

TOWN OF WOODSBORO, TEXAS

FINANCIAL STATEMENTS

For the Year Ended July 31, 2021

**TOWN OF WOODSBORO, TEXAS
FINANCIAL STATEMENTS
For the Year Ended July 31, 2021**

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INTRODUCTORY SECTION

TOWN OF WOODSBORO, TEXAS
LIST OF PRINCIPAL OFFICIALS
July 31, 2021

Mayor	Kay Roach
Mayor Pro-tem	Rosemary Vega
Council Members	John Schlabach Edward Garza Freddie Arriaga Johnny Cisneros
City Attorney	Desiree Voth
City Engineer	Robert Viera (Ardurra Group, Inc. - Engineering)
Tax Assessor and Collector	Ida M. Turner
Municipal Police Officer	Ryan Gregory
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

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA, CISA[†]
STEPHANIE S. KOCH, CPA
TREY A. PARMA, CPA

*CERTIFIED INFORMATION SYSTEMS AUDITOR

INDEPENDENT AUDITOR'S REPORT

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

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, 2021, 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 the Town of Woodsboro, Texas, as of July 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Texas Municipal Retirement System (TMRS) information on pages 4-9 and 54-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Woodsboro, Texas's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2022, on our consideration of the Town of Woodsboro, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Woodsboro, Texas's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Woodsboro, Texas's internal control over financial reporting and compliance.



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

March 18, 2022

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2021

This discussion and analysis is intended to be an easily readable analysis of the 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 the Town of Woodsboro, Texas's financial performance provides an overall review of the Town's financial activities for the year ended July 31, 2021. 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, 2021

Financial Highlights

- The assets of the Town of Woodsboro, Texas exceeded its liabilities at the close of the year ended July 31, 2021 by \$6,186,181. Of this amount, \$665,233 of unrestricted net assets is available to meet the Town's ongoing obligations to citizens and creditors.
- At July 31, 2021, the Town's governmental funds reported combined ending fund balances of \$686,354, of which \$135,925 is unassigned fund balance for the General Fund.
- At July 31, 2021, unassigned fund balance for the General Fund was \$135,925 or 7% of total General Fund expenditures.
- The total cost of all Town activities was \$2,252,777 for the year. Net expense of all activities was (\$283,813).
- During the year, the Town's program expenditures exceeded revenues of the governmental activities by \$314,084.

Town as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Assets at July 31, 2021 and 2020 follows:

Town of Woodsboro, Texas
Components of Net Position
July 31, 2021
With Comparative Totals for July 31, 2020
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020		
Cash	\$ 639	\$ 967	\$ 54	\$ 112	\$ 693	\$ 1,079	\$ (386)	-35.8%
Restricted assets	135	253	329	466	464	719	(255)	-35.5%
Other assets	304	310	382	323	686	633	53	8.4%
Capital assets	2,067	1,455	3,933	3,869	6,000	5,324	676	12.7%
Total assets	3,145	2,985	4,698	4,770	7,843	7,755	88	1.1%
Deferred outflows of resources	7	3	5	3	12	6	6	100.0%
Current and other liabilities	596	536	300	252	896	788	108	13.7%
Long term debt outstanding	12	45	714	857	726	902	(176)	-19.5%
Total liabilities	608	581	1,014	1,109	1,622	1,690	(68)	-4.0%
Deferred inflows of resources	26	21	21	21	47	42	5	11.9%
Net investment in capital assets	2,032	1,403	3,078	2,911	5,110	4,314	796	18.5%
Restricted	154	256	256	402	410	658	(248)	-37.7%
Unrestricted	332	727	334	330	666	1,057	(391)	-37.0%
Total net position	\$ 2,518	\$ 2,386	\$ 3,668	\$ 3,643	\$ 6,186	\$ 6,029	\$ 157	2.6%

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2021

Financial Highlights (Continued)

During the year ended July 31, 2021, the net position of the Town increased approximately \$157,000. Cash (unrestricted and restricted) decreased by \$641,000 primarily due to the Town expending grant proceeds that were received in prior year for Hurricane Harvey repairs. Net pension asset increased by \$26,000, and other current assets increased by \$27,000, primarily due to due from other funds. New asset purchases were \$1,151,000, \$79,000 in asset disposals and depreciation expense was \$396,000. Deferred outflows of resources increased \$6,000. Accounts payable – trade and accounts payable – grant together decreased \$32,000, accrued expenses increased \$5,000, accrued interest decreased \$11,000 due to a debt obligation being paid in full during 2021, and other current liabilities increased \$42,000, primarily due to a \$7,000 increase in customer deposits payable and a \$38,000 increase in due to other funds. The change in OPEB obligation increased \$4,000. The Town drew \$44,000 on the FEMA Community Disaster Loan (Line of Credit), and made principal payments of \$120,000 on long-term debt. Deferred inflows of resources increased \$5,000.

A condensed version of the Statement of Activities follows:

Town of Woodsboro, Texas
Condensed Statement of Activities
For the Year Ended July 31, 2021
With Comparative Totals for the Year Ended July 31, 2020
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020		
Revenues								
Program revenues								
Charges for services	\$ 445	\$ 377	\$ 879	\$ 868	\$ 1,324	\$ 1,245	\$ 79	6.3%
General revenues								
Taxes	520	497	-	-	520	497	23	4.6%
Interest	1	9	1	5	2	14	(12)	-85.7%
Private grant/Donation	8	368	-	-	8	368	(360)	-97.8%
Intergovernmental revenue	501	362	136	68	637	430	207	48.1%
Total revenues	<u>1,475</u>	<u>1,613</u>	<u>1,016</u>	<u>941</u>	<u>2,491</u>	<u>2,554</u>	<u>(63)</u>	<u>-2.5%</u>
Expenses								
General government	767	718	-	-	767	718	49	6.8%
Public safety/municipal court	358	243	-	-	358	243	115	47.3%
Streets	114	104	-	-	114	104	10	9.6%
Animal control	21	21	-	-	21	21	-	0.0%
Recreation	6	7	-	-	6	7	(1)	-14.3%
Water and sewer	-	-	750	908	750	908	(158)	-17.4%
Sanitation	-	-	235	215	235	215	20	9.3%
Total expenses	<u>1,266</u>	<u>1,093</u>	<u>985</u>	<u>1,123</u>	<u>2,251</u>	<u>2,216</u>	<u>35</u>	<u>1.6%</u>
Excess (deficiency) before non operating expenses and transfers	209	520	31	(182)	240	338	(98)	-29.0%
Non operating expenses	(83)	(3)	-	(91)	(83)	(94)	11	-11.7%
Transfers	6	(237)	(6)	237	-	-	-	0.0%
Change in net position	132	280	25	(36)	157	244	(87)	-35.7%
Beginning net position	2,386	2,126	3,643	3,679	6,029	5,805	224	3.9%
Impact of prior period adjustment	-	(20)	-	-	-	(20)	20	-100.0%
Ending net position	<u>\$ 2,518</u>	<u>\$ 2,386</u>	<u>\$ 3,668</u>	<u>\$ 3,643</u>	<u>\$ 6,186</u>	<u>\$ 6,029</u>	<u>\$ 157</u>	<u>2.6%</u>

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2021

Financial Highlights (Concluded)

Governmental Activities

Revenues

Revenues decreased by \$138,000. Program revenues increased \$68,000, in which general government revenues increased by \$20,000, primarily due to licenses, permits and fees increasing by \$20,000, and public safety/municipal court revenues increased by \$48,000. General revenues increased by \$15,000, in which ad valorem taxes increased \$25,000, sales taxes decreased \$2,000, franchise fees stayed consistent with 2020, and interest income decreased \$8,000 due to the Town continuously expending the intergovernmental and private grant revenues that were received in prior years. Private grant/donations decreased \$360,000 due to the Town receiving an in-kind donation during 2021 in the amount of \$8,000 and in 2020, the Town received private grant funds in the amount of \$368,000. Intergovernmental revenue decreased \$139,000 as Hurricane Harvey grant revenues received are from reimbursement requests.

Expenditures

Expenditures increased by \$173,000. General government expenditures increased by \$49,000. The increase is due primarily to the General Fund expending grant revenues for Hurricane Harvey repairs. Public safety and municipal court expenditures increased by \$115,000 primarily due to the Town's use of augmentees in the Police Department. Street expenditures increased \$10,000 due to the beginning of street repairs from Hurricane Harvey destruction and animal control stayed consistent with 2020. Park expenditures decreased \$1,000. The Town purchased \$187,000 more in machinery and equipment than in the prior year. Non-operating expenditures increased \$80,000 due to a loss on asset disposals during 2021.

Prior Period Adjustment

Current assets and current liabilities were overstated during 2020 by \$4,000 and \$16,000, respectively. Net position as previously reported was \$2,406,000 for 2020. Net position as restated during 2020 is \$2,386,000. Additional information on the prior period adjustment can be found in the notes to the financial statements.

