

TOWN OF WOODSBORO, TEXAS

FINANCIAL STATEMENTS

For the Year Ended July 31, 2018

TOWN OF WOODSBORO, TEXAS
FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

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INTRODUCTORY SECTION

TOWN OF WOODSBORO, TEXAS
LIST OF PRINCIPAL OFFICIALS
July 31, 2018

Mayor	Kay Roach
Mayor Pro-tem	(August 2017-May 2018) Richard Sanchez (May 2018-July 2018) Johnny Cisneros
Council Members	Tony Abila Freddie Arriaga (August 2017-May 2018) Johnny Cisneros Ralph Cisneros (May 2018-July 2018) Rosemary Vega
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	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

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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KEITH H. COX, CPA, CISA*
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STEPHANIE S. KOCH, CPA
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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, each major fund, and the aggregate remaining fund information of the Town of Woodsboro, Texas, as of and for the year ended July 31, 2018, 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, each major fund, and the aggregate remaining fund information of Town of Woodsboro, Texas, as of July 31, 2018, 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.

Change in Accounting Principle

As described in Note 12 to the financial statements, in 2018 the Town adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

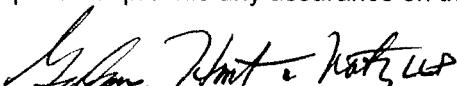
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Texas Municipal Retirement System (TMRS) information on pages 4-9 and 54-58 be presented to supplement the basic financial statements. 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, Other Supplementary Information 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 Other Supplementary Information and Individual Grant Information section have 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 them.



Goldman, Hunt & Notz, L.L.P.
November 6, 2018

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2018

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, 2018. 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, 2018

Financial Highlights

- The assets of Town of Woodsboro, Texas exceeded its liabilities at the close of the year ended July 31, 2018 by \$5,455,253. Of this amount, \$1,347,467 of unrestricted net assets is available to meet the Town's ongoing obligations to citizens and creditors.
- At July 31, 2018, the Town's governmental funds reported combined ending fund balances of \$1,015,871, of which \$287,889 is unassigned fund balance for the General Fund.
- At July 31, 2018, unassigned fund balance for the General Fund was \$287,889 or 43% of total General Fund expenditures.
- The total cost of all Town activities was \$1,696,122 for the year. Net revenue of all activities was (\$647,164).
- During the year, the Town's net expenses exceeded program revenues of the governmental activities by \$413,219.

Town as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Assets at July 31, 2018 and 2017 follows:

Town of Woodsboro, Texas
Components of Net Position
July 31, 2018
With Comparative Totals for July 31, 2017
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017		
Cash	\$ 947	\$ 1,303	\$ 23	\$ 122	\$ 970	\$ 1,425	\$ (455)	-31.9%
Restricted assets	34	32	722	809	756	841	(85)	-10.1%
Other assets	247	215	231	256	478	471	7	1.5%
Capital assets	472	528	3,848	3,971	4,320	4,499	(179)	-4.0%
Total assets	1,700	2,078	4,824	5,158	6,524	7,236	(712)	-9.8%
Deferred outflows of resources	2	15	1	15	3	30	(27)	-90.0%
Other liabilities	12	30	99	105	111	135	(24)	-17.8%
Long term debt	24	29	899	1,307	923	1,336	(413)	-30.9%
Total liabilities	36	59	998	1,412	1,034	1,471	(464)	-31.5%
Deferred inflows of resources	20	17	17	16	37	33	4	12.1%
Net investment in capital assets	455	504	2,953	2,668	3,408	3,172	236	7.4%
Restricted	33	32	667	756	700	788	(88)	-11.2%
Unrestricted	1,158	1,481	190	321	1,348	1,802	(454)	-25.2%
Total net position	\$ 1,646	\$ 2,017	\$ 3,810	\$ 3,745	\$ 5,456	\$ 5,762	\$ (306)	-5.3%

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2018

Financial Highlights (Continued)

During the year ended July 31, 2018, the net position of the Town decreased approximately \$306,000. Cash (unrestricted and restricted) decreased by \$540,000, inventory decreased by \$19,000 and other current assets increased by \$26,000. New asset purchases were \$128,000, \$66,000 in asset disposals and depreciation expense was \$241,000. Deferred outflows of resources decreased \$27,000. Accounts payable decreased \$12,000, accrued vacation decreased \$5,000 and other current liabilities decreased \$7,000. The Town made principal payments of \$413,000, which includes a payoff amount of \$362,000. Deferred inflows of resources increased \$4,000.

A condensed version of the Statement of Activities follows:

Town of Woodsboro, Texas
Condensed Statement of Activities
For the Year Ended July 31, 2018
With Comparative Totals for the Year Ended July 31, 2017
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017		
Revenues								
Program revenues								
Charges for services	\$ 277	\$ 429	\$ 750	\$ 794	\$ 1,027	\$ 1,223	\$ (196)	-16.0%
General revenues								
Taxes	440	411	-	-	440	411	29	7.1%
Interest	9	5	6	4	15	9	6	66.7%
Intergovernmental revenue	23	21	-	-	23	21	2	9.5%
Total revenues	749	866	756	798	1,505	1,664	(159)	-9.6%
Expenses								
General government	493	564	-	-	493	564	(71)	-12.6%
Public safety/municipal								
court	112	158	-	-	112	158	(46)	-29.1%
Streets	75	145	-	-	75	145	(70)	-48.3%
Animal control	22	21	-	-	22	21	1	4.8%
Recreation	10	7	-	-	10	7	3	42.9%
Water and sewer	-	-	816	645	816	645	171	26.5%
Sanitation	-	-	167	159	167	159	8	5.0%
Total expenses	712	895	983	804	1,695	1,699	(4)	-0.2%
Excess (deficiency) before non operating revenues, expenses, and transfers	37	(29)	(227)	(6)	(190)	(35)	(155)	442.9%
Non operating revenues	-	5	3	-	3	5	(2)	-40.0%
Non operating expenses	(22)	-	(97)	(11)	(119)	(11)	(108)	981.8%
Transfers	(386)	(15)	386	15	-	-	-	-
Change in net position	(371)	(39)	65	(2)	(306)	(41)	(265)	646.3%
Beginning net position	2,017	2,061	3,745	3,751	5,762	5,812	(50)	-0.9%
Impact of prior period adjustment	-	(5)	-	(4)	-	(9)	9	-100.0%
Ending net position	\$ 1,646	\$ 2,017	\$ 3,810	\$ 3,745	\$ 5,456	\$ 5,762	\$ (306)	-5.3%

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2018

Financial Highlights (Concluded)

Governmental Activities

Revenues

Revenues decreased by \$117,000. Ad valorem taxes increased \$4,000, sales taxes increased \$24,000 due to the Town being inundated with electric service personnel after Hurricane Harvey, franchise fees increased \$2,000, licenses, permits and fees decreased \$199,000 due to there being no remaining game rooms, intergovernmental revenue increased \$2,000, fines decreased \$53,000, and miscellaneous income increased \$103,000. The Town received \$66,000 in Hurricane Harvey donations.

Expenses

Expenses and other charges decreased approximately \$183,000. The only increase was parks by \$3,000. The largest decreases were streets by \$70,000 and general government by \$71,000. There also were decreases in municipal court of \$44,000 and public safety of \$1,000. The decrease in expenditures is due primarily to the General Fund transferring funds to the Water and Sewer Funds for Hurricane Harvey repairs to the water and wastewater treatment plants. This caused the Town a decrease in funds for other governmental expenditures.

