

TOWN OF WOODSBORO, TEXAS

FINANCIAL STATEMENTS

For the Year Ended July 31, 2017

**TOWN OF WOODSBORO, TEXAS
FINANCIAL STATEMENTS
For the Year Ended July 31, 2017**

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FINANCIAL STATEMENTS
For the Year Ended July 31, 2017**

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INTRODUCTORY SECTION

TOWN OF WOODSBORO, TEXAS
LIST OF PRINCIPAL OFFICIALS
July 31, 2017

Mayor	(August 2016-May 2017) Larry Jochetz (May 2017-July 2017) Kay Roach
Mayor Pro-tem	(August 2016-May 2017) Debra Bolcik (May 2017-July 2017) Richard Sanchez
Council Members	(May 2017-July 2017) Tony Abila Freddie Arriaga Johnny Cisneros Ralph Cisneros (August 2016-May 2017) Richard Sanchez
City Attorney	Donald Kubicek
City Engineer	Robert Viera (LNV Engineering)
Tax Assessor and Collector	Ida M. Turner
Municipal Police Officer	Martin Diaz DeLeon
City Secretary	Ruby H. DeLaGarza
City Clerk/Water Clerk	Viola Meza
Municipal Court Clerk/Office Clerk	(August 2016-October 2016) Raquel Flores (November 2016-July 2017) John Rivera
Municipal Judge	Emi Riemenschneider
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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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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*CERTIFIED INFORMATION SYSTEMS AUDITOR

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 Town of Woodsboro, Texas, as of and for the year ended July 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Woodsboro, Texas, as of July 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Texas Municipal Retirement System (TMRS) information on pages 4-9 and 48-52 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 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.

November 7, 2017

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2017

This discussion and analysis is intended to be an easily readable analysis of Town of Woodsboro, Texas'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 Town of Woodsboro, Texas's financial performance provides an overall review of the Town's financial activities for the year ended July 31, 2017. 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, 2017

Financial Highlights

- The assets of Town of Woodsboro, Texas exceeded its liabilities at the close of the year ended July 31, 2017 by \$5,771,449. Of this amount, \$2,421,891 of unrestricted net assets is available to meet the Town's ongoing obligations to citizens and creditors.
- At July 31, 2017, the Town's governmental funds reported combined ending fund balances of \$1,340,763, of which \$368,683 is unassigned fund balance for the General Fund.
- At July 31, 2017, unassigned fund balance for the General Fund was \$368,683 or 38% of total General Fund expenditures.
- The total cost of all Town activities was \$1,699,483 for the year. Net revenue of all activities was (\$455,348).
- During the year, the Town's net expenses exceeded program revenues of the governmental activities by \$445,313.

Town as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Assets at July 31, 2017 and 2016 follows:

Town of Woodsboro, Texas
Components of Net Position
July 31, 2017
With Comparative Totals for July 31, 2016
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016		
Cash	\$ 1,303	\$ 1,382	\$ 122	\$ 278	\$ 1,425	\$ 1,660	\$ (235)	-14.2%
Restricted assets	32	33	809	884	841	917	(76)	-8.3%
Other assets	215	468	256	256	471	724	(253)	-34.9%
Capital assets	528	441	3,971	3,429	4,499	3,870	629	16.3%
Total assets	2,078	2,324	5,158	4,847	7,236	7,171	65	0.9%
Deferred outflows of resources	15	21	15	20	30	41	(11)	-26.8%
Other liabilities	30	264	105	122	135	386	(251)	-65.0%
Long term debt	24	-	1,303	975	1,327	975	352	36.1%
Total liabilities	54	264	1,408	1,097	1,462	1,361	90	6.6%
Deferred inflows of resources	17	20	16	19	33	39	(6)	-15.4%
Net investment in capital assets	504	442	2,668	2,454	3,172	2,896	276	9.5%
Restricted	16	21	161	161	177	182	(5)	-2.7%
Unrestricted	1,502	1,598	920	1,136	2,422	2,734	(312)	-11.4%
Total net position	\$ 2,022	\$ 2,061	\$ 3,749	\$ 3,751	\$ 5,771	\$ 5,812	\$ (41)	-0.7%

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2017

Financial Highlights (Continued)

During the year ended July 31, 2017 the net position of the Town decreased approximately \$41,000. Cash (unrestricted and restricted) decreased by \$311,000, inventory decreased by \$1,000 and other current assets decreased by \$252,000. New asset purchases were \$852,000, \$1,000 in asset disposals and depreciation expense was \$222,000. Deferred outflows of resources decreased \$10,000. Accounts payable decreased \$10,000, accrued vacation increased \$6,000 and other current liabilities decreased \$247,000. The Town received \$409,000 in loan proceeds and made principal payments of \$57,000. Deferred inflows of resources decreased \$6,000.

A condensed version of the Statement of Activities follows:

Town of Woodsboro, Texas
Condensed Statement of Activities
For the Year Ended July 31, 2017
With Comparative Totals for the Year Ended July 31, 2016
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016		
Revenues								
Program revenues								
Charges for services	\$ 429	\$ 758	\$ 794	\$ 786	\$1,223	\$1,544	\$ (321)	-20.8%
General revenues								
Taxes	411	427	-	-	411	427	(16)	-3.7%
Interest	5	3	4	2	9	5	4	80.0%
Intergovernmental revenue	21	200	-	-	21	200	(179)	-89.5%
Total revenues	866	1,388	798	788	1,664	2,176	(512)	-23.5%
Expenses								
General government	564	687	-	-	564	687	(123)	-17.9%
Public safety/municipal								
court	158	80	-	-	158	80	78	97.5%
Streets	145	72	-	-	145	72	73	101.4%
Animal control	21	17	-	-	21	17	4	23.5%
Recreation	7	10	-	-	7	10	(3)	-30.0%
Water and sewer	-	-	645	681	645	681	(36)	-5.3%
Sanitation	-	-	159	157	159	157	2	1.3%
Total expenses	895	866	804	838	1,699	1,704	(5)	-0.3%
Excess (deficiency) before non operating revenues, expenses, and transfers	(29)	522	(6)	(50)	(35)	472	(507)	-107.4%
Non operating revenues	5	-	-	-	5	-	5	
Non operating expenses	-	(2)	(11)	32	(11)	30	(41)	-136.7%
Transfers	(15)	(222)	15	222	-	-	-	
Change in net position	(39)	298	(2)	204	(41)	502	(543)	-108.2%
Beginning net position	2,061	1,779	3,751	3,561	5,812	5,340	472	8.8%
Impact of prior period adjustment	-	(16)	-	(14)	-	(30)	30	-100.0%
Ending net position	\$2,022	\$2,061	\$3,749	\$3,751	\$5,771	\$5,812	\$ (41)	-0.7%

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2017

Financial Highlights (Concluded)

Governmental Activities

Revenues

Revenues decreased by \$522,000. Ad valorem taxes increased \$2,000, sales taxes decreased \$16,000, franchise fees decreased \$4,000, licenses, permits and fees decreased \$495,000, intergovernmental revenue decreased \$179,000, fines increased \$168,000, and miscellaneous income increased \$2,000.