Business-type Activities

Revenues

Revenues increased by \$75,000. Program revenues increased by \$11,000 primarily due to an increase in utility sanitation rates. Interest income decreased by \$4,000 due to the Town expending the intergovernmental revenues during 2021 that were received during 2020, thus decreasing cash balances. Intergovernmental revenue increased \$68,000 as Hurricane Harvey destruction projects continue.

Expenses

Expenses increased by \$138,000 primarily due to the Town expending grant revenues related to Hurricane Harvey destruction. Non-operating expenses decreased \$91,000 primarily due to the Town incurring \$44,000 in bond issuance costs for the refinance of the certificates of obligations during 2020.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2021

Capital Assets

At July 31, 2021 the Town had \$6,000,000 invested in capital assets, including police, fire equipment, park and recreation facilities, buildings, roads, and water and sewer lines. This amount represents a net increase (additions, deletions, and depreciation) of \$676,000 or 12.7% compared to last year, due to an influx of new assets primarily to the governmental activities such as new buildings, machinery and equipment.

Town of Woodsboro, Texas
Capital Assets
July 31, 2021
With Comparative Totals for July 31, 2020
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020		
Construction in progress	\$ 750	\$ 137	\$ -	\$ 44	\$ 750	\$ 181	\$ 569	314.4%
Land	82	82	-	-	82	82	-	0.0%
Buildings and improvements	589	494	-	-	589	494	95	19.2%
Machinery and equipment	570	477	6,295	6,001	6,865	6,478	387	6.0%
Streets	635	635	-	-	635	635	-	0.0%
Subtotal	2,626	1,825	6,295	6,045	8,921	7,870	1,051	13.4%
Accumulated depreciation	(559)	(370)	(2,362)	(2,176)	(2,921)	(2,546)	(375)	14.7%
Capital assets, net	<u>\$ 2,067</u>	<u>\$ 1,455</u>	<u>\$ 3,933</u>	<u>\$ 3,869</u>	<u>\$ 6,000</u>	<u>\$ 5,324</u>	<u>\$ 676</u>	12.7%

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 fiscal year ended July 31, 2021. Actual revenues in the General Fund were lower than budgeted revenues by approximately \$54,000, primarily due to grant revenue budgeted revenues being lower than actual. Actual General Fund expenditures were higher than budgeted amounts by approximately \$462,000, primarily due to a significant amount of capital outlay purchased during the fiscal year.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2021

Debt Administration

At year-end, the Town had \$913,000 in Long-Term Debt and Certificates of Obligation outstanding versus \$1,029,000 in Long-Term Debt and Certificates of Obligation last year. The Town paid \$74,000 in principal reductions for Refunding Bonds obligation and \$42,000 for other long-term debt.

Town of Woodsboro, Texas
Debt Outstanding
July 31, 2021
With Comparative Totals for July 31, 2020
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020		
Long-term debt	\$ 47	\$ 62	\$ 92	\$ 119	\$ 139	\$ 181	\$ (42)	-23.2%
Refunding Bonds	-	-	774	848	774	848	(74)	-8.7%
Total	\$ 47	\$ 62	\$ 866	\$ 967	\$ 913	\$ 1,029	\$ (116)	-11.3%

More detailed information on the Town's long-term debt 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 2021/2022 rate of 1.0373/\$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, 2022 will be as follows:

FUND	REVENUE	EXPENDITURE/EXPENSES
General Fund	\$1,240,571	\$1,279,389
Enterprise Fund - Water	\$ 580,300	\$ 580,300
Enterprise Fund - Sewer	\$ 335,830	\$ 335,830
Enterprise Fund - Sanitation	\$ 264,712	\$ 264,712

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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 638,917	\$ 54,068	\$ 692,985
Receivables			
Sales tax	10,096	-	10,096
Service accounts	-	105,461	105,461
Franchise tax	10,085	-	10,085
Ad valorem taxes	74,026	-	74,026
Prepaid expenses	27,458	3,789	31,247
Due from other fund	3,226	34,960	38,186
Due from grant agency	3,360	86,721	90,081
Inventory	19,175	23,306	42,481
Restricted cash	135,441	328,958	464,399
Net pension asset	156,091	127,710	283,801
Capital assets, net of depreciation	<u>2,067,515</u>	<u>3,933,369</u>	<u>6,000,884</u>
Total assets	<u>3,145,390</u>	<u>4,698,342</u>	<u>7,843,732</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred contributions	2,734	2,237	4,971
Changes in assumptions - net pension	1,174	961	2,135
Changes in assumptions - OPEB	<u>2,604</u>	<u>2,131</u>	<u>4,735</u>
Total deferred outflows of resources	<u>6,512</u>	<u>5,329</u>	<u>11,841</u>

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

TOWN OF WOODSBORO, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
July 31, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable - trade	76,852	45,630	122,482
Accounts payable - grants	46,582	2,485	49,067
Accrued expenses	11,862	2,776	14,638
Accrued interest	-	8,086	8,086
Accrued vacation	2,820	1,135	3,955
Accrued salaries	3,537	1,248	4,785
Due to other fund	22,804	15,383	38,187
Customer deposits payable	-	72,280	72,280
Noncurrent liabilities:			
Net OPEB obligation	11,766	9,626	21,392
FEMA - Community Disaster Loan	396,000	-	396,000
Note payable - due within one year	35,325	81,756	117,081
Bonds payable - due within one year	-	70,000	70,000
Bonds payable - due in more than one year	-	704,000	704,000
Total liabilities	<u>607,548</u>	<u>1,014,405</u>	<u>1,621,953</u>
DEFERRED INFLOWS OF RESOURCES			
Difference in experience - net pension	12,536	10,257	22,793
Difference in investment returns - net pension	12,989	10,628	23,617
Difference in experience - OPEB	566	463	1,029
Total deferred inflows of resources	<u>26,091</u>	<u>21,348</u>	<u>47,439</u>
NET POSITION			
Net investment in capital assets	2,032,190	3,077,613	5,109,803
Restricted for:			
Hurricane Harvey repairs	81,912	2,485	84,397
Law enforcement	25,343	-	25,343
Municipal court building security	17,670	-	17,670
Municipal court technology fund	29,542	-	29,542
Utility replacement	-	254,193	254,193
Unrestricted	<u>331,606</u>	<u>333,627</u>	<u>665,233</u>
Total net position	<u>\$ 2,518,263</u>	<u>\$ 3,667,918</u>	<u>\$ 6,186,181</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, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental activities:						
General government	\$ 767,291	\$ 59,063	\$ 500,759	\$ (207,469)	\$ -	\$ (207,469)
Public safety/municipal court	357,611	386,406	-	28,795	-	28,795
Streets	113,592	-	-	(113,592)	-	(113,592)
Animal control	21,301	-	-	(21,301)	-	(21,301)
Recreation	6,148	-	8,050	1,902	-	1,902
Interest expense	2,419	-	-	(2,419)	-	(2,419)
Total governmental activities	<u>1,268,362</u>	<u>445,469</u>	<u>508,809</u>	<u>(314,084)</u>	<u>-</u>	<u>(314,084)</u>
Business-type activities:						
Water and sewer	749,898	623,522	136,075	-	9,699	9,699
Sanitation	234,517	255,089	-	-	20,572	20,572
Total business-type activities	<u>984,415</u>	<u>878,611</u>	<u>136,075</u>	<u>-</u>	<u>30,271</u>	<u>30,271</u>
Total primary government	<u>\$ 2,252,777</u>	<u>\$ 1,324,080</u>	<u>\$ 644,884</u>	<u>(314,084)</u>	<u>30,271</u>	<u>(283,813)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes			361,002	-	361,002	
Franchise taxes			59,520	-	59,520	
Sales taxes			98,835	-	98,835	
Transfers in/(out)			6,173	(6,173)	-	
Interest income			1,247	395	1,642	
Loss on asset disposal			(80,026)	-	(80,026)	
Total general revenues and transfers			<u>446,751</u>	<u>(5,778)</u>	<u>440,973</u>	
Change in net position			132,667	24,493	157,160	
Net position - beginning, as restated			2,385,596	3,643,425	6,029,021	
Net position - ending			<u>\$ 2,518,263</u>	<u>\$ 3,667,918</u>	<u>\$ 6,186,181</u>	

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

FUND FINANCIAL STATEMENTS

TOWN OF WOODSBORO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
July 31, 2021