Prior Period Adjustment – Change in Accounting Principle

Noncurrent liabilities were understated during 2017 by \$5,000. Net position as previously reported was \$2,022,000 for 2017. Net position as restated during 2018 is \$2,017,000 for 2017. Additional information on the prior period adjustment can be found in the notes to the financial statements.

Business-type Activities

Revenues

Program revenues decreased by \$42,000 due to the destruction made by Hurricane Harvey. Residents of the Town were without electricity for several days, thus decreasing program revenues. Other operating revenues remained about the same.

Expenses

Expenses increased by approximately \$179,000 primarily due to Hurricane Harvey repairs expended on the Town's assets.

Prior Period Adjustment – Change in Accounting Principle

Noncurrent liabilities were understated during 2017 by \$4,000. Net position as previously reported was \$3,749,000 for 2017. Net position as restated during 2018 is \$3,745,000 for 2017. Additional information on the prior period adjustment can be found in the notes to the financial statements.

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2018

Capital Assets

At July 31, 2018 the Town had \$4,320,000 invested in capital assets, including police, fire equipment, park and recreation facilities, buildings, roads, and water and sewer lines. This amount represents a net decrease (additions, deletions, and depreciation) of \$179,000 or less than 4.0% compared to last year, primarily due to the disposition of assets that were damaged by Hurricane Harvey.

Town of Woodsboro, Texas
Capital Assets
July 31, 2018
With Comparative Totals for July 31, 2017
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017		
	\$ 82	\$ 82	\$ -	\$ -	\$ 82	\$ 82	\$ -	0.0%
Land	228	224	-	-	228	224	4	1.8%
Buildings and improvements	541	611	5,750	5,719	6,291	6,330	(39)	-0.6%
Machinery and equipment	126	126	-	-	126	126	-	0.0%
Streets	977	1,043	5,750	5,719	6,727	6,762	(35)	-0.5%
Subtotal	(505)	(515)	(1,902)	(1,748)	(2,407)	(2,263)	(144)	6.4%
Accumulated depreciation	<u>\$ 472</u>	<u>\$ 528</u>	<u>\$ 3,848</u>	<u>\$ 3,971</u>	<u>\$ 4,320</u>	<u>\$ 4,499</u>	<u>\$ (179)</u>	<u>-4.0%</u>
Capital assets, net								

Additional information on the Town's capital assets 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, 2018. Actual revenues in the General Fund were lower than budgeted revenues by approximately \$12,000, primarily due to municipal court budgeted revenues being lower than actual. Actual General Fund expenditures were lower than budgeted amounts by approximately \$194,000.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2018

Debt Administration

At year-end, the Town had \$923,000 in Long-Term Debt and Certificates of Obligation outstanding versus \$1,336,000 in Certificates of Obligation last year. The Town paid-off a \$362,000 long-term debt obligation and also paid \$51,000 in principal reductions for other long-term debt and Certificates of Obligation debt.

Town of Woodsboro, Texas
Debt Outstanding
July 31, 2018
With Comparative Totals for July 31, 2017
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017	July 31, 2018	July 31, 2017		
Long-term debt	\$ 24	\$ 29	\$ 12	\$ 376	\$ 36	\$ 405	\$ (369)	-91.1%
Certificates of Obligation	-	-	887	931	887	931	(44)	-4.7%
Total	\$ 24	\$ 29	\$ 899	\$ 1,307	\$ 923	\$ 1,336	\$ (413)	-30.9%

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 2017/2018 rate of 0.8397/\$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 make needed repairs for damages sustained by Hurricane Harvey.
- Will continue to fund the street maintenance/improvement fund account funded by various sources.
- The budget for the fiscal year ending July 31, 2019 will be as follows:

FUND	REVENUE	EXPENDITURE/ EXPENSES
General Fund	\$849,995	\$849,995
Enterprise Fund - Water	\$560,000	\$560,000
Enterprise Fund - Sewer	\$296,300	\$296,300
Enterprise Fund - Sanitation	\$202,060	\$202,060

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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 946,636	\$ 22,529	\$ 969,165
Receivables			
Sales tax	7,876	-	7,876
Service accounts	-	92,446	92,446
Franchise tax	10,482	-	10,482
Ad valorem taxes	63,345	-	63,345
Other	7,337	-	7,337
Prepaid expenses	16,051	-	16,051
Inventory	4,400	25,556	29,956
Restricted cash	33,081	722,175	755,256
Net pension asset	137,634	112,610	250,244
Capital assets			
Property, plant and equipment	977,640	5,750,020	6,727,660
Less: accumulated depreciation	(504,694)	(1,902,002)	(2,406,696)
Total assets	<u>1,699,788</u>	<u>4,823,334</u>	<u>6,523,122</u>
DEFERRED OUTFLOWS OF RESOURCES			
Difference in assumptions - net pension	1,252	1,024	2,276
Difference in assumptions - OPEB	438	359	797
Total deferred outflows of resources	<u>1,690</u>	<u>1,383</u>	<u>3,073</u>
LIABILITIES			
Accounts payable	6,896	23,675	30,571
Accrued interest	-	16,740	16,740
Accrued vacation	4,793	2,645	7,438
Customer deposits payable	-	55,623	55,623
Noncurrent liabilities:			
Other post employment benefits obligation	6,032	4,935	10,967
Note payable - due within one year	5,887	2,297	8,184
Bonds payable - due within one year	-	45,000	45,000
Note payable - due in more than one year	12,436	5,191	17,627
Bonds payable - due in more than one year	-	842,000	842,000
Total liabilities	<u>36,044</u>	<u>998,106</u>	<u>1,034,150</u>
DEFERRED INFLOWS OF RESOURCES			
Difference in projected and actual earnings on pension plan assets	9,246	8,991	18,237
Difference in expected and actual experience	10,990	7,565	18,555
Total deferred inflows of resources	<u>20,236</u>	<u>16,556</u>	<u>36,792</u>
NET POSITION			
Net investment in capital assets	454,623	2,953,530	3,408,153
Restricted for:			
Law enforcement	13,930	-	13,930
Municipal court building security	9,377	-	9,377
Municipal court technology fund	9,774	-	9,774
Debt service	-	162,117	162,117
Utility replacement	-	504,435	504,435
Unrestricted	<u>1,157,494</u>	<u>189,973</u>	<u>1,347,467</u>
Total net position	<u><u>\$ 1,645,198</u></u>	<u><u>\$ 3,810,055</u></u>	<u><u>\$ 5,455,253</u></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, 2018