Expenses

Expenses and other charges increased approximately \$29,000. The largest increases were streets by \$69,000 and municipal court by \$61,000, primarily due to significant street repairs and increases in municipal court fees, respectively, in the current year. There also were increases in public safety of \$13,000, animal control of \$4,000 and capital outlay of \$7,000. Decreases consisted of \$3,000 in park expenditures and \$123,000 in general government expenditures due primarily to a decrease in grant expenditures of \$191,000 in the current year.

Prior Period Adjustment

Deferred inflows were understated during 2016 by \$16,000. Net position as previously reported was \$2,077,000 for 2016. Net position as restated during 2017 is \$2,061,000 for 2016. Additional information on the prior period adjustment can be found in the notes to the financial statements.

Business-type Activities

Revenues

Program revenues increased by \$10,000 due to increased water sales of \$14,000, a decrease in sewer sales of \$9,000, an increase in sanitation sales of \$1,000, and an increase in miscellaneous revenue of \$2,000. Other operating revenues remained about the same.

Expenses

Expenses decreased by approximately \$34,000 primarily due to less repairs and maintenance expended on the Town's vehicles than in the prior year.

Prior Period Adjustment

Deferred outflows were overstated during 2016 by \$2,000 and deferred inflows were understated during 2016 by \$16,000, respectively. Net position as previously reported was \$3,765,000 for 2016. Net position as restated during 2017 is \$3,751,000 for 2016. 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, 2017. Actual revenues in the General Fund were higher than budgeted revenues by approximately \$44,000, primarily due to municipal court revenues. Actual General Fund expenditures were higher than budgeted amounts by approximately \$154,000, primarily due to capital outlay purchases.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2017

Capital Assets

At July 31, 2017 the Town had \$4,499,000 invested in capital assets, including police, fire equipment, park and recreation facilities, buildings, roads, and water and sewer lines. This amount represents a net increase (additions, deletions, and depreciation) of \$629,000 or more than 16.3% compared to last year, primarily due to \$620,000 in new construction of an elevated storage tank.

Town of Woodsboro, Texas
Capital Assets
July 31, 2017
With Comparative Totals for July 31, 2016
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016	July 31, 2017	July 31, 2016		
Construction in progress	\$ -	\$ -	\$ -	\$ 39	\$ -	\$ 39	\$ (39)	-100.0%
Land	82	82	-	-	82	82	-	0.0%
Buildings and improvements	224	214	-	-	224	214	10	4.7%
Machinery and equipment	611	502	5,719	5,193	6,330	5,695	635	11.2%
Streets	126	126	-	-	126	126	-	0.0%
Subtotal	1,043	924	5,719	5,232	6,762	6,156	606	9.8%
Accumulated depreciation	(515)	(483)	(1,748)	(1,803)	(2,263)	(2,286)	23	-1.0%
Capital assets, net	<u>\$ 528</u>	<u>\$ 441</u>	<u>\$3,971</u>	<u>\$3,429</u>	<u>\$4,499</u>	<u>\$3,870</u>	<u>\$ 629</u>	<u>16.3%</u>

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

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2017

Debt Administration

At year-end, the Town had \$1,327,000 in Long-Term Debt and Certificates of Obligation outstanding versus \$975,000 in Certificates of Obligation last year. The Town received \$408,000 in loan proceeds and paid \$57,000 in principal reductions.

Town of Woodsboro, Texas
Debt Outstanding
July 31, 2017
With Comparative Totals for July 31, 2016
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	<u>July 31, 2017</u>	<u>July 31, 2016</u>	<u>July 31, 2017</u>	<u>July 31, 2016</u>	<u>July 31, 2017</u>	<u>July 31, 2016</u>		
Long-term debt	\$ 24	\$ -	\$ 372	\$ -	\$ 396	\$ -	\$ 396	
Certificates of Obligation	-	-	931	975	931	975	(44)	-4.5%
Total	\$ 24	\$ -	\$ 1,303	\$ 975	\$ 1,327	\$ 975	\$ 352	36.1%

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

Economic Factors and Next Year's Budgets and Rates

- Anticipate that the Town's effective tax rate will approximate the 2016/2017 rate of 0.7603/\$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.
- The budget for the fiscal year ending July 31, 2018 will be as follows:

FUND	REVENUE	EXPENDITURE/ EXPENSES
General Fund	\$873,650	\$873,650
Enterprise Fund - Water	\$426,903	\$426,903
Enterprise Fund - Sewer	\$296,000	\$296,000
Enterprise Fund - Sanitation	\$198,000	\$198,000

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, 2017

	Primary Government		
	Governmental Activities		Total
	Business-type Activities		
ASSETS			
Cash	\$ 1,302,530	\$ 121,520	\$ 1,424,050
Receivables			
Sales tax	3,921	-	3,921
Service accounts	-	107,602	107,602
Franchise tax	8,684	-	8,684
Ad valorem taxes	60,134	-	60,134
Prepaid expenses	16,051	-	16,051
Due from other fund	-	9,466	9,466
Inventory	5,379	43,151	48,530
Restricted cash	32,005	809,482	841,487
Net pension asset	121,448	95,424	216,872
Capital assets			
Property, plant and equipment	1,042,727	5,718,520	6,761,247
Less: accumulated depreciation	(514,869)	(1,747,597)	(2,262,466)
Total assets	<u>2,078,010</u>	<u>5,157,568</u>	<u>7,235,578</u>
DEFERRED OUTFLOWS OF RESOURCES			
Difference in projected and actual earnings on pension assets	13,998	13,673	27,671
Difference in assumptions	1,589	1,533	3,122
Total deferred outflows of resources	<u>15,587</u>	<u>15,206</u>	<u>30,793</u>
LIABILITIES			
Accounts payable	13,785	28,847	42,632
Accrued interest	-	17,477	17,477
Accrued vacation	6,621	5,221	11,842
Due to other fund	9,466	-	9,466
Customer deposits payable	-	53,204	53,204
Noncurrent liabilities:			
Note payable - due within one year	5,680	33,171	38,851
Bonds payable - due within one year	-	44,000	44,000
Note payable - due in more than one year	18,579	338,611	357,190
Bonds payable - due in more than one year	-	887,000	887,000
Total liabilities	<u>54,131</u>	<u>1,407,531</u>	<u>1,461,662</u>
DEFERRED INFLOWS OF RESOURCES			
Difference in projected and actual earnings on pension assets	17,082	16,178	33,260
Total deferred inflows of resources	<u>17,082</u>	<u>16,178</u>	<u>33,260</u>
NET POSITION			
Net investment in capital assets	503,599	2,668,141	3,171,740
Restricted for:			
Law enforcement	16,439	-	16,439
Bond payments	-	161,379	161,379
Unrestricted	1,502,346	919,545	2,421,891
Total net position	<u>\$ 2,022,384</u>	<u>\$ 3,749,065</u>	<u>\$ 5,771,449</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, 2017