	General Fund	Police Department Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash - unrestricted	\$ 638,917	\$ -	\$ -	\$ 638,917
Receivables:				
Sales tax	10,096	-	-	10,096
Franchise tax	10,085	-	-	10,085
Ad valorem taxes	74,026	-	-	74,026
Restricted cash	81,912	9,543	43,986	135,441
Prepaid expenses	27,458	-	-	27,458
Due from other government funds	-	-	3,226	3,226
Due from grant agency	3,360	-	-	3,360
Inventory	3,375	15,800	-	19,175
Total assets	<u>\$ 849,229</u>	<u>\$ 25,343</u>	<u>\$ 47,212</u>	<u>\$ 921,784</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	\$ 76,852	\$ -	\$ -	\$ 76,852
Accounts payable - grants	46,582	-	-	46,582
Accrued expenses	11,862	-	-	11,862
Accrued vacation	2,820	-	-	2,820
Accrued salaries	3,537	-	-	3,537
Due to other fund	22,804	-	-	22,804
Total liabilities	<u>164,457</u>	<u>-</u>	<u>-</u>	<u>164,457</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	70,973	-	-	70,973
Total deferred inflows of resources	<u>70,973</u>	<u>-</u>	<u>-</u>	<u>70,973</u>
Fund balances:				
Non-spendable	30,833	-	-	30,833
Restricted	81,912	25,343	47,212	154,467
Committed	365,129	-	-	365,129
Unassigned	135,925	-	-	135,925
Total fund balances	<u>613,799</u>	<u>25,343</u>	<u>47,212</u>	<u>686,354</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 849,229</u>	<u>\$ 25,343</u>	<u>\$ 47,212</u>	<u>\$ 921,784</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, 2021

Total governmental fund balances (page 13)	\$ 686,354
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.	2,067,515
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	156,091
Deferred outflows related to pensions:	
Deferred contributions	2,734
Changes in assumptions	1,174
Deferred outflows related to OPEB:	
Changes in assumptions	2,604
Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	70,973
Deferred inflows related to pensions:	
Difference in experience	(12,536)
Difference in investment returns	(12,989)
Deferred inflows related to OPEB:	
Difference in experience	(566)
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:	
FEMA - Community Disaster Loan	(396,000)
Net OPEB obligation	(11,766)
Long-term debt	<u>(35,325)</u>
Net position of governmental activities	<u><u>\$ 2,518,263</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, 2021

	General Fund	Police Department Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Ad valorem taxes, penalty and interest	\$ 360,682	\$ -	\$ -	\$ 360,682
City sales tax	98,835	-	-	98,835
Franchise taxes	59,520	-	-	59,520
Licenses, permits and fees	40,721	-	-	40,721
Fines and forfeitures	370,606	15,800	-	386,406
Interest income	1,130	23	94	1,247
Intergovernmental - grant revenue	500,759	-	-	500,759
Donations - in-kind	8,050	-	-	8,050
Miscellaneous	6,368	500	11,474	18,342
Total revenues	1,446,671	16,323	11,568	1,474,562
EXPENDITURES				
Current:				
General government	586,734	-	-	586,734
Public safety	101,891	1,080	-	102,971
Streets	71,284	-	-	71,284
Animal control	21,301	-	-	21,301
Municipal court	132,874	-	-	132,874
Parks	3,340	-	-	3,340
Capital outlay	900,833	-	-	900,833
Grant expenditures	69,454	-	-	69,454
Hurricane recovery expenditures	91,092	-	-	91,092
Total expenditures	1,978,803	1,080	-	1,979,883
Excess (deficiency) of revenues over (under) expenditures	(532,132)	15,243	11,568	(505,321)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	44,000	-	-	44,000
Principal payment on loan	(17,527)	-	-	(17,527)
Interest expense	(2,419)	-	-	(2,419)
Transfers in	15,488	-	-	15,488
Transfers out	-	-	(9,315)	(9,315)
Total other financing sources (uses)	39,542	-	(9,315)	30,227
Net change in fund balances	(492,590)	15,243	2,253	(475,094)
Fund balances - beginning, as restated	1,106,389	-	-	1,106,389
Fund balances - beginning	-	10,100	44,959	55,059
Fund balances - ending	\$ 613,799	\$ 25,343	\$ 47,212	\$ 686,354

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, 2021

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

Net change in fund balances - total governmental funds (page 15) \$ (475,094)

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. 900,833

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. (209,492)

The net effect of capital asset disposition is to decrease net assets. (80,026)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. (44,000)

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. 320

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. 22,599

Principal payments on long-term debt are recorded as expenses in the governmental funds. 17,527

Change in net assets of governmental activities \$ 132,667

TOWN OF WOODSBORO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
July 31, 2021

	Business-type Activities - Enterprise Fund		
	Water, Sewer and Sanitation Fund		Total Enterprise Fund
	\$	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	\$ 54,068	\$ 54,068	
Accounts receivable - customers, net	105,461	105,461	
Grants receivable	86,721	86,721	
Prepaid expenses	3,789	3,789	
Due from other fund	34,960	34,960	
Inventory	23,306	23,306	
Total current assets	<u>308,305</u>	<u>308,305</u>	
Restricted assets			
Cash and cash equivalents	328,958	328,958	
Total restricted assets	<u>328,958</u>	<u>328,958</u>	
Noncurrent assets			
Capital assets			
Property, plant and equipment	6,295,415	6,295,415	
Less: accumulated depreciation	<u>(2,362,046)</u>	<u>(2,362,046)</u>	
Total capital assets, net of accumulated depreciation	3,933,369	3,933,369	
Net pension asset	127,710	127,710	
Total noncurrent assets	<u>4,061,079</u>	<u>4,061,079</u>	
Total assets	<u>4,698,342</u>	<u>4,698,342</u>	
DEFERRED OUTFLOWS OF RESOURCES			
Deferred contributions	2,237	2,237	
Changes in assumptions - net pension	961	961	
Changes in assumptions - OPEB	<u>2,131</u>	<u>2,131</u>	
Total deferred outflows of resources	<u>5,329</u>	<u>5,329</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, 2021

	Business-type Activities - Enterprise Fund	
	Water, Sewer and Sanitation Fund	Total Enterprise Fund
LIABILITIES		
Current liabilities		
Accounts payable - trade	45,630	45,630
Accounts payable - grants	2,485	2,485
Accrued expenses	2,776	2,776
Accrued interest	8,086	8,086
Accrued vacation	1,135	1,135
Accrued salaries	1,248	1,248
Due to other fund	15,383	15,383
Customer deposits payable	72,280	72,280
Note payable - current portion	81,756	81,756
Bonds payable - current portion	70,000	70,000
Total current liabilities	<u>300,779</u>	<u>300,779</u>
Noncurrent liabilities		
Net OPEB obligation	9,626	9,626
Bonds payable	<u>704,000</u>	<u>704,000</u>
Total noncurrent liabilities	<u>713,626</u>	<u>713,626</u>
Total liabilities	<u>1,014,405</u>	<u>1,014,405</u>
DEFERRED INFLOWS OF RESOURCES		
Difference in experience - net pension	10,257	10,257
Difference in investment returns - net pension	10,628	10,628
Difference in experience - OPEB	<u>463</u>	<u>463</u>
Total deferred inflows of resources	<u>21,348</u>	<u>21,348</u>
NET POSITION		
Invested in capital assets, net of related debt	3,077,613	3,077,613
Restricted for Hurricane Harvey repairs	2,485	2,485
Restricted for utility replacement	254,193	254,193
Unrestricted	<u>333,627</u>	<u>333,627</u>
Total net position	<u>\$ 3,667,918</u>	<u>\$ 3,667,918</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, 2021

	Business-type Activities - Enterprise Fund	
	Water, Sewer, and Sanitation Fund	Total Enterprise Fund
OPERATING REVENUES		
Charges for services:		
Water sales	\$ 317,049	\$ 317,049
Sewer	256,022	256,022
Sanitation	255,089	255,089
Late charges	27,769	27,769
Reconnect fees	4,725	4,725
Transfer and other fees	14,610	14,610
Miscellaneous	3,347	3,347
Total operating revenues	<hr/> 878,611	<hr/> 878,611
OPERATING EXPENSES		
Salaries	227,175	227,175
Sanitation charges	234,517	234,517
Repairs and maintenance	59,102	59,102
Materials, asphalt and caliche	59,450	59,450
Truck expenses	9,540	9,540
Sewer plant	20,599	20,599
Postage, office supplies and fees	48,719	48,719
Professional fees	22,688	22,688
Insurance	53,304	53,304
Utilities and telephone	27,170	27,170
Uniforms	314	314
Payroll taxes	17,382	17,382
Depreciation	186,038	186,038
Retirement	3,375	3,375
Total operating expenses	<hr/> 969,373	<hr/> 969,373
Operating income (loss)	<hr/> (90,762)	<hr/> (90,762)

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 (CONTINUED)
For the Year Ended July 31, 2021