Functions/Programs Primary Government	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services		Capital Grants and Contributions	Governmental Activities		Primary Government Business-type Activities
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Governmental activities:						
General government	\$ 493,535	\$ 113,396	\$ 22,903	\$ (357,236)	\$ -	\$ (357,236)
Public safety/municipal court	112,390	162,641	-	50,251	-	50,251
Streets	74,652	-	-	(74,652)	-	(74,652)
Animal control	21,561	-	-	(21,561)	-	(21,561)
Recreation	10,021	-	-	(10,021)	-	(10,021)
Total governmental activities	712,159	276,037	22,903	(413,219)	-	(413,219)
Business-type activities:						
Water and sewer	816,883	581,293	-	-	(235,590)	(235,590)
Sanitation	167,080	168,725	-	-	1,645	1,645
Total business-type activities	983,963	750,018	-	-	(233,945)	(233,945)
Total primary government	\$ 1,696,122	\$ 1,026,055	\$ 22,903	(413,219)	(233,945)	(647,164)
General revenues:						
Taxes:						
Property taxes, levied for general purposes	285,193	-	-	-	285,193	
Franchise taxes	59,043	-	-	-	59,043	
Sales taxes	96,372	-	-	-	96,372	
Transfers in/(out)	(385,813)	385,813	-	-	-	
Interest income	9,345	6,249	-	-	15,594	
Interest expense	(1,192)	(49,552)	-	-	(50,744)	
Loss on asset disposal	(20,017)	(45,625)	-	-	(65,642)	
Increase/(decrease) in OPEB liability	(984)	(805)	-	-	(1,789)	
Increase/(decrease) in net pension asset	(1,302)	2,626	-	-	1,324	
Total general revenues and transfers	40,645	298,706	-	-	339,351	
Change in net position	(372,574)	64,761	-	-	(307,813)	
Net position - beginning, as restated	2,017,772	3,745,294	-	-	5,763,066	
Net position - ending	\$ 1,645,198	\$ 3,810,055	\$ 3,810,055	\$ 3,810,055	\$ 5,455,253	\$ 5,455,253

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, 2018

	General Fund	Police Department Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash - unrestricted	\$ 946,636	\$ -	\$ -	\$ 946,636
Receivables:				
Sales tax	7,876	-	-	7,876
Franchise tax	10,482	-	-	10,482
Ad valorem taxes	63,345	-	-	63,345
Other	7,337	-	-	7,337
Restricted cash	-	13,930	19,151	33,081
Prepaid expenses	16,051	-	-	16,051
Inventory	4,400	-	-	4,400
Total assets	<u>\$ 1,056,127</u>	<u>\$ 13,930</u>	<u>\$ 19,151</u>	<u>\$ 1,089,208</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,896	\$ -	\$ -	\$ 6,896
Accrued vacation	4,793	-	-	4,793
Total liabilities	<u>11,689</u>	<u>-</u>	<u>-</u>	<u>11,689</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	61,648	-	-	61,648
Total deferred inflows of resources	<u>61,648</u>	<u>-</u>	<u>-</u>	<u>61,648</u>
Fund balances:				
Non-spendable	20,451	-	-	20,451
Restricted		13,930	19,151	33,081
Committed	674,450	-	-	674,450
Unassigned	287,889	-	-	287,889
Total fund balances	<u>982,790</u>	<u>13,930</u>	<u>19,151</u>	<u>1,015,871</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,056,127</u>	<u>\$ 13,930</u>	<u>\$ 19,151</u>	<u>\$ 1,089,208</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, 2018

Total governmental fund balances (page 12)	\$ 1,015,871
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.	472,946
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	137,634
Deferred outflows related to pensions:	
Difference in assumptions	1,252
Deferred outflows related to OPEB:	
Difference in assumptions	438
Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	61,648
Deferred inflows related to pensions:	
Difference in projected and actual earnings on pension plan assets	(9,246)
Difference in expected and actual experience	(10,990)
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:	
Other post employment benefits obligation	(6,032)
Long-term debt	<u>(18,323)</u>
Net position of governmental activities	<u><u>\$ 1,645,198</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, 2018

	General Fund	Police Department Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Ad valorem taxes, penalty and interest	\$ 281,614	\$ -	\$ -	\$ 281,614
City sales tax	96,372	-	-	96,372
Franchise taxes	59,043	-	-	59,043
Licenses, permits and fees	4,476	-	-	4,476
Fines	162,641	-	-	162,641
Rent income	3,540	-	-	3,540
Interest income	9,124	106	115	9,345
Intergovernmental - grant revenue	22,903	-	-	22,903
Donations	64,016	-	-	64,016
Miscellaneous	37,893	-	3,471	41,364
Total revenues	741,622	106	3,586	745,314
EXPENDITURES				
Current:				
General government	478,520	-	-	478,520
Public safety	57,813	2,615	-	60,428
Streets	52,352	-	-	52,352
Animal control	21,561	-	-	21,561
Municipal court	33,974	-	-	33,974
Parks	8,674	-	-	8,674
Capital outlay	21,756	-	-	21,756
Total expenditures	674,650	2,615	-	677,265
Excess (deficiency) of revenues over (under) expenditures	66,972	(2,509)	3,586	68,049
OTHER FINANCING SOURCES (USES)				
Principal payment on loan	(5,936)	-	-	(5,936)
Interest expense	(1,192)	-	-	(1,192)
Transfers in	11,659	-	-	11,659
Transfers out	(397,472)	-	-	(397,472)
Total other financing sources (uses)	(392,941)	-	-	(392,941)
Net change in fund balances	(325,969)	(2,509)	3,586	(324,892)
Fund balances - beginning, as restated	1,308,759	-	15,565	1,324,324
Fund balances - beginning	-	16,439	-	16,439
Fund balances - ending	\$ 982,790	\$ 13,930	\$ 19,151	\$ 1,015,871

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, 2018

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

Net change in fund balances - total governmental funds (page 14)	\$ (324,892)
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.	21,756
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.	(56,650)
The net effect of capital asset disposition is to decrease net assets.	(20,017)
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.	3,579
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.	(2,286)
Principal payments on long-term debt are recorded as expenses in the governmental funds.	5,936
Change in net assets of governmental activities	<u>\$ (372,574)</u>

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

TOWN OF WOODSBORO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
July 31, 2018

	Business-type Activities - Enterprise Fund	
	Water, Sewer and Sanitation Fund	Total Enterprise Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 22,529	\$ 22,529
Accounts receivable - customers	92,446	92,446
Inventory	25,556	25,556
Total current assets	<u>140,531</u>	<u>140,531</u>
Restricted assets		
Cash and cash equivalents	722,175	722,175
Total restricted assets	<u>722,175</u>	<u>722,175</u>
Noncurrent assets		
Capital assets		
Property, plant and equipment	5,750,020	5,750,020
Less: accumulated depreciation	(1,902,002)	(1,902,002)
Total capital assets, net of accumulated depreciation	<u>3,848,018</u>	<u>3,848,018</u>
Net pension asset	112,610	112,610
Total noncurrent assets	<u>3,960,628</u>	<u>3,960,628</u>
Total assets	<u>4,823,334</u>	<u>4,823,334</u>
DEFERRED OUTFLOWS OF RESOURCES		
Difference in assumptions - net pension	1,024	1,024
Difference in assumptions - OPEB	359	359
Total deferred outflows of resources	<u>1,383</u>	<u>1,383</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, 2018