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		Total
		Governmental Activities	Business-type Activities			
Governmental activities:						
General government	\$ 564,774	\$ 213,950	\$ 21,217	\$ (329,607)	\$ -	\$ (329,607)
Public safety/municipal court	157,536	215,250	-	57,714	-	57,714
Streets	144,586	-	-	(144,586)	-	(144,586)
Animal control	21,160	-	-	(21,160)	-	(21,160)
Recreation	7,674	-	-	(7,674)	-	(7,674)
Total governmental activities	895,730	429,200	21,217	(445,313)	-	(445,313)
Business-type activities:						
Water and sewer	645,244	621,903	-	-	(23,341)	(23,341)
Sanitation	158,509	171,815	-	-	13,306	13,306
Total business-type activities	803,753	793,718	-	-	(10,035)	(10,035)
Total primary government	\$ 1,699,483	\$ 1,222,918	\$ 21,217	(445,313)	(10,035)	(455,348)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				281,155	-	281,155
Franchise taxes				57,364	-	57,364
Sales taxes				72,345	-	72,345
Transfers in/(out)				(15,090)	15,090	-
Interest income				4,812	3,902	8,714
Gain on asset disposal				511	-	511
Increase/(decrease) in net pension asset				5,835	(10,888)	(5,053)
Total general revenues and transfers	406,932	(38,381)	-	406,932	8,104	415,036
Change in net position						
Net position - beginning, as restated						
Net position - ending				2,060,765	3,750,996	5,811,761
				\$ 2,022,384	\$ 3,749,065	\$ 5,771,449

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, 2017

	General Fund	Police Department Fund	Total Governmental Funds
ASSETS			
Cash - unrestricted	\$ 1,302,530	\$ -	\$ 1,302,530
Receivables:			
Sales tax	3,921	-	3,921
Franchise tax	8,684	-	8,684
Ad valorem taxes	60,134	-	60,134
Restricted cash	15,566	16,439	32,005
Prepaid expenses	16,051	-	16,051
Inventory	5,379	-	5,379
Total assets	<u>\$ 1,412,265</u>	<u>\$ 16,439</u>	<u>\$ 1,428,704</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 13,785	\$ -	\$ 13,785
Accrued vacation	6,621	-	6,621
Due to other fund	9,466	-	9,466
Total liabilities	<u>29,872</u>	<u>-</u>	<u>29,872</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	58,069	-	58,069
Total deferred inflows of resources	<u>58,069</u>	<u>-</u>	<u>58,069</u>
Fund balances:			
Non-spendable	21,430	-	21,430
Restricted	15,566	16,439	32,005
Committed	918,645	-	918,645
Unassigned	368,683	-	368,683
Total fund balances	<u>1,324,324</u>	<u>16,439</u>	<u>1,340,763</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,412,265</u>	<u>\$ 16,439</u>	<u>\$ 1,428,704</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, 2017

Total governmental fund balances (page 12)	\$ 1,340,763
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.	527,858
Noncurrent assets are not available to pay for current period expenditures and, therefore, are not reported in the funds. These assets are comprised of the following:	
Net pension asset	121,448
Deferred outflows related to pensions:	
Difference in expected and actual pension experience	13,998
Difference in assumptions	1,589
Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	58,069
Deferred inflows related to pensions:	
Difference in projected and actual earnings on pension assets	(17,082)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities are comprised of the following:	
Long-term debt	<u>(24,259)</u>
Net position of governmental activities	<u><u>\$ 2,022,384</u></u>

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

TOWN OF WOODSBORO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended July 31, 2017

	General Fund	Police Department Fund	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem taxes, penalty and interest	\$ 282,812	\$ -	\$ 282,812
City sales tax	72,345	-	72,345
Franchise taxes	57,364	-	57,364
Licenses, permits and fees	203,516	-	203,516
Fines	215,250	-	215,250
Rent income	3,600	-	3,600
Interest income	4,748	64	4,812
Intergovernmental - grant revenue	21,217	-	21,217
Miscellaneous	3,839	2,995	6,834
Total revenues	<u>864,691</u>	<u>3,059</u>	<u>867,750</u>
EXPENDITURES			
Current:			
General government	548,774	-	548,774
Public safety	59,686	1,863	61,549
Streets	127,227	-	127,227
Animal control	21,160	-	21,160
Municipal court	77,694	-	77,694
Parks	6,054	-	6,054
Capital outlay	134,014	5,552	139,566
Total expenditures	<u>974,609</u>	<u>7,415</u>	<u>982,024</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(109,918)</u>	<u>(4,356)</u>	<u>(114,274)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	24,259	-	24,259
Transfers out	(15,090)	-	(15,090)
Total other financing sources (uses)	<u>9,169</u>	<u>-</u>	<u>9,169</u>
Net change in fund balances	(100,749)	(4,356)	(105,105)
Fund balances - beginning, as restated	1,425,073	-	1,425,073
Fund balances - beginning	-	20,795	20,795
Fund balances - ending	<u>\$ 1,324,324</u>	<u>\$ 16,439</u>	<u>\$ 1,340,763</u>

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, 2017

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

Net change in fund balances - total governmental funds (page 14)	\$ (105,105)
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.	139,566
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.	(53,272)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(24,259)
Gain on disposal of capital assets	511
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.	(1,657)
Expenditures are recognized in the governmental funds when paid are due for items not normally paid with available financial resources. However, the Statement of Activities is presented on an accrual basis and expenses reported when incurred.	5,835
Change in net assets of governmental activities	\$ (38,381)

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, 2017

	Business-type Activities - Enterprise Fund	
	Water, Sewer and Sanitation Fund	Total Enterprise Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 121,520	\$ 121,520
Accounts receivable - customers	107,602	107,602
Due from other fund	9,466	9,466
Inventory	43,151	43,151
Total current assets	<u>281,739</u>	<u>281,739</u>
Restricted assets		
Cash and cash equivalents	809,482	809,482
Total restricted assets	<u>809,482</u>	<u>809,482</u>
Noncurrent assets		
Capital assets		
Property, plant and equipment	5,718,520	5,718,520
Less: accumulated depreciation	<u>(1,747,597)</u>	<u>(1,747,597)</u>
Total capital assets, net of accumulated depreciation	3,970,923	3,970,923
Net pension asset	95,424	95,424
Total noncurrent assets	<u>4,066,347</u>	<u>4,066,347</u>
Total assets	<u>5,157,568</u>	<u>5,157,568</u>
DEFERRED OUTFLOWS OF RESOURCES		
Difference in projected and actual earnings on pension assets	13,673	13,673
Difference in assumptions	<u>1,533</u>	<u>1,533</u>
Total deferred outflows of resources	<u>15,206</u>	<u>15,206</u>