	Business-type Activities - Enterprise Fund	
	Water, Sewer, and Sanitation Fund	Total Enterprise Fund
NON OPERATING REVENUES (EXPENSES)		
Grant income	136,075	136,075
Interest income	395	395
Grant expenses	(554)	(554)
Interest expense	(14,488)	(14,488)
Total non operating revenues (expenses)	<u>121,428</u>	<u>121,428</u>
Income (loss) before transfers	30,666	30,666
Transfers out	(6,173)	(6,173)
Change in fund net position	<u>24,493</u>	<u>24,493</u>
Total net position, beginning	<u>3,643,425</u>	<u>3,643,425</u>
Total net position, ending	<u><u>\$ 3,667,918</u></u>	<u><u>\$ 3,667,918</u></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, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 887,860
Cash paid to suppliers for goods and services	(613,691)
Cash paid to employees for services	<u>(231,490)</u>
Net cash provided (used) by operating activities	<u>42,679</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfer to other funds	<u>(6,173)</u>
Net cash provided (used) by noncapital financing activities	<u>(6,173)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of fixed assets	(250,125)
Proceeds from long-term debt	(28,590)
Principal payments on note payable	(74,000)
Principal payments on 2020 Refunding Bonds	<u>(14,488)</u>
Interest paid	<u>(367,203)</u>

Net cash provided (used) by capital and related financing activities

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	395
Grant income	136,075
Grant expenses	<u>(554)</u>
Net cash provided (used) by investing activities	<u>135,916</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

(194,781)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

577,807

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 383,026

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, 2021

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

Operating income (loss)	<u>\$ (90,762)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	186,038
(Increase) decrease in accounts receivable - trade	5,457
(Increase) decrease in accounts receivable - grants	(53,946)
Increase (decrease) in allowance account	3,792
(Increase) decrease in prepaid expenses	173
(Increase) decrease in due from other fund	(34,960)
(Increase) decrease in inventory	19,247
Increase (decrease) in accounts payable - trade	236
Increase (decrease) in accounts payable - grants	(3,122)
Increase (decrease) in accrued expenses	(339)
Increase (decrease) in accrued interest payable	(11,363)
Increase (decrease) in accrued vacation payable	(185)
Increase (decrease) in accrued salaries payable	(755)
Increase (decrease) in due to other fund	15,383
Increase (decrease) in meter deposits payable	<u>7,785</u>
Total adjustments	<u>133,441</u>
Net cash provided (used) by operating activities	<u>\$ 42,679</u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Cash and cash equivalents	<u>\$ 54,068</u>
Restricted cash and cash equivalents	<u>328,958</u>
Total cash and cash equivalents	<u>\$ 383,026</u>

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

TOWN OF WOODSBORO, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
July 31, 2021

	Custodial Fund	Total
ASSETS		
Inventory - seized vehicles	\$ 14,500	\$ 14,500
Total assets	\$ 14,500	\$ 14,500
LIABILITIES		
Due to others	\$ 14,500	\$ 14,500
Total liabilities	\$ 14,500	\$ 14,500

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

TOWN OF WOODSBORO, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
July 31, 2021

	Custodial Fund	Total
ADDITIONS		
Inventory - seized vehicles	\$ 3,300	\$ 3,300
Total additions	<u>3,300</u>	<u>3,300</u>
DEDUCTIONS		
Inventory - seized vehicles	-	-
Total liabilities	<u>-</u>	<u>-</u>
Change in net position	3,300	3,300
Net position, beginning	<u>11,200</u>	<u>11,200</u>
Net position, ending	<u>\$ 14,500</u>	<u>\$ 14,500</u>

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

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

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, 2021

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, 2021

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

Custodial Fund

Custodial funds are one of four types of fiduciary funds. Custodial funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Custodial 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, 2021

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

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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Classification of Fund Balances (Concluded)

	<u>General Fund</u>	<u>Police Department Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES:				
Non-spendable:				
Inventory	\$ 3,375	\$ -	\$ -	\$ 3,375
Prepaid expenses	27,458	-	-	27,458
Restricted for:				
Hurricane Harvey repairs	81,912	-	-	81,912
Law enforcement purposes	-	25,343	-	25,343
Municipal court building security	-	-	17,670	17,670
Municipal court technical fund	-	-	29,542	29,542
Committed to:				
Future Town Hall	39,616	-	-	39,616
Street maintenance	270,005	-	-	270,005
Dodson field	22,797	-	-	22,797
Drainage	20,678	-	-	20,678
Parks	12,033	-	-	12,033
Unassigned	<u>135,925</u>	<u>-</u>	<u>-</u>	<u>135,925</u>
Total fund balances	<u>\$ 613,799</u>	<u>\$ 25,343</u>	<u>\$ 47,212</u>	<u>\$ 686,354</u>

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, 2021

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, 2021, the Town levied an ad valorem tax for maintenance and operations at a rate of .9600 per \$100 of assessed value. A total tax levy of \$354,375 resulted, based on a net taxable valuation of \$36,914,102 for the 2020 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 \$532,132 of expenditures over revenues occurred in the General Fund in the year ended July 31, 2021.

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, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Q. Other postemployment benefits (OPEB)

The fiduciary net position of the TMRS Supplemental Death Benefits Plan (SDBP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from SDBP's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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, 2021. As of July 31, 2021, the carrying amount of the Town's deposits was \$1,156,785, and the bank balance was \$1,250,086. The entire bank balance was covered by federal depository insurance and Letter of Credit in the amount of \$3,000,000 issued by the Federal Home Loan Bank Dallas.

Texas Government Code authorizes the 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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 2: CASH (Concluded)

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.

NOTE 3: ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

At July 31, 2021, accounts receivable – customers for business-type activities were:

	<u>Amount</u>
Total accounts receivable - customers	\$ 113,506
Less: allowance for doubtful accounts	<u>(8,045)</u>
Accounts receivable - customers	<u><u>\$ 105,461</u></u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 4: CHANGES IN CAPITAL ASSETS

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 82,341	\$ -	\$ -	\$ 82,341
Construction in progress	137,127	615,381	(2,211)	750,297
Total capital assets not being depreciated	<u>219,468</u>	<u>615,381</u>	<u>(2,211)</u>	<u>832,638</u>
Other capital assets				
Buildings and improvements	494,417	181,270	(86,877)	588,810
Machinery and equipment	476,787	106,393	(12,828)	570,352
Streets	635,058	-	-	635,058
Total other capital assets at historical cost	<u>1,606,262</u>	<u>287,663</u>	<u>(99,705)</u>	<u>1,794,220</u>
Less accumulated depreciation for:				
Buildings and improvements	(48,208)	(22,713)	9,764	(61,157)
Machinery and equipment	(252,280)	(155,878)	9,915	(398,243)
Streets	(69,042)	(30,901)	-	(99,943)
Total accumulated depreciation	<u>(369,530)</u>	<u>(209,492)</u>	<u>19,679</u>	<u>(559,343)</u>
Other capital assets, net	1,236,732	78,171	(80,026)	1,234,877
Governmental activities capital assets, net	<u>\$ 1,456,200</u>	<u>\$ 693,552</u>	<u>\$ (82,237)</u>	<u>\$ 2,067,515</u>
 Business-type activities:				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	43,700	-	(43,700)	-
Total capital assets not being depreciated	<u>43,700</u>	<u>-</u>	<u>(43,700)</u>	<u>-</u>
Other capital assets				
Buildings and improvements	-	-	-	-
Machinery and equipment	6,001,590	293,825	-	6,295,415
Total other capital assets at historical cost	<u>6,001,590</u>	<u>293,825</u>	<u>-</u>	<u>6,295,415</u>
Less accumulated depreciation for:				
Buildings and improvements	-	-	-	-
Machinery and equipment	(2,176,008)	(186,038)	-	(2,362,046)
Total accumulated depreciation	<u>(2,176,008)</u>	<u>(186,038)</u>	<u>-</u>	<u>(2,362,046)</u>
Other capital assets, net	3,825,582	107,787	-	3,933,369
Business-type activities capital assets, net	<u>\$ 3,869,282</u>	<u>\$ 107,787</u>	<u>\$ (43,700)</u>	<u>\$ 3,933,369</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 4: CHANGES IN CAPITAL ASSETS (Concluded)

Depreciation expense was charged to functions as follows:

	<u>Amount</u>
Governmental activities	
General government	\$ 42,610
Public safety	121,766
Streets	42,308
Parks	2,808
Total governmental activities depreciation expense	<u>\$ 209,492</u>
Business-type activities	
Water and sewer	186,038
Total business-type activities depreciation expense	<u>\$ 186,038</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 5: LONG-TERM DEBT

A. Changes in Long-Term Liabilities

Long-term liability activity for the year ended July 31, 2021 was as follows:

Description and Purpose	Amount of Original Issue	Maturity Date	Interest Rate	Balance 07/31/20	Issued During Year	Increases (Decreases) During Year	Balance 07/31/21	Due Within One Year
<u>Governmental-type activities</u>								
General Fund:								
OPEB liability	\$ -	various	various	\$ 8,832	\$ -	\$ 2,934	\$ 11,766	\$ -
Direct borrowing	\$ 25,294	3/15/2021	5.11%	5,688	-	(5,688)	-	-
Direct borrowing	\$ 57,670	9/28/2023	4.29%	47,164	-	(11,839)	35,325	35,325
<u>Business-type activities</u>								
Water, Sewer, and Sanitation Fund:								
OPEB liability	\$ -	various	various	8,832	-	794	9,626	-
Refunding bonds	\$ 848,000	3/1/2037	1.57%	848,000	-	(74,000)	774,000	70,000
Direct borrowing	\$ 8,431	3/15/2021	5.11%	3,276	-	(3,276)	-	-
Direct borrowing	\$ 131,584	9/28/2023	4.29%	107,070	-	(25,314)	81,756	81,756
Total long-term debt				<u>\$ 1,028,862</u>	<u>\$ -</u>	<u>\$ (116,389)</u>	<u>\$ 912,473</u>	<u>\$ 187,081</u>

The interest paid for governmental activities was \$2,419 for equipment loan debt for the year ended July 31, 2021. The interest paid for business-type activities was \$14,488 for bonds and equipment loan debt for the year ended July 31, 2021 and is charged to interest expense in the water, sewer and sanitation funds.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 5: LONG-TERM DEBT (Continued)

B. Long-Term Debt – Governmental Activities

On October 2, 2018, the Town of Woodsboro, Texas entered into a five-year debt agreement with Government Capital Corporation to finance the acquisition of equipment. The loan is secured by the Town's ad valorem tax revenues. 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 \$189,254 with interest rate fixed at 4.292%. Principal and interest are due on September 28 on an annual basis. The final debt payment is due September 28, 2023. This direct borrowing debt contains (1) a provision that if the Town is unable to make payment, outstanding amounts are due immediately and (2) a provision that in the event of default, the timing of repayment of outstanding amounts become due within a period of 20 days after notice of default if a default of performance or debt covenant violation occurs. This direct borrowing debt also contains a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. This debt is split with Business-type activities due to the proprietary fund assessing ownership of several equipment items with \$57,670 obligated from the governmental fund and \$131,584 obligated from the proprietary fund. The Town was not in compliance with all debt covenants of this debt at July 31, 2021. Therefore, debt will be considered current at July 31, 2021.

As of July 31, 2021, the remaining annual payments are as follows:

<u>Year Ended July 31,</u>	<u>Loan Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 11,315	\$ 1,520	\$ 12,835
2023	11,800	1,035	12,835
2024	12,210	528	12,738
	<hr/> <u>\$ 35,325</u>	<hr/> <u>\$ 3,083</u>	<hr/> <u>\$ 38,408</u>

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 Town's ad valorem tax revenues. 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 was due March 15, 2021.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 5: LONG-TERM DEBT (Continued)

C. Long-Term Debt – Business-type Activities

On October 2, 2018, the Town of Woodsboro, Texas entered into a five-year debt agreement with Government Capital Corporation to finance the acquisition of equipment. The loan is secured by the Town's ad valorem tax revenues. 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 \$189,254 with interest rate fixed at 4.292%. Principal and interest are due on September 28 on an annual basis. The final debt payment is due September 28, 2023. This direct borrowing debt contains (1) a provision that if the Town is unable to make payment, outstanding amounts are due immediately and (2) a provision that in the event of default, the timing of repayment of outstanding amounts become due within a period of 20 days after notice of default if a default of performance or debt covenant violation occurs. This direct borrowing debt also contains a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. This debt is split with Business-type activities due to the proprietary fund assessing ownership of several equipment items with \$57,670 obligated from the governmental fund and \$131,584 obligated from the proprietary fund. The Town was not in compliance with all debt covenants of this debt at July 31, 2021. Therefore, debt will be considered current at July 31, 2021.

As of July 31, 2021, the remaining annual payments are as follows:

<u>Year Ended July 31,</u>	<u>Loan Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 26,400	\$ 3,547	\$ 29,947
2023	27,534	2,414	29,948
2024	27,822	1,232	29,054
	<u><u>\$ 81,756</u></u>	<u><u>\$ 7,193</u></u>	<u><u>\$ 88,949</u></u>

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 Town's Ad Valorem tax revenues. 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 was due March 15, 2021.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 5: LONG-TERM DEBT (Continued)

D. Limited Tax Refunding Bonds – Business-type Activities

On May 7, 2020 the Town of Woodsboro issued Limited Tax Refunding Bonds, Series 2020 of \$848,000 with an interest rate of 1.57% and a final maturity of March 1, 2035. Proceeds from the bond sale was used to refund Combination Tax and Combined Waterworks and Sanitary Sewer System Revenue Certificates of Obligation Series 2000 and Series 2000A and Combination Tax and Combined Waterworks and Sanitary Sewer System Revenue Certificates of Obligation, Series 2008 in order to lower the overall debt service requirements of the Town. As a result of refunding, the Town reduced its debt service payments by \$182,443 and obtained an economic gain (difference between present value of debt service payment of old and new debt) of \$138,645. 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, 2035. The interest rate is fixed at 1.57% per annum.

Annual requirements to retire the Limited Tax Refunding Bonds are as follows:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	\$ 70,000	\$ 12,151	\$ 82,151
2023	70,000	11,053	81,053
2024	71,000	9,954	80,954
2025	75,000	8,839	83,839
2026	75,000	7,662	82,662
2027-2031	256,000	22,718	278,718
2032-2035	157,000	6,217	163,217
	<u>\$ 774,000</u>	<u>\$ 78,594</u>	<u>\$ 852,594</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 5: LONG-TERM DEBT (Concluded)

E. Five Year Schedules

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

Year Ended July 31,	Governmental Activities			
	<u>Notes from Direct Borrowings</u>			
	<u>Principal</u>	<u>Interest</u>		
2022	\$ 11,315	\$ 1,520		
2023	11,800	1,035		
2024	12,210	528		
	<u>\$ 35,325</u>	<u>\$ 3,083</u>		

Year Ended July 31,	Business-Type Activities			
	<u>Bonds</u>		<u>Notes from Direct Borrowings</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 70,000	\$ 12,151	\$ 26,400	\$ 3,547
2023	70,000	11,053	27,534	2,414
2024	71,000	9,954	27,822	1,232
2025	75,000	8,839	-	-
2026	75,000	7,662	-	-
2027-2031	256,000	22,718	-	-
2032-2035	157,000	6,217	-	-
	<u>\$ 774,000</u>	<u>\$ 78,594</u>	<u>\$ 81,756</u>	<u>\$ 7,193</u>

F. Line of Credit

In fiscal year-end 2018, the Town of Woodsboro, Texas entered into a \$396,920 Community Disaster Loan agreement with Federal Emergency Management Agency (FEMA) to help sustain the significant loss in revenue due to Hurricane Harvey, that had or will adversely affect the Town's ability to provide essential municipal services. The loan shall be paid in increments to the Town as requested by the Town and approved by FEMA. The loan has a term of five years, and each advance will bear fixed interest at 3.0%. Principal and interest will be due on November 1, 2023. However, pursuant to Section 417 of the Stafford Disaster Relief and Emergency Assistance Act, Public Law 93-288, as amended, the principal and interest may be canceled if the Town provides to FEMA an inability to pay. A total of \$44,000 draws were associated with this loan during the fiscal year. The total amount of draws was used to pay salaries in both the General and the Enterprise Funds for fiscal year ended July 31, 2021. As of July 31, 2021, the total outstanding balance for the line of credit is \$396,000 and the remaining undrawn balance is \$920. On September 30, 2021, the United States Congress passed The Extending Government Funding and Delivering Emergency Assistance Act (P.L. 117-43) according to P.L. 117-43 SEC. 1601.(a), which cancelled the Community Disaster Loan.

G. 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, 2021

NOTE 6: PENSION PLAN

A. Plan Description

The Town participates as one of 895 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 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 Town, 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 2020
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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	6
Active employees	10
Total	19

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 6: 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 2021. The contribution rates for the Town were 1.66% and 0.74% in calendar years 2020 and 2021, respectively. The Town's contributions to TMRS for the year ended 2021 were \$5,341, and exceeded the required contributions.