	Business-type Activities - Enterprise Fund	
	Water, Sewer and Sanitation Fund	Total Enterprise Fund
LIABILITIES		
Current liabilities		
Accounts payable	23,675	23,675
Accrued interest	16,740	16,740
Accrued vacation	2,645	2,645
Customer deposits payable	55,623	55,623
Note payable - current portion	2,297	2,297
Bonds payable - current portion	45,000	45,000
Total current liabilities	<u>145,980</u>	<u>145,980</u>
Noncurrent liabilities		
Other post employment benefits obligation	4,935	4,935
Note payable	5,191	5,191
Bonds payable	<u>842,000</u>	<u>842,000</u>
Total noncurrent liabilities	<u>852,126</u>	<u>852,126</u>
Total liabilities	<u>998,106</u>	<u>998,106</u>
DEFERRED INFLOWS OF RESOURCES		
Difference in projected and actual earnings on pension plan assets	8,991	8,991
Difference in expected and actual experience	<u>7,565</u>	<u>7,565</u>
Total deferred inflows of resources	<u>16,556</u>	<u>16,556</u>
NET POSITION		
Invested in capital assets, net of related debt	2,953,530	2,953,530
Restricted for debt service	162,117	162,117
Restricted for utility replacement	504,435	504,435
Unrestricted	<u>189,973</u>	<u>189,973</u>
Total net position	<u>\$ 3,810,055</u>	<u>\$ 3,810,055</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, 2018

	Business-type Activities - Enterprise Fund		
	Water, Sewer, and Sanitation Fund	Total	Enterprise Fund
OPERATING REVENUES			
Charges for services:			
Water sales	\$ 314,916	\$ 314,916	314,916
Sewer	229,325	229,325	229,325
Sanitation	168,725	168,725	168,725
Late charges	22,674	22,674	22,674
Reconnect fees	5,295	5,295	5,295
Transfer and other fees	8,160	8,160	8,160
Miscellaneous	923	923	923
Total operating revenues	<u>750,018</u>	<u>750,018</u>	<u>750,018</u>
OPERATING EXPENSES			
Salaries	264,273	264,273	264,273
Sanitation charges	167,080	167,080	167,080
Repairs and maintenance	101,971	101,971	101,971
Materials, asphalt and caliche	39,905	39,905	39,905
Truck expenses	10,819	10,819	10,819
Sewer plant	23,932	23,932	23,932
Postage, office supplies and fees	40,300	40,300	40,300
Professional fees	24,450	24,450	24,450
Insurance	66,035	66,035	66,035
Utilities and telephone	34,193	34,193	34,193
Uniforms	4,538	4,538	4,538
Payroll taxes	20,414	20,414	20,414
Depreciation	184,400	184,400	184,400
Retirement	1,653	1,653	1,653
Total operating expenses	<u>983,963</u>	<u>983,963</u>	<u>983,963</u>
Operating income	<u>(233,945)</u>	<u>(233,945)</u>	<u>(233,945)</u>
NON OPERATING REVENUES (EXPENSES)			
Interest income	6,249	6,249	6,249
Increase in net pension asset	2,626	2,626	2,626
Increase in other post employment benefits obligation	(805)	(805)	(805)
Loss on sale of asset	(45,625)	(45,625)	(45,625)
Interest expense	(49,552)	(49,552)	(49,552)
Total non operating revenues (expenses)	<u>(87,107)</u>	<u>(87,107)</u>	<u>(87,107)</u>
Income (loss) before transfers	(321,052)	(321,052)	(321,052)
Transfers in	397,472	397,472	397,472
Transfers out	(11,659)	(11,659)	(11,659)
Change in net position	<u>64,761</u>	<u>64,761</u>	<u>64,761</u>
Net position, beginning, as restated	<u>3,745,294</u>	<u>3,745,294</u>	<u>3,745,294</u>
Net position, ending	<u>\$ 3,810,055</u>	<u>\$ 3,810,055</u>	<u>\$ 3,810,055</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 765,174
Cash paid to suppliers for goods and services	(510,066)
Cash paid to employees for services	<u>(268,502)</u>
Net cash provided (used) by operating activities	<u>(13,394)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer from other funds	397,472
Transfer to other funds	<u>(11,659)</u>
Net cash provided (used) by noncapital financing activities	<u>385,813</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING

ACTIVITIES

Purchase of fixed assets	(107,120)
Principal payments on note payable	(364,294)
Principal payments on USDA Series 2000, 2000A and 2008	
Certificates of Obligation	(44,000)
Interest paid	<u>(49,552)</u>
Net cash provided (used) by capital and related financing activities	<u>(564,966)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>6,249</u>
Net cash provided (used) by investing activities	<u>6,249</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(186,298)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>931,002</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 744,704</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, 2018**

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

Operating income	<u>\$ (233,945)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	184,400
(Increase) decrease in accounts receivable	17,187
Increase (decrease) in allowance account	(2,031)
(Increase) decrease in due from other fund	9,466
(Increase) decrease in inventory	17,595
Increase (decrease) in accounts payable	(5,549)
Increase (decrease) in accrued interest payable	(737)
Increase (decrease) in accrued vacation payable	(2,576)
Increase (decrease) in accrued liabilities	377
Increase (decrease) in meter deposits payable	<u>2,419</u>
Total adjustments	<u>220,551</u>
Net cash provided (used) by operating activities	<u>\$ (13,394)</u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Cash and cash equivalents	<u>\$ 22,529</u>
Restricted cash and cash equivalents	<u>722,175</u>
Total cash and cash equivalents	<u>\$ 744,704</u>

TOWN OF WOODSBORO, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
SPECIAL AGENCY FUND
July 31, 2018

	Special Agency Fund	Total
ASSETS		
Cash - veteran's purple heart	\$ 758	\$ 758
Total assets	\$ 758	\$ 758
LIABILITIES		
Due to others	\$ (758)	\$ (758)
Total liabilities	\$ (758)	\$ (758)

**TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018**

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, 2018

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 and non-major funds aggregated. 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 Funds

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, 2018

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. Fiduciary Fund

Special Agency Fund

Agency funds are one of four types of fiduciary fund. Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

E. 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.

F. 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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

H. Restricted Resources

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

I. 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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

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, 2018, the Town levied an ad valorem tax for maintenance and operations at a rate of .7603 per \$100 of assessed value. A total tax levy of \$282,377 resulted, based on a net taxable valuation of \$37,140,210 for the 2017 tax year.

K. 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

L. Excess of Expenditures over Revenues in Governmental Funds

An excess of \$2,509 of expenditures over revenues occurred in the Police Department Fund in the year ended July 31, 2018.

M. 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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

N. 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.

O. 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 two items that qualify for reporting in this category. One is related to the deferred future pension expense related to the net pension liability and the other is related to the deferred future OPEB expense related to the total OPEB liability. Deferred future pension expense results from the difference in projected and actual experience on pension plan investments, difference in expected and actual experience, difference in assumption changes, and pension contributions remitted after the measurement date. Deferred future OPEB expense results from the difference in expected and actual experience, difference in assumption changes, and OPEB 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 Town has two items that qualify for reporting in this category. One is related to the deferred future pension expense related to the net pension liability and the other is related to unearned revenue. Deferred future pension income results from the difference in projected and actual experience on pension plan investments, difference in expected and actual experience and difference in assumption changes. The second type 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 one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

P. Pensions

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

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

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, 2018. As of July 31, 2018, the carrying amount of the Town's deposits was \$1,724,581, and the bank balance was \$1,820,638. 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.

