138
Charges for sewer service	263,181	273,144
Charges for sanitation service	162,939	159,696
Other operating income	<u>42,307</u>	<u>30,754</u>
 Total operating income	 769,162	 794,732
 Non operating income	 <u>1,662</u>	 <u>1,277</u>
 Gross revenue	 <u>770,824</u>	 <u>796,009</u>
 Depreciation	 138,921	 136,352
All other O&M expenses (excluding interest)	<u>560,172</u>	<u>556,958</u>
 Total O&M expense	 <u>699,093</u>	 <u>693,310</u>
 Net from operations	 <u>\$ 71,731</u>	 <u>\$ 102,699</u>
 USDA debt service:		
Principal	\$ 12,000	\$ 12,000
Interest	<u>25,779</u>	<u>26,222</u>
Other debt service:		
Principal	37,574	31,102
Interest	<u>18,153</u>	<u>20,016</u>
 Total debt service	 <u>\$ 93,506</u>	 <u>\$ 89,340</u>

INDIVIDUAL GRANT INFORMATION

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2015

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

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>
Revenue:				
Federal/State	\$ 47,265	\$ -	\$ 47,265	\$ 47,265
Local match	<u>4,727</u>	<u>4,727</u>	<u>-</u>	<u>4,727</u>
Total revenue	<u>51,992</u>	<u>4,727</u>	<u>47,265</u>	<u>51,992</u>
Expenditures				
Federal/State				
Certifications, presentations, reports and publications	750	-	750	750
Base mapping and studies	8,610	-	8,610	8,610
Water system	5,565	-	5,565	5,565
Wastewater system	5,565	-	5,565	5,565
Street and road system	3,255	-	3,255	3,255
Storm drainage system	5,565	-	5,565	5,565
Park, recreation and open space	2,415	-	2,415	2,415
Economic development	3,255	-	3,255	3,255
Thoroughfare study	1,680	-	1,680	1,680
Central business district	3,570	-	3,570	3,570
Capital improvements plan	2,415	-	2,415	2,415
Subdivision ordinance	2,310	-	2,310	2,310
Zoning ordinance	2,310	-	2,310	2,310
Local match				
Base mapping and studies	<u>4,727</u>	<u>4,727</u>	<u>-</u>	<u>4,727</u>
Total expenditures	<u>51,992</u>	<u>4,727</u>	<u>47,265</u>	<u>51,992</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, 2015

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	Amended Budget	Prior Year	Current Year	Total
Revenue:					
Federal/State	\$ 1,485,278	\$ 2,038,164	\$ 1,831,784	\$ -	\$ 1,831,784
Local match	495,093	525,000	525,000	-	525,000
Total revenue	<u>1,980,371</u>	<u>2,563,164</u>	<u>2,356,784</u>	<u>-</u>	<u>2,356,784</u>
Expenditures					
Federal/State					
Woodsboro ISD	1,485,278	2,038,164	1,831,784	-	1,831,784
Local match					
Woodsboro ISD	495,093	525,000	525,000	-	525,000
Total expenditures	<u>1,980,371</u>	<u>2,563,164</u>	<u>2,356,784</u>	<u>-</u>	<u>2,356,784</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2015

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-2013-SS-00045

Contract Period: September 1, 2013 to February 28, 2015

	Original Budget	Prior Year	Current Year	Total
Revenue:				
Federal/State	\$ 54,499	\$ -	\$ 51,290	\$ 51,290
Total revenue	<u>54,499</u>	<u>-</u>	<u>51,290</u>	<u>51,290</u>
 Expenditures				
Federal/State				
Overtime amount	13,635	-	15,395	15,395
Fringe amount	1,909	-	-	-
Mileage amount	3,955	-	895	895
Vehicle purchases	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
Total expenditures	<u>54,499</u>	<u>-</u>	<u>51,290</u>	<u>51,290</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>