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

TOWN OF WOODSBORO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND (CONTINUED)
July 31, 2017

	Business-type Activities - Enterprise Fund	
	Water, Sewer and Sanitation Fund	Total Enterprise Fund
LIABILITIES		
Current liabilities		
Accounts payable	28,847	28,847
Accrued interest	17,477	17,477
Accrued vacation	5,221	5,221
Customer deposits payable	53,204	53,204
Note payable - current portion	33,171	33,171
Bonds payable - current portion	44,000	44,000
Total current liabilities	<u>181,920</u>	<u>181,920</u>
Noncurrent liabilities		
Note payable	338,611	338,611
Bonds payable	887,000	887,000
Total noncurrent liabilities	<u>1,225,611</u>	<u>1,225,611</u>
Total liabilities	<u>1,407,531</u>	<u>1,407,531</u>
DEFERRED INFLOWS OF RESOURCES		
Difference in projected and actual earnings on pension assets	<u>16,178</u>	<u>16,178</u>
Total deferred inflows of resources	<u>16,178</u>	<u>16,178</u>
NET POSITION		
Invested in capital assets, net of related debt	2,668,141	2,668,141
Restricted for bond payments	161,379	161,379
Unrestricted	<u>919,545</u>	<u>919,545</u>
Total net position	<u>\$ 3,749,065</u>	<u>\$ 3,749,065</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, 2017

	Business-type Activities - Enterprise Fund	
	Water, Sewer, and Sanitation Fund	Total Enterprise Fund
OPERATING REVENUES		
Charges for services:		
Water sales	\$ 322,500	\$ 322,500
Sewer	254,411	254,411
Sanitation	171,815	171,815
Late charges	28,640	28,640
Reconnect fees	5,920	5,920
Transfer and other fees	9,220	9,220
Miscellaneous	1,212	1,212
Total operating revenues	<u>793,718</u>	<u>793,718</u>
OPERATING EXPENSES		
Salaries	182,570	182,570
Sanitation charges	158,509	158,509
Repairs and maintenance	35,704	35,704
Materials, asphalt and caliche	22,875	22,875
Truck expenses	4,605	4,605
Sewer plant	26,247	26,247
Postage, office supplies and fees	25,820	25,820
Professional fees	23,383	23,383
Insurance	48,609	48,609
Utilities and telephone	41,735	41,735
Uniforms	3,997	3,997
Payroll taxes	13,781	13,781
Depreciation	168,775	168,775
Retirement	648	648
Total operating expenses	<u>757,258</u>	<u>757,258</u>
Operating income	<u>36,460</u>	<u>36,460</u>
NON OPERATING REVENUES (EXPENSES)		
Interest income	3,902	3,902
Decrease in net pension asset	(10,888)	(10,888)
Interest expense	(46,495)	(46,495)
Total non operating revenues (expenses)	<u>(53,481)</u>	<u>(53,481)</u>
Income (loss) before transfers	(17,021)	(17,021)
Transfers in	15,090	15,090
Transfers out	-	-
Change in net position	(1,931)	(1,931)
Net position, beginning, as restated	<u>3,750,996</u>	<u>3,750,996</u>
Net position, ending	<u>\$ 3,749,065</u>	<u>\$ 3,749,065</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, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 793,300
Cash paid to suppliers for goods and services	(433,067)
Cash paid to employees for services	<u>(180,803)</u>
Net cash provided (used) by operating activities	<u>179,430</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer from other funds	<u>15,090</u>
Net cash provided (used) by noncapital financing activities	<u>15,090</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of fixed assets	(710,362)
Proceeds from long-term debt	384,466
Principal payments on note payable	(12,684)
Principal payments on USDA Series 2000, 2000A and 2008	
Certificates of Obligation	(44,000)
Interest paid	<u>(46,495)</u>
Net cash provided (used) by capital and related financing activities	<u>(429,075)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>3,902</u>
Net cash provided (used) by investing activities	<u>3,902</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(230,653)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,161,655</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 931,002</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, 2017**

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

Operating income	\$ 36,460
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	168,775
(Increase) decrease in accounts receivable	4,255
Increase (decrease) in allowance account	(4,673)
(Increase) decrease in due from other fund	(9,466)
(Increase) decrease in inventory	1,852
Increase (decrease) in accounts payable	(18,909)
Increase (decrease) in accrued interest payable	(721)
Increase (decrease) in accrued vacation payable	2,415
Increase (decrease) in accrued liabilities	98
Increase (decrease) in meter deposits payable	<u>(656)</u>
Total adjustments	<u>142,970</u>
Net cash provided (used) by operating activities	<u><u>\$ 179,430</u></u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 121,520
Restricted cash and cash equivalents	<u>809,482</u>
Total cash and cash equivalents	<u><u>\$ 931,002</u></u>

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

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

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, 2017

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 position. 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, 2017**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Proprietary Fund Financial Statements (Concluded)

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, 2017**

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, 2017

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, 2017, the Town levied an ad valorem tax for maintenance and operations at a rate of .7542 per \$100 of assessed value. A total tax levy of \$278,851 resulted, based on a net taxable valuation of \$36,973,120 for the 2016 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 \$109,918 and \$4,356 of expenditures over revenues occurred in the General Fund and Police Department Fund, respectively, in the year ended July 31, 2017.

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, 2017

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, and law enforcement. 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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category. It is related to the deferred future pension expense related to the net pension liability. Deferred future pension expense results from the difference in projected and actual experience on pension plan investments, difference in expected and actual experience (which also includes difference in assumption changes), and pension contributions remitted after the measurement date. All differences are based on actuarial gains or losses. These amounts are deferred and amortized over their respective remaining recognition period.

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.

O. 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, 2017

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

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The Town's deposits were fully collateralized at July 31, 2017. As of July 31, 2017, the carrying amount of the Town's deposits was \$2,264,937, and the bank balance was \$2,301,729. The entire bank balance was covered by federal depository insurance and other collateral.

Texas Government Code authorizes Town of Woodsboro, Texas to invest in the following eligible securities:

1. A surety bond;
2. An investment security;
3. An ownership or beneficial interest in an investment security, other than an option contract to purchase or sell an investment security;
4. A fixed-rate collateralized mortgage obligation that has an expected weighted average life of ten years or less and does not constitute a high-risk mortgage security;
5. A floating-rate collateralized mortgage obligation that does not constitute a high-risk mortgage security;
6. A letter of credit issued by a federal home loan bank.