Investment Risks

As the Town does not have investments, it is not exposed to Credit Risk, Concentration of Credit Risk, or Interest Rate Risk.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

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	223,696	13,861	(9,240)	228,317
Machinery and equipment	610,562	7,894	(77,602)	540,854
Streets	126,128	-	-	126,128
Total other capital assets at historical cost	<u>960,386</u>	<u>21,755</u>	<u>(86,842)</u>	<u>895,299</u>
Less accumulated depreciation for:				
Buildings and improvements	(52,010)	(4,441)	257	(56,194)
Machinery and equipment	(405,800)	(44,337)	66,568	(383,569)
Streets	(57,059)	(7,872)	-	(64,931)
Total accumulated depreciation	<u>(514,869)</u>	<u>(56,650)</u>	<u>66,825</u>	<u>(504,694)</u>
Other capital assets, net	445,517	(34,895)	(20,017)	390,605
Governmental activities capital assets, net	<u>\$ 527,858</u>	<u>\$ (34,895)</u>	<u>\$ (20,017)</u>	<u>\$ 472,946</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other capital assets				
Buildings and improvements	-	-	-	-
Machinery and equipment	5,718,520	107,120	(75,620)	5,750,020
Total other capital assets at historical cost	<u>5,718,520</u>	<u>107,120</u>	<u>(75,620)</u>	<u>5,750,020</u>
Less accumulated depreciation for:				
Buildings and improvements	-	-	-	-
Machinery and equipment	(1,747,597)	(184,400)	29,995	(1,902,002)
Total accumulated depreciation	<u>(1,747,597)</u>	<u>(184,400)</u>	<u>29,995</u>	<u>(1,902,002)</u>
Other capital assets, net	3,970,923	(77,280)	(45,625)	3,848,018
Business-type activities capital assets, net	<u>\$ 3,970,923</u>	<u>\$ (77,280)</u>	<u>\$ (45,625)</u>	<u>\$ 3,848,018</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 3: CHANGES IN CAPITAL ASSETS (Concluded)

Depreciation expense was charged to functions as follows:

	<u>Amount</u>
Governmental activities	
General government	\$ 15,015
Public safety	17,988
Streets	22,300
Parks	1,347
Total governmental activities depreciation expense	<u>\$ 56,650</u>
Business-type activities	
Water and sewer	\$ 184,400
Total business-type activities depreciation expense	<u>\$ 184,400</u>

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. 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
Town street damage assessment	6,925,000
Other Town buildings and facilities damage assessment	1,080,000
Engineering and special services	760,000
Total damage assessment costs	<u>\$ 11,172,000</u>

The Town is in the process of making needed repairs and the Town's water and wastewater facilities are operational. Impairment losses have not been recognized for fiscal year ended July 31, 2018 due to fully damaged assets having been replaced and substantial repairs to major facilities have been performed.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 4: LONG-TERM DEBT

A. Changes in Long-Term Liabilities

Long-term liability activity for the year ended July 31, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Long-term debt - equipment	\$ 24,259	\$ -	\$ (5,936)	\$ 18,323	\$ 5,887
OPEB liability	4,611	1,421	-	6,032	-
Total governmental activities	28,870	1,421	(5,936)	24,355	5,887
Business-type activities					
Long-term debt - equipment	362,316	-	(362,316)	-	-
Long-term debt - equipment	9,466	-	(1,978)	7,488	2,297
OPEB liability	3,771	1,164	-	4,935	-
Certificates of Obligation:					
Series 2000	439,000	-	(11,000)	428,000	12,000
Series 2000A	107,000	-	(3,000)	104,000	3,000
Series 2008	385,000	-	(30,000)	355,000	30,000
Total business-type activities	1,306,553	1,164	(408,294)	899,423	47,297
Total long-term liabilities	\$ 1,335,423	\$ 2,585	\$ (414,230)	\$ 923,778	\$ 53,184

The interest paid for business-type activities was \$49,552 for bonds and equipment loan debt for the year ended July 31, 2018 and is charged to interest expense in the water, sewer and sanitation funds. The interest paid for governmental activities was \$1,192 for equipment loan debt for the year ended July 31, 2018.

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, 2018, the remaining annual payments are as follows:

Year Ended July 31,	Loan Principal	Interest	Total Requirements
2019	\$ 5,887	\$ 950	\$ 6,837
2020	6,188	649	6,837
2021	6,248	333	6,581
	\$ 18,323	\$ 1,932	\$ 20,255

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 4: LONG-TERM DEBT (Continued)

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 proprietary fund and \$24,259 obligated from the governmental fund.

As of July 31, 2018, the remaining annual payments are as follows:

<u>Year Ended July 31,</u>	<u>Loan Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 2,297	\$ 371	\$ 2,668
2020	2,415	253	2,668
2021	2,776	130	2,906
	<u>\$ 7,488</u>	<u>\$ 754</u>	<u>\$ 8,242</u>

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.

On March 22, 2018, this debt was paid in full.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 4: LONG-TERM DEBT (Continued)

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.

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, 2018

NOTE 4: LONG-TERM DEBT (Continued)

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

As of July 31, 2018, 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>
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>\$ 428,000</u>	<u>\$ 255,195</u>	<u>\$ 683,195</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

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>
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>\$ 104,000</u>	<u>\$ 62,100</u>	<u>\$ 166,100</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

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>
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>\$ 355,000</u>	<u>\$ 78,672</u>	<u>\$ 433,672</u>

The Town is in compliance with all debt covenants of the USDA and TWDB Certificates of Obligations at July 31, 2018.

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>
2019	\$ 53,184	\$ 38,671	\$ 91,855
2020	53,603	36,572	90,175
2021	60,024	34,408	94,432
2022	51,000	31,965	82,965
2023	52,000	29,950	81,950
2024-2028	291,000	115,802	406,802
2029-2033	124,000	68,580	192,580
2034-2038	156,000	37,800	193,800
2039-2040	72,000	4,905	76,905
	<u>\$ 912,811</u>	<u>\$ 398,653</u>	<u>\$ 1,311,464</u>

F. Other Post Employment Benefits Obligation

The other post employment benefits obligation represents a liability for the amount of the actuarially required contribution for the retiree portion of the supplemental death benefits in excess of the actual contributions made.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 5: PENSION PLAN

A. Plan Description

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

All eligible employees of the 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 2017
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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	6
Active employees	12
Total	20

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

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 2018. The contribution rates for the Town were 0.32% and 0.66% in calendar years 2017 and 2018, respectively. The Town's contributions to TMRS for the year ended 2018 were \$2,559.

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, 2017 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the Town, rates are multiplied by a factor of 85.0%. 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, 2018

NOTE 5: PENSION PLAN (Continued)

D. Net Pension Liability (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS 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 in fiscal year 2018 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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
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, 2018

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 12/31/2016	<u>\$ 449,702</u>	<u>\$ 666,574</u>	<u>\$ (216,872)</u>
Changes for the year:			
Service cost	46,271	-	46,271
Interest	31,448	-	31,448
Difference between expected and actual experience	9,501	-	9,501
Changes in assumptions	-	-	-
Contributions - employer	-	1,726	(1,726)
Contributions - employee	-	26,965	(26,965)
Net investment income	-	92,405	(92,405)
Benefit payments, including refunds of employee contributions	(13,887)	(13,887)	-
Administrative expense	-	(479)	479
Other changes	-	(25)	25
Net changes	<u>73,333</u>	<u>106,705</u>	<u>(33,372)</u>
Balance at 12/31/2017	<u>\$ 523,035</u>	<u>\$ 773,279</u>	<u>\$ (250,244)</u>

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)	\$(168,371)	\$(250,244)	\$(317,068)

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, 2018

NOTE 5: PENSION PLAN (Concluded)

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

For the year ended July 31, 2018, the Town recognized pension expense of \$399.