D. Net Pension Asset

The Town's Net Pension Asset (NPA) was measured as of December 31, 2020, and the Total Pension Asset (TPA) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Asset in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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, are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subjected to the floor.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 6: PENSION PLAN (Continued)

D. Net Pension Asset (Continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

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

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 6: PENSION PLAN (Continued)

D. Net Pension Asset (Concluded)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balance at 12/31/2019	\$ 604,752	\$ 862,765	\$ (258,013)
Changes for the year:			
Service cost	44,647	-	44,647
Interest	41,737	-	41,737
Difference between expected and actual experience	(17,216)	-	(17,216)
Changes in assumptions	-	-	-
Contributions - employer	-	3,873	(3,873)
Contributions - employee	-	26,171	(26,171)
Net investment income	-	65,353	(65,353)
Benefit payments, including refunds of employee contributions	(17,486)	(17,486)	-
Administrative expense	-	(424)	424
Other changes	-	(17)	17
Net changes	51,682	77,470	(25,788)
Balance at 12/31/2020	\$ 656,434	\$ 940,235	\$ (283,801)

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the net pension liability(asset) of the Town, calculated using the discount rate of 6.75%, as well as what the Town's net pension liability(asset) 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)	\$(191,670)	\$(283,801)	\$(360,168)

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, 2021

NOTE 6: 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, 2021, the Town recognized pension income of \$16,956.

At July 31, 2021, 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	\$ -	\$22,793
Changes in actuarial assumptions	2,135	-
Difference between projected and actual investment earnings	-	23,617
Contributions subsequent to the measurement date December 31, 2020	4,971	-
Total	\$7,106	\$46,410

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ending July 31, 2021. 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
2021	\$(13,569)
2022	(3,929)
2023	(19,990)
2024	(5,306)
2025	(1,481)
Thereafter	-
Total	\$(44,275)

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 7: 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active employees	10
Total	12

C. Contributions

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographic specific to the workforce of the Town. 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. As such, contributions fund the covered active employee and retiree deaths on a pay-as-you-go basis.

The Town's contributions to the TMRS SDBF for the fiscal year ended July 31, 2021 were \$836, which equaled the required contributions each year.

D. Total OPEB Liability

The Town's total OPEB liability of \$21,392 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 2020 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 11.5% including inflation
Discount rate	2.00%
Retirees' share of benefit-related costs	\$0

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

D. Total OPEB Liability (Concluded)

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Salary increases were based on a graduated service-based scale. Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Mortality rates for disabled retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period of December 31, 2014 to December 31, 2018.

E. Changes in the Total OPEB Liability

	<u>Amount</u>
Balance at 12/31/2019	<u>\$ 17,664</u>
Changes for the year:	
Service cost	2,198
Interest on total OPEB liability	515
Changes of benefit terms	-
Differences between expected and actual experience	(1,651)
Changes in assumptions and other inputs	2,718
Benefit payments	(52)
Administrative expense	-
Other changes	-
Net changes	<u>3,728</u>
Balance at 12/31/2020	<u>\$ 21,392</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.75 percent as of December 31, 2019 to 2.00 percent as of December 31, 2020.

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 2.75%, 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 (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
Total OPEB liability	\$25,745	\$21,392	\$17,889

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 7: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Concluded)

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

For the year ended July 31, 2021, the Town recognized OPEB expense of \$3,333.

At July 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$(1,029)	\$ -
Changes in assumptions and other inputs	-	4,735
Contributions made subsequent to measurement date	N/A	-
Total (excluding contributions made subsequent to measurement date)	\$(1,029)	\$4,735

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 ended July 31, 2021 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
2021	\$ 620
2022	620
2023	620
2024	620
2025	620
Thereafter	620
Total	\$3,706

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 8: 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."

Interfund assets/liabilities for the year ended July 31, 2021 are as follows:

Fund	Due From Other Funds	Due To Other Funds
General	\$ -	\$ (22,803)
MC Security	1,090	-
MC Technology	2,136	-
Enterprise	34,960	(15,383)
Total Due From/Due To	<u>\$ 38,186</u>	<u>\$ (38,186)</u>

NOTE 9: SPECIAL AGENCY FUND - CONFISCATED FUNDS

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

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

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

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

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 9: SPECIAL AGENCY FUND - CONFISCATED FUNDS (Concluded)

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

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

NOTE 10: 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, 2021 are as follows:

Fund	Transfers	
	In	Out
General	\$ 15,488	\$ -
MC Security	-	(9,315)
Enterprise	-	(6,173)
Total transfers	<u><u>\$ 15,488</u></u>	<u><u>\$ (15,488)</u></u>

During the year, transfers were used to move FEMA public assistance funds related to Hurricane Harvey destruction for utility-related repairs and improvements from the General Fund to the Enterprise Fund and to move funds from the Municipal Court Security Fund to the General Fund for the purchase of equipment for the Police Department.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 11: 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. On May 3, 2021, the case went to mediation; however, there was no resolution. As of July 31, 2021, a court date is set for October 17, 2022. In the opinion of Counsel, based on current facts, the Plaintiff will not prevail.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 12: COMMITMENTS AND CONTINGENCIES

Engineering, administration and construction contracts relating to construction or major repairs in progress aggregated approximately \$30,489. These contracts will be paid in future periods as work is performed. Payment will be made with proceeds remaining from insurance proceeds, past bond issues and Federal and State grants to be received.

As of July 31, 2021, the Town had outstanding Federal grant awards of \$1,069,322 for improvements on approved projects by the U.S. Department of Housing and Urban Development, in which the grant is administered through the Texas General Land Office. The Federal grant funds are not available to the Town until expenses are incurred and therefore, are not recorded as receivables. The grant expenses are subject to audit by the Texas General Land Office, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as the result of these audits is not believed to be material by management.

As of July 31, 2021, the Town had outstanding Federal grant awards of \$265,971 for critical facility generators at the water and wastewater treatment plants on approved projects by the U.S. Department of Treasury, Federal Emergency Management Agency (FEMA) in which the grant is administered through the Texas Department of Emergency Management (TDEM). The Federal grant funds are not available to the Town until expenses are incurred and therefore, are not recorded as receivables. The grant expenses are subject to audit by the TDEM, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as the result of these audits is not believed to be material by management.

As of July 31, 2021, the Town had outstanding Federal grant awards of \$520,863 for sundry repair and replacement projects related to Hurricane Harvey damages on approved projects by the U.S. Department of Treasury, Federal Emergency Management Agency (FEMA), in which the grant is administered through the Texas Division of Emergency Management (TDEM). For large project, the Federal grant funds are not available to the Town until expenses are incurred and therefore, are not recorded as receivables. The grant expenses are subject to audit by TDEM, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as the result of these audits is not believed to be material by management. Amounts received or receivable for small projects are subject to audit and adjustment by FEMA. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by FEMA cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2021

NOTE 13: RESTATEMENT OF BEGINNING BALANCES

During the current year, it was discovered that a grant receivable, and thus grant revenue, from Federal Emergency Management Agency's (FEMA) Public Assistance Disaster Recovery program in the amount of \$48,441 was presented in the General Fund. The funds received were in the amount of \$44,355. Therefore, fund balance was overstated by \$4,086. It was also discovered that \$16,242 in FEMA funds received for projects that had not been expended as of July 31, 2020 were presented as revenue instead of a liability. The General Fund's net position for the above errors was overstated by \$20,328. To correct these errors, the net position and fund balance of the Town's governmental activities for the fiscal year ended July 31, 2020 has been restated. The impact of this restatement on net position is as follows:

	Governmental Activities	Business-type Activities	Total
Net position, July 31, 2020, as previously stated	\$ 2,405,924	\$ -	\$ 2,405,924
Restatement of net position -			
FEMA Public Assistance Grant revenue	<u>(20,328)</u>	<u>-</u>	<u>(20,328)</u>
Net position, July 31, 2020, as restated	<u>\$ 2,385,596</u>	<u>\$ -</u>	<u>\$ 2,385,596</u>

The impact of this restatement on fund balance is as follows:

	General Fund
Fund balance, July 31, 2020, as previously stated	\$ 1,126,717
Restatement of fund balance -	
FEMA Public Assistance Grant revenue	<u>(20,328)</u>
Fund balance, July 31, 2020, as restated	<u>\$ 1,106,389</u>

NOTE 14: SUBSEQUENT EVENTS

On May 10, 2021, the U.S. Department of Treasury announced the launch of the Coronavirus State and Local Fiscal Recovery Funds, established by the American Rescue Plan Act of 2021, to provide \$350 billion in emergency funding for eligible state, local, territorial, and Tribal governments, designed to bolster the response to the COVID-19 emergency and its economic impacts. The Town was awarded \$174,689. On August 21, 2021, the Town received the entire award amount from this program.

In November 2021, the Town discovered conflicting invoices from Ardurra Group, Inc. (formerly LNV, Inc.) in relation to the engineering contract of a FEMA PA project. A majority of the invoices in dispute were for services rendered during fiscal year ended July 31, 2020. As of the date of the audit report, a resolution has been reached, and the Town is expecting to receive either a \$67,133 refund or a credit for future engineering services from Ardurra Group, Inc.