Investment securities are defined as:

1. An obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;
2. A general or special obligation issued by a public agency that is payable from taxes, revenues, or a combination of taxes and revenues;
3. A security in which a public entity may invest under Subchapter A, Chapter 2256 of Texas Statutes.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

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	214,456	9,240	-	223,696
Machinery and equipment	502,437	130,837	(22,712)	610,562
Streets	<u>126,128</u>	<u>-</u>	<u>-</u>	<u>126,128</u>
Total other capital assets at historical cost	<u>843,021</u>	<u>140,077</u>	<u>(22,712)</u>	<u>960,386</u>
Less accumulated depreciation for:				
Buildings and improvements	(47,294)	(4,716)	-	(52,010)
Machinery and equipment	(387,297)	(40,684)	22,181	(405,800)
Streets	<u>(49,187)</u>	<u>(7,872)</u>	<u>-</u>	<u>(57,059)</u>
Total accumulated depreciation	<u>(483,778)</u>	<u>(53,272)</u>	<u>22,181</u>	<u>(514,869)</u>
Other capital assets, net	<u>359,243</u>	<u>86,805</u>	<u>(531)</u>	<u>445,517</u>
Governmental activities capital assets, net	<u><u>\$ 441,584</u></u>	<u><u>\$ 86,805</u></u>	<u><u>\$ (531)</u></u>	<u><u>\$ 527,858</u></u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	<u>39,750</u>	<u>-</u>	<u>(39,750)</u>	<u>-</u>
Total capital assets not being depreciated	<u>39,750</u>	<u>-</u>	<u>(39,750)</u>	<u>-</u>
Other capital assets				
Buildings and improvements	-	-	-	-
Machinery and equipment	<u>5,193,061</u>	<u>750,110</u>	<u>(224,651)</u>	<u>5,718,520</u>
Total other capital assets at historical cost	<u>5,193,061</u>	<u>750,110</u>	<u>(224,651)</u>	<u>5,718,520</u>
Less accumulated depreciation for:				
Buildings and improvements	-	-	-	-
Machinery and equipment	<u>(1,803,473)</u>	<u>(168,775)</u>	<u>224,651</u>	<u>(1,747,597)</u>
Total accumulated depreciation	<u>(1,803,473)</u>	<u>(168,775)</u>	<u>224,651</u>	<u>(1,747,597)</u>
Other capital assets, net	<u>3,389,588</u>	<u>581,335</u>	<u>-</u>	<u>3,970,923</u>
Business-type activities capital assets, net	<u><u>\$ 3,429,338</u></u>	<u><u>\$ 581,335</u></u>	<u><u>\$ (39,750)</u></u>	<u><u>\$ 3,970,923</u></u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

NOTE 3: CHANGES IN CAPITAL ASSETS (Concluded)

Depreciation expense was charged to functions as follows:

	<u>Amount</u>
Governmental activities	
General government	\$ 16,000
Public safety	18,293
Streets	17,359
Parks	1,620
Total governmental activities depreciation expense	<u>\$ 53,272</u>
Business-type activities	
Water and sewer	<u>\$168,775</u>
Total business-type activities depreciation expense	<u>\$168,775</u>

NOTE 4: LONG-TERM DEBT

A. Changes in Long-Term Liabilities

Long-term liability activity for the year ended July 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Long-term debt - equipment	\$ -	\$ 24,259	\$ -	\$ 24,259	\$ 5,680
Total governmental activities	<u>-</u>	<u>24,259</u>	<u>-</u>	<u>24,259</u>	<u>5,680</u>
Business-type activities					
Long-term debt - equipment	-	375,000	(12,684)	362,316	30,955
Long-term debt - equipment	-	9,466	-	9,466	2,216
Certificates of Obligation:					
Series 2000	450,000	-	(11,000)	439,000	11,000
Series 2000A	110,000	-	(3,000)	107,000	3,000
Series 2008	415,000	-	(30,000)	385,000	30,000
Total business-type activities	<u>975,000</u>	<u>384,466</u>	<u>(56,684)</u>	<u>1,302,782</u>	<u>77,171</u>
Total long-term liabilities	<u>\$ 975,000</u>	<u>\$ 408,725</u>	<u>\$ (56,684)</u>	<u>\$ 1,327,041</u>	<u>\$ 82,851</u>

The interest paid for business-type activities was \$46,495 for bonds and equipment loan debt for the year ended July 31, 2017 and is charged to interest expense in the water, sewer and sanitation funds.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

NOTE 4: LONG-TERM DEBT (Continued)

B. Long-Term Debt – Governmental Activities

On March 15, 2017, the Town of Woodsboro, Texas entered into a four-year debt agreement with Government Capital Corporation to finance the acquisition of equipment. The loan is secured by the equipment. The asset and liability under the debt have been recorded at the fair value of the assets, which is equal to the present value of the minimal payments at the inception of the debt agreement. The total amount financed was \$33,725 with interest rate fixed at 5.11%. Principal and interest are due on March 15 on an annual basis. The final debt payment is due March 15, 2021. This debt is split with Business-type activities due to the proprietary fund assessing ownership of several equipment items with \$24,259 obligated from the governmental fund and \$9,466 obligated from the proprietary fund.

As of July 31, 2017, the remaining annual payments are as follows:

<u>Year Ended July 31,</u>	<u>Loan Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 5,680	\$ 1,157	\$ 6,837
2019	5,887	950	6,837
2020	6,188	649	6,837
2021	6,504	333	6,837
	<u>\$ 24,259</u>	<u>\$ 3,089</u>	<u>\$ 27,348</u>

C. Long-Term Debt – Business-type Activities

On March 15, 2017, the Town of Woodsboro, Texas entered into a four-year debt agreement with Government Capital Corporation to finance the acquisition of equipment. The loan is secured by the equipment. The asset and liability under the debt have been recorded at the fair value of the assets, which is equal to the present value of the minimal payments at the inception of the debt agreement. The total amount financed was \$33,725 with interest rate fixed at 5.11%. Principal and interest are due on March 15 on an annual basis. The final debt payment is due March 15, 2021. This debt is split with governmental activities due to the proprietary fund assessing ownership of several equipment items with \$9,466 obligated from the governmental fund and \$24,259 obligated from the proprietary fund.

As of July 31, 2017, the remaining annual payments are as follows:

<u>Year Ended July 31,</u>	<u>Loan Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 2,216	\$ 452	\$ 2,668
2019	2,297	371	2,668
2020	2,415	253	2,668
2021	2,538	130	2,668
	<u>\$ 9,466</u>	<u>\$ 1,206</u>	<u>\$ 10,672</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

NOTE 4: LONG-TERM DEBT (Continued)

C. Long-Term Debt – Business-type Activities (Continued)

On February 15, 2017, the Town of Woodsboro, Texas entered into a 10-year debt agreement with First National Bank – Woodsboro to finance the construction of an elevated storage tank. The loan is secured by the General Obligation Taxing Authority. The asset and liability under the debt have been recorded at the fair value of the asset, which is equal to the present value of the minimal payments at the inception of the debt agreement. The total amount financed was \$375,000 with interest rate fixed at 4.5% for the first 24-months, after which interest rate will be variable using Wall Street Journal Prime Index plus 0.5% until maturity of the debt. Principal and interest will be due on the 15th of each month. Payments will be reamortized every three months with a final payment due February 15, 2027.

Long-term debt annual payment schedule below is based on interest rate fixed at 4.5%.