At July 31, 2018, 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		\$18,555
Changes in actuarial assumptions	\$ 2,276	
Difference between projected and actual investment earnings		\$18,237
Contributions subsequent to the measurement date December 31, 2017	\$ 0	\$ 0
Total	\$ 2,276	\$36,792

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, 2018 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
2018	\$ (5,862)
2019	(7,348)
2020	(14,184)
2021	(8,380)
2022	1,258
Thereafter	0
Total	\$ (34,516)

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Town also participates in the TMRS' administered defined benefit group-term life insurance plan 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.

B. Benefits

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

Employees covered by benefit terms

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

Inactive employees currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	12
Total	13

C. Contributions

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 retiree term life insurance during employees' entire careers.

The Town's contributions to the TMRS SDBF for the fiscal year ended 2018 were \$646, which equaled the required contributions each year.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

D. Total OPEB Liability

The Town's total OPEB liability of \$10,967 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.31%
Retirees' share of benefit-related costs	\$0

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

Salary increases were based on a graduated service-based scale. Mortality rates for service retirees 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 retirees, 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.

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

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

E. Changes in the Total OPEB Liability

Balance at 12/31/2016	\$ 8,381
Changes for the year:	
Service cost	1,402
Interest on total OPEB liability	342
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions and other inputs	896
Benefit payments	(54)
Administrative expense	-
Other changes	-
Net changes	<u>2,586</u>
Balance at 12/31/2017	<u>\$ 10,967</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.78 percent as of December 31, 2016 to 3.31 percent as of December 31, 2017.

Sensitivity of the total OPEB Liability to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase in Discount Rate (4.31%)
Total OPEB liability	\$13,326	\$10,967	\$9,130

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

For the year ended July 31, 2018, the Town recognized OPEB expense of \$1,843.

At July 31, 2018, 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	\$ 0	\$ 0
Changes in assumptions and other inputs		\$797
Contributions made subsequent to measurement date	N/A	\$ 0
Total (excluding contributions made subsequent to measurement date)	\$ 0	\$797

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Concluded)

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will not be recognized as a reduction of the total OPEB liability for the year ending July 31, 2018 due to immateriality. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Net deferred outflows (inflows) of resources
2018	\$ 99
2019	99
2020	99
2021	99
2022	99
Thereafter	302
Total	\$797

NOTE 7: 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." There were no interfund assets/liabilities for the year ended July 31, 2018.

NOTE 8: 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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 8: SPECIAL REVENUE FUND - CONFISCATED FUNDS (Concluded)

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

This agreement will apply to money or property seized and forfeited to 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 9: 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, 2018 are as follows:

Fund	Transfers In	Transfers Out
General	\$ 11,659	\$ (397,472)
Enterprise	397,472	(11,659)
Total transfers	<u>\$ 409,131</u>	<u>\$ (409,131)</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, 2018

NOTE 10: 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.

During fiscal year ended July 31, 2017, the Town became a defendant in a lawsuit arising in the normal course of business. The Plaintiff is seeking monetary damages in a significant amount. As of July 31, 2018, there have been no further developments in the lawsuit and in the opinion of Counsel, based on current facts, the Plaintiff will not prevail.

NOTE 11: FUND BALANCES

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

• Amount reported in non-spendable form - inventory:	\$ 4,400
• Amount not in cash form - prepaid expenses:	\$16,051

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

Committed Purpose	Amount	Action
Future Town Hall	\$ 328,916	Town Council action
Street maintenance	\$ 197,457	Town Council action
Dodson Field	\$ 91,981	Town Council action
Drainage	\$ 20,136	Town Council action
Parks	\$ 30,387	Town Council action
Dump truck	\$ 5,573	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, 2018

NOTE 11: 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:

	<u>General Fund</u>	<u>Police Department Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES:				
Non-spendable:				
Inventory	\$ 4,400	\$ -	\$ -	\$ 4,400
Prepaid expenses	16,051	-	-	16,051
Restricted for:				
Law enforcement purposes	-	13,930	-	13,930
Municipal court building security	-	-	9,377	9,377
Municipal court technical fund	-	-	9,774	9,774
Committed to:				
Future Town hall	328,916	-	-	328,916
Street maintenance	197,457	-	-	197,457
Dodson field	91,981	-	-	91,981
Drainage	20,136	-	-	20,136
Parks	30,387	-	-	30,387
Dump truck	5,573	-	-	5,573
Unassigned	287,889	-	-	287,889
Total fund balances	<u>\$ 982,790</u>	<u>\$ 13,930</u>	<u>\$ 19,151</u>	<u>\$ 1,015,871</u>

NOTE 12: CHANGE IN ACCOUNTING PRINCIPLE

Effective August 1, 2017, the Town implemented *Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement requires the reporting of other post employment benefits (OPEB) obligation, OPEB expense, and related deferred inflows and outflows of resources associated with providing OPEB benefits to active and inactive employees in the financial statements. As a result of implementing GASB Statement No. 75 during the fiscal year ended July 31, 2018, the net positions of the Town's governmental and business-type activities have been restated to reflect the change in accounting principle. The impact of this restatement on net position is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net position, July 31, 2017, as previously stated	\$ 2,022,384	\$ 3,749,065	\$ 5,771,449
Restatement of net position - adoption of GASB Statement No. 75	(4,612)	(3,771)	(8,383)
Net position, July 31, 2017, as restated	<u>\$ 2,017,772</u>	<u>\$ 3,745,294</u>	<u>\$ 5,763,066</u>

The restatement had no effect on governmental fund balance.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2018

NOTE 13: RESTATEMENT OF BEGINNING BALANCES

During the current year, it was determined that activities relating to the Municipal Court Building Security Fund and the Municipal Court Technology Fund should have been excluded from the fund financial balance sheet and the fund financial statement of revenues, expenditures, and changes in fund balances for the governmental funds for fiscal year ended July 31, 2017, as per *Governmental Accounting Standards Board (GASB) Statement No. 34, Major Fund Determination*. To correct this error, 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, 2017, as previously stated	\$ 1,324,324
Restatement of fund balance -	
Municipal court building security fund	(7,832)
Municipal court technology fund	<u>(7,733)</u>
Fund balance, July 31, 2017, as restated	<u><u>\$ 1,308,759</u></u>

NOTE 14: SUBSEQUENT EVENTS

On August 31, 2018, the Town received \$172,000 from Rebuild Texas Fund on behalf of the OneStar Foundation and the Michael & Susan Dell Foundation to help with repairs due to Hurricane Harvey. The Town is anticipating the construction of a temporary fire station until the permanent fire station is built, which then the building will be used to house machinery and equipment.

On August 20, 2018 The Town entered into a five-year \$189,254 debt agreement with Government Leasing Corporation for the purchase of a lift, roller, track loader, mower, trailer, mini excavator, and related equipment.

Community Development Block Grant – Disaster Recovery funds in the amount of \$1,245,322 to help with repairs due to Hurricane Harvey have been awarded to the Town, subject to approval from the Texas General Land Office. The Town is anticipating the reconstruction of the old lift station. As of the date of the audit report, the Town has not received funds from this program.

The Town has been awarded to participate in The Federal Emergency Management Agency's (FEMA) reimbursement program – Community Disaster Loan Program for a maximum amount of \$396,920. As of the date of the audit report, the Town has not expended any funds that would be eligible to be reimbursed from this program.