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through March 18, 2022, 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, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes:			
Property taxes	\$ 335,000	\$ 360,682	\$ 25,682
City sales tax revenue	120,000	98,835	(21,165)
Franchise fees	62,815	59,520	(3,295)
Municipal court	334,000	370,606	36,606
Police	37,565	32,271	(5,294)
Street	5,500	3,383	(2,117)
Animal control	300	28	(272)
Town Square	1,950	570	(1,380)
Permits	7,000	5,245	(1,755)
Interest income	5,680	1,130	(4,550)
Intergovernmental - grant revenue	591,038	500,759	(90,279)
Donations	-	8,050	8,050
Miscellaneous	-	5,592	5,592
Total revenues	<u>1,500,848</u>	<u>1,446,671</u>	<u>(54,177)</u>
EXPENDITURES			
General government	251,003	870,530	(619,527)
Street	610,876	513,359	97,517
Public safety	330,215	311,727	18,488
Municipal court	173,451	207,107	(33,656)
Council	15,820	13,575	2,245
Parks	68,644	22,048	46,596
Town Square	28,374	5,034	23,340
Animal control	21,401	21,328	73
Code enforcement	13,100	3,875	9,225
City election	3,800	10,220	(6,420)
Total expenditures	<u>1,516,684</u>	<u>1,978,803</u>	<u>(462,119)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,836)</u>	<u>(532,132)</u>	<u>(516,296)</u>

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
For the Year Ended July 31, 2021

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	15,488	15,488
Transfers out	-	-	-
Loan proceeds	35,800	44,000	8,200
Principal payment on loan	(17,631)	(17,527)	(104)
Interest expense	(2,333)	(2,419)	86
Total other financing sources (uses)	15,836	39,542	23,706
 Net change in fund balances	 \$ -	 (492,590)	 \$ (492,590)
 Fund balances - beginning, as restated		 1,106,389	
 Fund balances - ending		 \$ 613,799	

TOWN OF WOODSBORO, TEXAS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended July 31, 2021

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, 2021

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total pension liability							
Service cost	\$ 28,152	\$ 38,084	\$ 39,754	\$ 46,271	\$ 41,106	\$ 39,661	\$ 44,647
Interest (on the total pension liability)	26,117	24,744	27,898	31,448	35,490	37,903	41,737
Changes of benefit terms	-	-	-	-	-	-	-
Difference between expected and actual experience	(58,879)	3,564	(3,254)	9,501	(12,245)	(7,655)	(17,216)
Change of assumptions	-	4,814	-	-	-	3,205	-
Benefit payments, including refunds of employee contributions	(31,727)	(8,221)	(16,237)	(13,887)	(35,623)	(20,125)	(17,486)
Net change in total pension liability	(36,337)	62,985	48,161	73,333	28,728	52,989	51,682
Total pension liability - beginning	374,893	338,556	401,541	449,702	523,035	551,763	604,752
Total pension liability - ending (a)	\$ 338,556	\$ 401,541	\$ 449,702	\$ 523,035	\$ 551,763	\$ 604,752	\$ 656,434
Plan fiduciary net position							
Contributions - employer	\$ 3,673	\$ 928	\$ -	\$ 1,726	\$ 3,162	\$ 4,892	\$ 3,873
Contributions - employee	18,084	23,194	23,357	26,965	23,954	23,193	26,171
Net investment income	33,129	888	41,782	92,405	(23,174)	114,344	65,352
Benefit payments, including refunds of employee contributions	(31,727)	(8,221)	(16,237)	(13,887)	(35,623)	(20,125)	(17,486)
Administrative expense	(346)	(541)	(472)	(479)	(448)	(647)	(424)
Other	(28)	(27)	(25)	(25)	(22)	(19)	(17)
Net change in plan fiduciary net position	22,785	16,221	48,405	106,705	(32,151)	121,638	77,469
Plan fiduciary net position - beginning	579,163	601,948	618,169	666,574	773,279	741,128	862,766
Plan fiduciary net position - ending (b)	\$ 601,948	\$ 618,169	\$ 666,574	\$ 773,279	\$ 741,128	\$ 862,766	\$ 940,235
Net pension liability (asset) - ending (a) - (b)	\$ (263,392)	\$ (216,628)	\$ (216,872)	\$ (250,244)	\$ (189,365)	\$ (258,014)	\$ (283,801)
Plan fiduciary net position as a percentage of total pension liability (asset)	177.80 %	153.95 %	148.23 %	147.84 %	134.32 %	142.66 %	143.23 %
Covered employee payroll	\$ 361,677	\$ 463,872	\$ 467,148	\$ 539,294	\$ 479,085	\$ 463,869	\$ 523,414
Net pension liability (asset) as a percentage of covered employee payroll	(72.83) %	(46.70) %	(46.42) %	(46.40) %	(39.53) %	(55.62) %	(54.22) %

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended July 31, 2021

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Actuarially determined contribution	\$ 2,953	\$ 436	\$ 1,274	\$ 3,205	\$ 4,122	\$ 4,426	\$ 6,525
Contributions in relation to the actuarially determined contribution	<u>3,264</u>	<u>436</u>	<u>971</u>	<u>2,559</u>	<u>4,122</u>	<u>5,341</u>	<u>7,360</u>
Contribution deficiency (excess)	<u>\$ (311)</u>	<u>\$ -</u>	<u>\$ 303</u>	<u>\$ 646</u>	<u>\$ -</u>	<u>\$ (915)</u>	<u>\$ (835)</u>
Covered employee payroll	\$ 303,484	\$ 485,011	\$ 503,403	\$ 509,279	\$ 469,038	\$ 514,044	\$ 509,394
Contributions as a percentage of covered employee payroll	1.08 %	0.09 %	0.19 %	0.50 %	0.88 %	1.04 %	1.44 %

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended July 31, 2021

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	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) Mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

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, 2021

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020
Total OPEB liability				
Service cost	\$ 1,402	\$ 1,437	\$ 1,392	\$ 2,198
Interest on Total OPEB liability	342	386	509	515
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	1,357	(677)	(1,651)
Change of assumptions and other inputs	896	(1,054)	3,441	2,718
Benefit payments	<u>(54)</u>	<u>(48)</u>	<u>(46)</u>	<u>(52)</u>
Net change in total pension liability	2,586	2,078	4,619	3,728
Total OPEB liability - beginning	<u>8,381</u>	<u>10,967</u>	<u>13,045</u>	<u>17,664</u>
Total OPEB liability - ending	<u>\$ 10,967</u>	<u>\$ 13,045</u>	<u>\$ 17,664</u>	<u>\$ 21,392</u>
Covered employee payroll	\$ 539,294	\$ 479,085	\$ 463,869	\$ 523,414
Total OPEB liability as a percentage of covered employee payroll	2.03 %	2.72 %	3.81 %	4.09 %

**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, 2021**

NOTE 1: CHANGE OF ASSUMPTIONS

Changes of assumptions and other inputs reflect the effect of change in the discount rate from 2.75 percent as of December 31, 2019 to 2.00 percent as of December 31, 2020.

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.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF WOODSBORO, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
July 31, 2021

	Municipal Court Security	Municipal Court Technology	Total Non- Major Govern- mental Funds
ASSETS			
Cash - restricted	\$ 16,580	\$ 27,406	\$ 43,986
Due from other government funds	<u>1,090</u>	<u>2,136</u>	<u>3,226</u>
Total assets	<u>\$ 17,670</u>	<u>\$ 29,542</u>	<u>\$ 47,212</u>
LIABILITIES			
Total liabilities	\$ -	\$ -	\$ -
FUND BALANCES			
Restricted:			
Municipal court building security	17,670	-	17,670
Municipal court technology fund	<u>-</u>	<u>29,542</u>	<u>29,542</u>
Total fund balances	<u>17,670</u>	<u>29,542</u>	<u>47,212</u>
Total liabilities and fund balances	<u>\$ 17,670</u>	<u>\$ 29,542</u>	<u>\$ 47,212</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, 2021

	Municipal Court Security	Municipal Court Technology	Total Non- Major Govern- mental Funds
REVENUES			
Interest income	\$ 32	\$ 62	\$ 94
Miscellaneous income	6,043	5,431	11,474
Total revenues	6,075	5,493	11,568
EXPENDITURES			
Total expenditures	-	-	-
Excess (deficit) of revenues over expenditures	6,075	5,493	11,568
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
Transfer out	(9,315)	-	(9,315)
Total other financing sources (uses)	(9,315)	-	(9,315)
Net change in fund balances	(3,240)	5,493	2,253
FUND BALANCES, beginning of year	20,910	24,049	44,959
FUND BALANCES, end of year	\$ 17,670	\$ 29,542	\$ 47,212

INDIVIDUAL GRANT INFORMATION

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2021

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 3194205

Contract Period: May 1, 2020 to February 28, 2021

	Original Budget	Prior Year	Current Year	Total	Remaining Budget
Revenue:					
Federal/State	\$ 150,000	\$ 11,819	\$ 136,223	\$ 148,042	\$ 1,958
Total revenue	150,000	11,819	136,223	148,042	1,958
Expenditures					
Federal/State					
Equipment	92,098	-	90,140	90,140	1,958
Personnel	57,902	11,819	46,083	57,902	-
Total expenditures	150,000	11,819	136,223	148,042	1,958
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2021