As of July 31, 2017, the remaining annual payments are as follows:

<u>Year Ended July 31,</u>	<u>Loan Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 30,955	\$ 15,679	\$ 46,634
2019	32,378	14,257	46,635
2020	33,830	12,805	46,635
2021	35,419	11,216	46,635
2022	37,046	9,588	46,634
2023	38,748	7,887	46,635
2024	40,512	6,123	46,635
2025	42,389	4,245	46,634
2026	44,336	2,298	46,634
2027	26,703	407	27,110
	<u>\$362,316</u>	<u>\$ 84,505</u>	<u>\$ 446,821</u>

D. 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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

NOTE 4: LONG-TERM DEBT (Continued)

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

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, 2017

NOTE 4: LONG-TERM DEBT (Continued)

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

As of July 31, 2017, all interest and sinking funds, reserve funds, and repair and replacement funds have been properly established by the Town.

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>
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>\$ 439,000</u>	<u>\$ 274,950</u>	<u>\$ 713,950</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

NOTE 4: LONG-TERM DEBT (Continued)

D. 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>
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>\$ 107,000</u></u>	<u><u>\$ 66,915</u></u>	<u><u>\$ 173,915</u></u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

NOTE 4: LONG-TERM DEBT (Concluded)

D. 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>
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>\$ 385,000</u>	<u>\$ 93,027</u>	<u>\$ 478,027</u>

The Town is in compliance with all debt covenants of the USDA and TWDB Certificates of Obligations at July 31, 2017.

E. Five Year Schedules

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

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 82,851	\$ 56,213	\$ 139,064
2019	85,562	52,928	138,490
2020	87,433	49,377	136,810
2021	95,461	45,624	141,085
2022	88,046	41,553	129,599
2023-2027	478,688	148,482	627,170
2028-2032	154,000	75,335	229,335
2033-2037	149,000	44,505	193,505
2038-2040	106,000	9,675	115,675
	<u>\$ 1,327,041</u>	<u>\$ 523,692</u>	<u>\$ 1,850,733</u>

**TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017**

NOTE 5: PENSION PLAN

A. Plan Description

The Town participates as one of 872 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 2016
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, 2016 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	7
Active employees	12
Total	20

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

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 2017. The contribution rates for the Town were 0.32% and 0.00% in calendar years 2016 and 2017, respectively. The Town's contributions to TMRS for the year ended 2017 were \$971.

D. Net Pension Asset/Liability

The Town's Net Pension Liability (NPL) was measured as of December 31, 2016, 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 Asset/Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the Town, rates are multiplied by a factor of 95.0%. 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

NOTE 5: PENSION PLAN (Continued)

D. Net Pension Liability (Continued)

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

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 12/31/2015	\$ 401,541	\$ 618,169	\$ (216,628)
Changes for the year:			
Service cost	39,754	-	39,754
Interest	27,898	-	27,898
Difference between expected and actual experience	(3,254)	-	(3,254)
Changes in assumptions	-	-	-
Contributions - employer	-	-	-
Contributions - employee	-	23,357	(23,357)
Net investment income	-	41,782	(41,782)
Benefit payments, including refunds of employee contributions	(16,237)	(16,237)	-
Administrative expense	-	(472)	472
Other changes	-	(25)	25
Net changes	48,161	48,405	(244)
Balance at 12/31/2016	\$ 449,702	\$ 666,574	\$ (216,872)

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 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Town's net pension liability(asset)	\$(147,163)	\$(216,872)	\$(273,721)

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, 2017

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, 2017, the Town recognized pension expense of \$5,054.

At July 31, 2017, 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		\$33,260
Changes in actuarial assumptions	\$ 3,122	
Difference between projected and actual investment earnings	\$27,671	
Contributions subsequent to the measurement date December 31, 2016	\$ 0	\$ 0
Total	\$30,793	\$33,260

Deferred outflows of resources 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, 2017 due to immateriality. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Net deferred outflows (inflows) of resources
2017	\$1,988
2018	1,990
2019	504
2020	(6,332)
2021	(527)
Thereafter	(92)
Total	\$(2,469)

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

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 2016	Plan Year 2017
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 2017, 2016, and 2015 were \$503, \$536, and \$544, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates:

(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (ARC) (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2014	0.12%	0.12%	100.0%
2015	0.09%	0.09%	100.0%
2016	0.01%	0.01%	100.0%

**TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017**

NOTE 6: INTERFUND ASSETS/LIABILITIES

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."

Due from/to other funds balances for July 31, 2017 were as follows:

Fund	Due From Other Funds	Due To Other Funds
General	\$ -	\$ (9,466)
Enterprise	9,466	-
Total transfers	\$ 9,466	\$ (9,466)

NOTE 7: SPECIAL REVENUE FUND - CONFISCATED FUNDS

A local agreement was made and entered into by and between Town of Woodsboro, Texas 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, Town of Woodsboro, Texas 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 Town of Woodsboro, Texas Police Department for 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.

**TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017**

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

This agreement will apply to money or property seized and forfeited to Town of Woodsboro, Texas 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 Town of Woodsboro, Texas Police Department including the cost of titles searched and title policies issued.

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

NOTE 8: INTERFUND TRANSFERS

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

Interfund transfers for the year ended July 31, 2017 are as follows:

Fund	Transfers In	Transfers Out
General	\$ -	\$ (15,090)
Enterprise	15,090	-
Total transfers	<u>\$ 15,090</u>	<u>\$ (15,090)</u>

During the year, transfers were used to move the TWDB Series 2008 principal and interest payment from the General Fund to the Enterprise Fund.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

NOTE 9: 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.

Hurricanes can cause flooding, particularly in coastal regions such as the area where the Town is located. Hurricanes can also cause windstorm and other damage and hurricane induced flooding can submerge roadways, thus preventing evacuation of people and/or property. If a hurricane (or any other natural disaster) destroyed all or part of the Town, the assessed value of property within the Town could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. Further, there can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood and windstorm, are usually excluded unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged Town property. Even if insurance proceeds are available and the Town is rebuilt, there could be a lengthy period in which assessed values within the Town could be adversely affected. The Gulf Coast region in which the Town is located is subject to occasional destructive weather. There can be no assurance the Town will not endure damage from future meteorological events.

The Town operates in an industry regulated by Texas Commission on Environmental Quality (TCEQ). As a result, various lawsuits, claims, and legal and regulatory proceedings can be instituted or asserted against the Town.

At July 31, 2017, the Town is a defendant in a lawsuit arising in the normal course of business. The Plaintiff is seeking monetary damages in a significant amount. The lawsuit is new and discovery has not begun. In the opinion of Counsel, based on current facts, the Plaintiff will not prevail.