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through November 6, 2018, the date the financial statements were available to be issued.

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, 2018

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes:			
Property taxes	\$ 272,000	\$ 281,614	\$ 9,614
Sales tax revenue	90,000	96,372	6,372
Franchise fees	60,100	59,043	(1,057)
Municipal court	270,000	162,641	(107,359)
Intergovernmental - grant revenue	-	22,903	22,903
Animal control	350	370	20
Christmas in the Square	800	590	(210)
Permits and licenses	1,200	4,106	2,906
Rent income	3,600	3,540	(60)
Interest income	4,800	9,124	4,324
Donations	-	64,016	64,016
Miscellaneous	50,800	37,303	(13,497)
Total revenues	<u>753,650</u>	<u>741,622</u>	<u>(12,028)</u>
EXPENDITURES			
Salaries	290,690	295,568	4,878
Insurance	59,938	56,584	(3,354)
Vehicle services	25,200	21,919	(3,281)
Town Square	42,200	6,663	(35,537)
Street materials	64,400	19,141	(45,259)
Supplies	18,900	16,262	(2,638)
Rent	3,000	3,000	-
Utilities	32,500	33,211	711
Training	6,150	4,245	(1,905)
Professional fees	15,000	25,631	10,631
Capital outlay	-	21,756	21,756
Municipal court	95,846	33,974	(61,872)
Animal control	21,302	21,561	259
Fire protection	30,000	30,000	-
Miscellaneous expense	163,773	85,135	(78,638)
Total expenditures	<u>868,899</u>	<u>674,650</u>	<u>(194,249)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (115,249)</u>	<u>66,972</u>	<u>\$ (206,277)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		11,659	
Transfers out		(397,472)	
Principal payment on loan		(5,936)	
Interest expense		(1,192)	
Total other financing sources (uses)		<u>(392,941)</u>	
Net change in fund balances		(325,969)	
Fund balances - beginning, as restated		1,308,759	
Fund balances - ending	<u>\$ 982,790</u>		

TOWN OF WOODSBORO, TEXAS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended July 31, 2018

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, 2018

	2014	2015	2016	2017
Total pension liability				
Service cost	\$ 28,152	\$ 38,084	\$ 39,754	\$ 46,271
Interest (on the total pension liability)	26,117	24,744	27,898	31,448
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(58,879)	3,564	(3,254)	9,501
Change of assumptions	-	4,814	-	-
Benefit payments, including refunds of employee contributions	<u>(31,727)</u>	<u>(8,221)</u>	<u>(16,237)</u>	<u>(13,887)</u>
Net change in total pension liability	(36,337)	62,985	48,161	73,333
Total pension liability - beginning	374,893	338,556	401,541	449,702
Total pension liability - ending (a)	<u>\$ 338,556</u>	<u>\$ 401,541</u>	<u>\$ 449,702</u>	<u>\$ 523,035</u>
Plan fiduciary net position				
Contributions - employer	\$ 3,673	\$ 928	\$ -	\$ 1,726
Contributions - employee	18,084	23,194	23,357	26,965
Net investment income	33,129	888	41,782	92,405
Benefit payments, including refunds of employee contributions	<u>(31,727)</u>	<u>(8,221)</u>	<u>(16,237)</u>	<u>(13,887)</u>
Administrative expense	(346)	(541)	(472)	(479)
Other	<u>(28)</u>	<u>(27)</u>	<u>(25)</u>	<u>(25)</u>
Net change in plan fiduciary net position	22,785	16,221	48,405	106,705
Plan fiduciary net position - beginning	579,163	601,948	618,169	666,574
Plan fiduciary net position - ending (b)	<u>\$ 601,948</u>	<u>\$ 618,169</u>	<u>\$ 666,574</u>	<u>\$ 773,279</u>
Net pension liability (asset) - ending (a) - (b)	\$ (263,392)	\$ (216,628)	\$ (216,872)	\$ (250,244)
Plan fiduciary net position as a percentage of total pension liability (asset)	177.80 %	153.95 %	148.23 %	147.84 %
Covered employee payroll	\$ 361,677	\$ 463,872	\$ 467,148	\$ 539,294
Net pension liability (asset) as a percentage of covered employee payroll	(72.83) %	(46.70) %	(46.42) %	(46.40) %

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended July 31, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 2,953	\$ 436	\$ 1,274	\$ 3,205
Contributions in relation to the actuarially determined contribution	3,264	436	971	2,559
Contribution deficiency (excess)	\$ (311)	\$ -	\$ 303	\$ 646
Covered employee payroll	\$ 303,484	\$ 485,011	\$ 503,403	\$ 509,279
Contributions as a percentage of covered employee payroll	1.08 %	0.09 %	0.19 %	0.50 %

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended July 31, 2018

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.

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (unaudited)
For the Year Ended July 31, 2018

	<u>2017</u>
Total OPEB liability	
Service cost	\$ 1,402
Interest on Total OPEB liability	342
Changes of benefit terms	-
Difference between expected and actual experience	-
Change of assumptions and other inputs	896
Benefit payments	<u>(54)</u>
Net change in total pension liability	2,586
Total OPEB liability - beginning	<u>8,381</u>
Total OPEB liability - ending	<u>\$ 10,967</u>
Covered employee payroll	\$ 539,294
Total OPEB liability as a percentage of covered employee payroll	2.03 %

**TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM**

**NOTES TO SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (unaudited)
For the Year Ended July 31, 2018**

NOTE 1: CHANGE OF ASSUMPTIONS

Changes of assumptions and other inputs reflect the effect of change in the discount rate from 3.78 percent as of December 31, 2016 to 3.31 percent as of December 31, 2017.

NOTE 2: OTHER INFORMATION

The Supplemental Death Benefit Fund (SDBF) covers both active and retiree benefits with no segregation of assets, therefore does not meet the definition of a trust under GASB Statement No. 75, paragraph 4b.

SUPPLEMENTARY INFORMATION FOR RURAL DEVELOPMENT

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

Certified Public Accountants

DONALD G. GOLDMAN, CPA
D. DALE HUNT, CPA
JAMIE K. NOTZ, CPA, CVA*

*CERTIFIED VALUATION ANALYST

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF
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KEITH H. COX, CPA, CISA*
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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, each major fund and aggregate remaining fund information of Town of Woodsboro, Texas (the Town), as of and for the years ended July 31, 2018, 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 6, 2018.