NOTE 10: FUND BALANCES

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

• Amount reported in non-spendable form - inventory:	\$ 5,379
• Amount not in cash form - prepaid expenses:	\$16,051

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

<u>Committed Purpose</u>	<u>Amount</u>	<u>Action</u>
Future Town hall	\$667,539	Town Council action
Street maintenance	\$ 95,566	Town Council action
Dodson field	\$ 91,172	Town Council action
Drainage	\$ 20,000	Town Council action
Parks	\$ 35,400	Town Council action
Dump truck	\$ 8,968	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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

NOTE 10: FUND BALANCES (Concluded)

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

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

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

A schedule of fund balances is provided below:

	General Fund	Police Department Fund	Total Governmental Funds
FUND BALANCES:			
Non-spendable:			
Inventory	\$ 5,379	\$ -	\$ 5,379
Prepaid expenses	16,051	-	16,051
Restricted for:			
Law enforcement purposes	-	16,439	16,439
Municipal court building security	7,833	-	7,833
Municipal court technical fund	7,733	-	7,733
Committed to:			
Future Town hall	667,539	-	667,539
Street maintenance	95,566	-	95,566
Dodson field	91,172	-	91,172
Drainage	20,000	-	20,000
Parks	35,400	-	35,400
Dump truck	8,968	-	8,968
Unassigned	368,683	-	368,683
Total fund balances	<u><u>\$ 1,324,324</u></u>	<u><u>\$ 16,439</u></u>	<u><u>\$ 1,340,763</u></u>

NOTE 11: FEDERAL AND STATE AWARDS

During fiscal year ended September 30, 2017, the grant receivable from FEMA and the related accounts payable to Woodsboro ISD were removed from the Statement of Net Position for Governmental Activities and from the Balance Sheet for the General Fund. This grant was a pass-through from FEMA to the Town and then to the subrecipient, Woodsboro ISD, therefore, the Town has no obligation related to this grant. This grant was closed out in 2012 but was reopened due to the failure of the inspection. Repairs, which were expended by Woodsboro ISD, were made to effect compliance. FEMA denied reimbursement for the repairs expended by Woodsboro ISD and the grant has been closed.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

NOTE 12: PRIOR PERIOD ADJUSTMENT – CORRECTION OF ERROR

During the year, it was determined that deferred inflows and deferred outflows related to pensions were not correctly calculated in the prior year. To correct this error, the net position of the Town's governmental and business-type activities has been restated. The impact on net position is as follows:

	Governmental Activities	Business-type Activities	Total
Net position, July 31, 2016, as previously stated	\$ 2,076,810	\$ 3,765,361	\$ 5,842,171
Correction of deferred inflows/outflows related to pension assets	(16,045)	(14,365)	(30,410)
Net position, July 31, 2016, as restated	<u>\$ 2,060,765</u>	<u>\$ 3,750,996</u>	<u>\$ 5,811,761</u>

NOTE 13: RESTATEMENT OF BEGINNING BALANCES

During the year, it was also determined that assets, liabilities and expenditures related to pensions should have been excluded from assets and liabilities in the fund financial balance sheet and expenditures in the fund financial statement of revenues, expenditures, and changes in fund balances for the governmental funds for fiscal year ended July 31, 2016, as per *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

During the year, it was also determined that amusement fee revenues should have been excluded from deferred inflows in the fund financial balance sheet and in the reconciliation of the statement of revenues, expenditures, and changes in fund balances for the governmental funds for fiscal year ended July 31, 2016, as per *Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting & Financial Reporting for Nonexchange Transactions*.

To correct these errors, the fund balance of the Town's governmental activities has been restated. The impact of this restatement on fund balance is as follows:

	General Fund
Fund balance, July 31, 2016, as previously stated	\$ 1,209,884
Restatement of fund balance -	
Net pension asset	(112,647)
Deferred outflows related to pension assets	(21,303)
Deferred inflows related to pension assets	4,318
Deferred inflows related to unavailable revenue - amusement fees	<u>344,821</u>
Fund balance, July 31, 2016, as restated	<u>\$ 1,425,073</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2017

NOTE 14: SUBSEQUENT EVENT

On August 25, 2017 Hurricane Harvey passed through Refugio County, Texas, and the region was subsequently declared a federal disaster area. As a result of this storm, the Town lost electrical power, and its water and sewer plants were taken out of service for a period of approximately two days. During this time, the Town was required to incur additional expenditures beyond normal operations in order to provide services to customers, bring their water and sewer plants back online, and perform cleanup operations once the storm had passed. As of the date of the audit report, the Town's Engineering firm gave an opinion of probable construction costs as follows:

	<u>Amount</u>
Water Treatment Plant and Water System Damage Assessment	\$ 982,000
Wastewater Treatment Plant Damage Assessment	1,425,000
City Street Damage Assessment	6,925,000
Other City Buildings and Facilities Damage Assessment	1,080,000
Engineering and Special Services	<u>760,000</u>
Total Damage Assessment Costs	<u>\$ 11,172,000</u>

The Town's water and wastewater facilities are operational.

The Town intends to make needed repairs as funds become available beginning with the water and wastewater systems.

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, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes:			
Property taxes	\$ 263,000	\$ 282,812	\$ 19,812
Sales tax revenue	91,000	72,345	(18,655)
Franchise fees	61,800	57,364	(4,436)
Municipal court	100,030	215,250	115,220
Intergovernmental - grant revenue	-	21,217	21,217
Animal control	320	320	-
Christmas in the Square	2,600	780	(1,820)
Permits and licenses	1,200	5,136	3,936
Amusement permits	244,000	198,000	(46,000)
Rent income	3,600	3,600	-
Interest income	1,700	4,748	3,048
Miscellaneous	51,000	3,119	(47,881)
Total revenues	<u>820,250</u>	<u>864,691</u>	<u>44,441</u>
EXPENDITURES			
Salaries	361,145	382,274	(21,129)
Insurance	60,440	58,462	1,978
Vehicle services	28,000	20,114	7,886
Town Square	10,400	6,054	4,346
Street materials	63,000	90,595	(27,595)
Supplies	18,150	12,142	6,008
Rent	3,000	3,000	-
Utilities	32,500	36,632	(4,132)
Training	6,350	2,280	4,070
Professional fees	20,200	13,667	6,533
Capital outlay	62,453	134,014	(71,561)
Municipal court	29,570	77,694	(48,124)
Animal control	21,402	21,160	242
Fire protection	30,000	30,000	-
Miscellaneous expense	73,640	86,521	(12,881)
Total expenditures	<u>820,250</u>	<u>974,609</u>	<u>(154,359)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>(109,918)</u>	<u>\$ (109,918)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			-
Transfers out			(15,090)
Loan proceeds			24,259
Total other financing sources (uses)			<u>9,169</u>
Net change in fund balances			(100,749)
Fund balances - beginning, as restated			1,425,073
Fund balances - ending			<u>\$ 1,324,324</u>

TOWN OF WOODSBORO, TEXAS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended July 31, 2017

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.

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, 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total pension liability			
Service cost	\$ 28,152	\$ 38,084	\$ 39,754
Interest (on the total pension liability)	26,117	24,744	27,898
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(58,879)	3,564	(3,254)
Change of assumptions	-	4,814	-
Benefit payments, including refunds of employee contributions	<u>(31,727)</u>	<u>(8,221)</u>	<u>(16,237)</u>
Net change in total pension liability	(36,337)	62,985	48,161
Total pension liability - beginning	374,893	338,556	401,541
Total pension liability - ending (a)	<u>\$ 338,556</u>	<u>\$ 401,541</u>	<u>\$ 449,702</u>
Plan fiduciary net position			
Contributions - employer	\$ 3,673	\$ 928	\$ -
Contributions - employee	18,084	23,194	23,357
Net investment income	33,129	888	41,782
Benefit payments, including refunds of employee contributions	(31,727)	(8,221)	(16,237)
Administrative expense	(346)	(541)	(472)
Other	<u>(28)</u>	<u>(27)</u>	<u>(25)</u>
Net change in plan fiduciary net position	22,785	16,221	48,405
Plan fiduciary net position - beginning	579,163	601,948	618,169
Plan fiduciary net position - ending (b)	<u>\$ 601,948</u>	<u>\$ 618,169</u>	<u>\$ 666,574</u>
Net pension liability (asset) - ending (a) - (b)	\$ (263,392)	\$ (216,628)	\$ (216,872)
Plan fiduciary net position as a percentage of total pension liability (asset)	177.80 %	153.95 %	148.23 %
Covered employee payroll	\$ 361,677	\$ 463,872	\$ 467,148
Net pension liability (asset) as a percentage of covered employee payroll	(72.83) %	(46.70) %	(46.42) %

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended July 31, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 2,953	\$ 436	\$ 1,274
Contributions in relation to the actuarially determined contribution	<u>3,264</u>	<u>436</u>	<u>971</u>
Contribution deficiency (excess)	\$ (311)	\$ -	\$ 303
Covered employee payroll	\$ 303,484	\$ 485,011	\$ 503,403
Contributions as a percentage of covered employee payroll	1.08 %	0.09 %	0.19 %

**TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended July 31, 2017**

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	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the Town's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

SUPPLEMENTARY INFORMATION FOR RURAL DEVELOPMENT

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

Certified Public Accountants

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JAMIE K. NOTZ, CPA, CVA*

*CERTIFIED VALUATION ANALYST

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*CERTIFIED INFORMATION SYSTEMS AUDITOR

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 and each major fund of Town of Woodsboro, Texas (the Town), as of and for the year ended July 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated November 7, 2017.

Internal Control Over Financial Reporting

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

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

Lack of Controls over Annual Financial Reporting

We have drafted the annual financial statements and related note disclosures of the Town at the Town's request. This was done because, due to its limited resources, the Town's internal personnel did not possess all of the skills and competencies necessary to prepare its own annual financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. However, we cannot be considered part of the Town's internal controls – specifically, we cannot be a part of the financial reporting internal control that addresses the preparation of accurate annual financial statements and related note disclosures. Consequently, the inability of the Town to prepare its own financial statements and related note disclosures is considered to be a control deficiency. The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

To remedy the control deficiency related to the preparation of the annual financial statements, the Town would need to ensure that sufficient personnel are in place and that they have the appropriate knowledge and tools (i.e., current accounting literature, current disclosure checklist, etc.) to be an effective element of the internal control process over financial reporting. We understand that this is not feasible because of the Town's size and limited resources. Management may make a conscious decision to accept the degree of risk in this control deficiency because of cost or other considerations.

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

Purpose of this Report

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



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

November 7, 2017

TOWN OF WOODSBORO, TEXAS
SUPPLEMENTARY INFORMATION FOR RURAL DEVELOPMENT
COMPARATIVE SCHEDULE
WATER, SEWER AND SANITATION FUND
For the Years Ended July 31, 2017 and 2016

	2017	2016
Current assets	\$ 281,739	\$ 436,225
Long-term assets	<u>4,875,829</u>	<u>4,248,401</u>
 Total assets	 <u>5,157,568</u>	 <u>4,684,626</u>
 Current liabilities	 181,920	 130,695
Long-term liabilities	<u>1,225,611</u>	<u>975,000</u>
 Total liabilities	 <u>1,407,531</u>	 <u>1,105,695</u>
 Net position	 <u>\$ 3,750,037</u>	 <u>\$ 3,578,931</u>
 Operating income:		
Charges for water service	\$ 322,500	\$ 300,735
Charges for sewer service	254,411	263,181
Charges for sanitation service	171,815	162,939
Other operating income	<u>44,992</u>	<u>42,307</u>
 Total operating income	 <u>793,718</u>	 <u>769,162</u>
 Non operating income	 <u>3,902</u>	 <u>1,662</u>
 Gross revenue	 <u>797,620</u>	 <u>770,824</u>
 Depreciation	 168,775	 138,921
All other operating and maintenance expense (excluding interest)	<u>599,371</u>	<u>560,172</u>
 Total operating and maintenance expense	 <u>768,146</u>	 <u>699,093</u>
 Net from operations	 <u>\$ 29,474</u>	 <u>\$ 71,731</u>
 USDA debt service:		
Principal	\$ 14,000	\$ 12,000
Interest	24,478	25,151
Other debt service:		
Principal	42,684	37,574
Interest	<u>15,270</u>	<u>15,995</u>
 Total debt service	 <u>\$ 96,432</u>	 <u>\$ 90,720</u>

INDIVIDUAL GRANT INFORMATION

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2017

Hazard Mitigation Grant Program

Federal Grantor: U. S. Department of Homeland Security

Pass Through Grantor: Texas Department of Public Safety

Sub-Recipient: Woodsboro Independent School District

CFDA Number: 97.039

Contract Number: FEMA-DR-1791 Project #61

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

	Original Budget	Final Amended Budget	Prior Year	Current Year	Total
Revenue:					
Federal/State	\$ 1,485,278	\$ 2,038,164	\$ 1,831,784	\$ -	\$ 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, 2017

Operation Stonegarden Grant Program

Federal Grantor: Department of Homeland Security, Bureau of Customs and Border Protection

Pass Through Grantor: Texas Department of Public Safety

CFDA Number: 97.067

Grant Number: HS 3194201

Contract Period: June 1, 2016 to August 31, 2017

	Original Budget	Prior Year	Current Year	Total
Revenue:				
Federal/State	\$ 46,183	\$ -	\$ 21,217	\$ 21,217
<hr/>				
Total revenue	<u>46,183</u>	<u>-</u>	<u>21,217</u>	<u>21,217</u>
<hr/>				
Expenditures				
Federal/State				
Overtime amount	38,580	-	18,473	18,473
Fringe amount	5,015	-	2,402	2,402
Mileage amount	<u>2,588</u>	<u>-</u>	<u>342</u>	<u>342</u>
<hr/>				
Total expenditures	<u>46,183</u>	<u>-</u>	<u>21,217</u>	<u>21,217</u>
<hr/>				
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>