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 6, 2018

TOWN OF WOODSBORO, TEXAS
SUPPLEMENTARY INFORMATION FOR RURAL DEVELOPMENT
COMPARATIVE SCHEDULE
WATER, SEWER AND SANITATION FUND
For the Year Ended July 31, 2018

	Water	Sewer	Sanitation	Total
OPERATING REVENUES				
Charges for services:				
Water sales	\$ 314,916	\$ -	\$ -	\$ 314,916
Sewer	-	229,325	-	229,325
Sanitation	-	-	168,725	168,725
Fees:				
Late charges	15,381	7,293	-	22,674
Reconnect fees	3,592	1,703	-	5,295
Transfer and other fees	7,160	1,000	-	8,160
Miscellaneous	923	-	-	923
Total operating revenues	<u>341,972</u>	<u>239,321</u>	<u>168,725</u>	<u>750,018</u>
OPERATING EXPENSES				
Expenses (less depreciation)	400,621	231,862	167,080	799,563
Interest expense	18,543	31,011	-	49,554
Depreciation	116,771	67,629	-	184,400
Total operating expenses	<u>535,935</u>	<u>330,502</u>	<u>167,080</u>	<u>1,033,517</u>
Operating income (loss)	<u>(193,963)</u>	<u>(91,181)</u>	<u>1,645</u>	<u>(283,499)</u>
NON OPERATING REVENUES (EXPENSES)				
Interest income	4,239	2,010	-	6,249
Loss on sale of asset	(34,828)	(10,797)	-	(45,625)
Change in OPEB	(403)	(402)	-	(805)
Change in net pension	1,313	1,313	-	2,626
Total non operating revenues (expenses)	<u>(29,679)</u>	<u>(7,876)</u>	<u>-</u>	<u>(37,555)</u>
Net income (loss)	<u>(223,642)</u>	<u>(99,057)</u>	<u>1,645</u>	<u>(321,054)</u>
Equity beginning of period	<u>2,891,340</u>	<u>758,777</u>	<u>80,087</u>	<u>3,730,204</u>
Equity end of period	<u>\$ 2,667,698</u>	<u>\$ 659,720</u>	<u>\$ 81,732</u>	<u>\$ 3,409,150</u>

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

	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services:				
Water sales	\$ 322,500	\$ -	\$ -	\$ 322,500
Sewer	-	254,411	-	254,411
Sanitation	-	-	171,815	171,815
Fees:				
Late charges	18,817	9,823	-	28,640
Reconnect fees	3,889	2,031	-	5,920
Transfer and other fees	9,220	-	-	9,220
Miscellaneous	1,212	-	-	1,212
Total operating revenues	<u>355,638</u>	<u>266,265</u>	<u>171,815</u>	<u>793,718</u>
OPERATING EXPENSES				
Expenses (less depreciation and interest)	161,865	267,828	158,790	588,483
Interest expense	14,382	32,113	-	46,495
Depreciation	103,924	64,851	-	168,775
Total operating expenses	<u>280,171</u>	<u>364,792</u>	<u>158,790</u>	<u>803,753</u>
Operating income (loss)	<u>75,467</u>	<u>(98,527)</u>	<u>13,025</u>	<u>(10,035)</u>
NON OPERATING REVENUES (EXPENSES)				
Interest income	2,827	1,075	-	3,902
Decrease in net pension asset	(5,444)	(5,444)	-	(10,888)
Increase in OPEB liability	(1,886)	(1,885)	-	(3,771)
Total non operating revenues (expenses)	<u>(4,503)</u>	<u>(6,254)</u>	<u>-</u>	<u>(10,757)</u>
Net income (loss)	<u>70,964</u>	<u>(104,781)</u>	<u>13,025</u>	<u>(20,792)</u>
Equity beginning of period	<u>2,820,376</u>	<u>863,558</u>	<u>67,062</u>	<u>3,750,996</u>
Equity end of period	<u><u>\$ 2,891,340</u></u>	<u><u>\$ 758,777</u></u>	<u><u>\$ 80,087</u></u>	<u><u>\$ 3,730,204</u></u>

TOWN OF WOODSBORO, TEXAS
SUPPLEMENTARY INFORMATION FOR RURAL DEVELOPMENT
WATER AND SEWER SYSTEMS INFORMATION
For the Year Ended July 31, 2018

RESIDENTIAL is defined as having 4 residential units or less

COMMERCIAL is defined as anything that is not **RESIDENTIAL** and for profit except as described for entities within the Town Limits

All rates are metered

WATER SYSTEMS

RESIDENTIAL	662
COMMERCIAL	43
TOTAL	705
<hr/>	
TOTAL GALLONS - RESIDENTIAL	40,845,000
TOTAL GALLONS - ALL USERS	45,793,200

SEWER SYSTEMS

RESIDENTIAL	633
COMMERCIAL	39
TOTAL	672
<hr/>	
TOTAL GALLONS - RESIDENTIAL	33,418,800
TOTAL GALLONS - ALL USERS	38,111,800

OTHER SUPPLEMENTARY INFORMATION

TOWN OF WOODSBORO, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
July 31, 2018

	<u>MC Security</u>	<u>MC Technology</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS			
Cash - restricted	\$ 9,377	\$ 9,774	<u>\$ 19,151</u>
Total assets	<u>\$ 9,377</u>	<u>\$ 9,774</u>	<u>\$ 19,151</u>
LIABILITIES	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted:			
Municipal court building security	9,377	-	9,377
Municipal court technical fund	-	9,774	9,774
Total fund balances	<u>9,377</u>	<u>9,774</u>	<u>19,151</u>
Total liabilities and fund balances	<u>\$ 9,377</u>	<u>\$ 9,774</u>	<u>\$ 19,151</u>

TOWN OF WOODSBORO, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended July 31, 2018

	MC Security	MC Technology	TOTAL NON-Major Governmental Funds
REVENUES			
Interest income	\$ 57	\$ 58	\$ 115
Miscellaneous income	<u>1,488</u>	<u>1,983</u>	<u>3,471</u>
Total revenues	<u>1,545</u>	<u>2,041</u>	<u>3,586</u>
EXPENDITURES			
Current:			
Total expenditures	-	-	-
Excess (deficit) of revenues over expenditures	<u>1,545</u>	<u>2,041</u>	<u>3,586</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
Transfer out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	1,545	2,041	3,586
FUND BALANCES, beginning of year, as restated	<u>7,832</u>	<u>7,733</u>	<u>15,565</u>
FUND BALANCES, end of year	<u>\$ 9,377</u>	<u>\$ 9,774</u>	<u>\$ 19,151</u>

INDIVIDUAL GRANT INFORMATION

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2018

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	\$ 4,014	\$ 25,231
Total revenue	<u>46,183</u>	<u>21,217</u>	<u>4,014</u>	<u>25,231</u>
Expenditures				
Federal/State				
Overtime amount	38,580	18,473	3,615	22,088
Fringe amount	5,015	2,402	-	2,402
Mileage amount	2,588	342	399	741
Total expenditures	<u>46,183</u>	<u>21,217</u>	<u>4,014</u>	<u>25,231</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2018

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 3194202

Contract Period: December 1, 2016 to August 31, 2018

	Original Budget	Prior Year	Current Year	Total
Revenue:				
Federal/State	\$ 26,695	\$ -	\$ 13,006	\$ 13,006
Total revenue	26,695	-	13,006	13,006
 Expenditures				
Federal/State				
Overtime amount	25,285	-	13,006	13,006
Supplies amount	1,410	-	-	-
Total expenditures	26,695	-	13,006	13,006
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2018

Local Border Security Grant Program

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

Pass Through Grantor: Texas Ranger Division, Texas Department of Public Safety

CFDA Number: 97.067

Grant Number: LBSP-18

Contract Period: December 1, 2016 to August 31, 2018

	Original Budget	Prior Year	Current Year	Total
Revenue:				
Federal/State	\$ 6,000	\$ -	\$ 5,883	\$ 5,883
Total revenue	<u>6,000</u>	<u>-</u>	<u>5,883</u>	<u>5,883</u>
Expenditures				
Federal/State				
Overtime amount	5,206	-	5,206	5,206
Fringe amount	794	-	677	677
Total expenditures	<u>6,000</u>	<u>-</u>	<u>5,883</u>	<u>5,883</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>