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 3194206

Contract Period: March 1, 2021 to February 28, 2022

	Original Budget	Prior Year	Current Year	Total	Remaining Budget
Revenue:					
Federal/State	\$ 130,000	\$ -	\$ 20,970	\$ 20,970	\$ 109,030
Total revenue	130,000	-	20,970	20,970	109,030
Expenditures					
Federal/State					
Personnel	88,719	-	20,970	20,970	67,749
Equipment	41,281	-	-	-	41,281
Total expenditures	130,000	-	20,970	20,970	109,030
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2021

Coronavirus Relief Fund
 Coronavirus Aid, Relief and Economic Security Act (CARES Act)
 Federal Grantor: Department of Treasury
 Pass Through Grantor: Texas Division of Emergency Management
 Contract Period: March 1, 2020 to December 30, 2020

	<u>Original Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>	<u>Remaining Budget</u>
Revenue:					
Federal/State	<u>\$ 78,045</u>	<u>\$ 15,609</u>	<u>\$ 62,066</u>	<u>\$ 77,675</u>	<u>\$ 370</u>
Total revenue	<u>78,045</u>	<u>15,609</u>	<u>62,066</u>	<u>77,675</u>	<u>370</u>
Expenditures					
Federal/State					
Covid-related expenses	<u>78,045</u>	<u>37,040</u>	<u>40,635</u>	<u>77,675</u>	<u>370</u>
Total expenditures	<u>78,045</u>	<u>37,040</u>	<u>40,635</u>	<u>77,675</u>	<u>370</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ (21,431)</u>	<u>\$ 21,431</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2021

Hazard Mitigation Grant Program

Critical Facility Generators

Federal Grantor: Federal Emergency Management Agency

Pass Through Grantor: Texas Division of Emergency Management

CFDA Number: 97.039

Contract Number: DR-4332-060

Contract Period: April 29, 2019 to May 22, 2022

	Budget	Prior Year	Current Year	Total	Remaining Budget
Revenue:					
Federal/State	\$ 434,267	\$ 32,775	\$ 135,521	\$ 168,296	\$ 265,971
Local match - TDEM	103,397	-	-	-	103,397
Local match - Town	41,359	10,925	44,445	55,370	(14,011)
Total revenue	579,023	43,700	179,966	223,666	355,357
Expenses:					
Federal/State					
Project costs	364,087	-	115,852	115,852	248,235
Engineering	49,500	32,775	16,725	49,500	-
Administration	20,680	9,000	759	9,759	10,921
Local match - TDEM					
Project costs	91,022	-	-	-	91,022
Engineering	12,375	-	-	-	12,375
Administration	-	-	-	-	-
Local match - Town					
Project costs	30,341	-	38,617	38,617	(8,276)
Engineering	4,125	10,925	5,575	16,500	(12,375)
Administration	6,893	-	253	253	6,640
Total expenses	579,023	52,700	177,781	230,481	348,542
Excess revenue over expenditures	\$ -	\$ (9,000)	\$ 2,185	\$ (6,815)	\$ 6,815

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2021

Community Development Block Grant – Disaster Recovery
 Street Improvement Project
 Federal Grantor: Department of Housing and Urban Development
 Pass Through Grantor: Texas General Land Office
 CFDA Number: 14.228
 Contract Number: 20-065-070-C196
 Contract Period: February 9, 2018 to April 30, 2022

	Original Budget	Prior Year	Current Year	Total	Remaining Budget
Revenue:					
Federal/State	<u>\$ 1,245,322</u>	<u>\$ 58,953</u>	<u>\$ 117,047</u>	<u>\$ 176,000</u>	<u>\$ 1,069,322</u>
Total revenue	<u>1,245,322</u>	<u>58,953</u>	<u>117,047</u>	<u>176,000</u>	<u>1,069,322</u>
Expenditures					
Federal/State					
Construction/reconstruction of streets	<u>1,245,322</u>	<u>58,953</u>	<u>117,047</u>	<u>176,000</u>	<u>1,069,322</u>
Total expenditures	<u>1,245,322</u>	<u>58,953</u>	<u>117,047</u>	<u>176,000</u>	<u>1,069,322</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2021

Public Assistance Grant Program

Federal Grantor: Federal Emergency Management Agency

Pass Through Grantor: Texas Division of Emergency Management

CFDA Number: 97.036

Grant Number: 4332-DR, Texas Hurricane Harvey

Contract Period: August 25, 2017 to February 25, 2019, various extensions through August 25, 2021

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>
Revenue:				
Federal	\$ 1,161,946	\$ 419,974	\$ 100,889	\$ 520,863
Local match - State	26,346	26,346	-	26,346
Local match - Town	96,154	7,708	51,727	59,435
Total revenue	<u>1,284,446</u>	<u>454,028</u>	<u>152,616</u>	<u>606,644</u>
Expenditures				
Federal				
Emergency protective measures	59,447	59,477	-	59,477
Lift station fence	3,812	773	554	1,327
Backhoe barn storage building	17,993	-	17,993	17,993
Wastewater treatment plant	73,488	73,488	-	73,488
City building	20,129	1,420	2,285	3,705
Town square	9,874	9,874	-	9,874
Stockpile yard fence	12,450	12,450	-	12,450
Elevated water storage tank	8,757	8,757	-	8,757
Baseball field/concession stand	53,679	21,593	8,416	30,009
WWTP contents	11,546	11,546	-	11,546
WTP contents	5,369	5,369	-	5,369
Ditches/city wide	99,075	73,963	25,114	99,077
Fire house	436,271	65,200	371,071	436,271
Water treatment plant	154,720	14,360	-	14,360
Street signs/city wide	140,288	29,851	34,553	64,404
PAAP-DAC	55,048	44,355	-	44,355
Total Federal expenditures	<u>1,161,946</u>	<u>432,476</u>	<u>459,986</u>	<u>892,462</u>

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE (CONTINUED)
For the Year Ended July 31, 2021

	<u>Budget</u>	<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>
Expenditures (continued)				
Local match - State				
Emergency protective measures	-	-	-	-
Lift station fence	318	-	-	-
Backhoe barn storage building	1,499	-	1,499	1,499
Wastewater treatment plant	6,124	6,124	-	6,124
City building	1,677	-	-	-
Town square	823	486	-	486
Stockpile yard fence	1,037	1,037	-	1,037
Elevated water storage tank	730	730	-	730
Baseball field/concession stand	4,473	-	-	-
WWTP contents	962	8	-	8
WTP contents	447	447	-	447
Ditches/city wide	8,256	-	8,256	8,256
Fire house	-	-	-	-
Water treatment plant	-	-	-	-
Street signs/city wide	-	-	-	-
PAAP-DAC	-	-	-	-
Total local match-State expenditures	<u>26,346</u>	<u>8,832</u>	<u>9,755</u>	<u>18,587</u>
Local match - Town				
Emergency protective measures	-	-	-	-
Lift station fence	106	-	-	-
Backhoe barn storage building	500	-	500	500
Wastewater treatment plant	2,041	2,041	-	2,041
City building	560	-	-	-
Town square	274	-	-	-
Stockpile yard fence	346	346	-	346
Elevated water storage tank	243	243	-	243
Baseball field/concession stand	1,491	-	-	-
WWTP contents	321	-	-	-
WTP contents	150	150	-	150
Ditches/city wide	2,752	-	2,752	2,752
Fire house	48,475	-	48,475	48,475
Water treatment plant	17,191	-	-	-
Street signs/city wide	15,588	-	-	-
PAAP-DAC	6,116	4,928	-	4,928
Total local match-Town expenditures	<u>96,154</u>	<u>7,708</u>	<u>51,727</u>	<u>59,435</u>
Total expenditures	<u>1,284,446</u>	<u>449,016</u>	<u>521,468</u>	<u>970,484</u>
Excess revenue over expenditures	<u>\$ -</u>	<u>\$ 5,012</u>	<u>\$ (368,852)</u>	<u>\$ (363,840)</u>

SINGLE AUDIT SECTION

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

Certified Public Accountants

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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 the aggregate remaining fund information of the Town of Woodsboro, Texas (the Town), as of and for the year ended July 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated March 18, 2022.

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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-003 and 2021-004 to be significant deficiencies.

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 financial statements. 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*.

The Town of Woodsboro, Texas's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

March 18, 2022

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

Certified Public Accountants

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[†]CERTIFIED INFORMATION SYSTEMS AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Woodsboro, Texas's (the Town's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended July 31, 2021. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended July 31, 2021.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-005 and 2021-006 that we consider to be material weaknesses. We also identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-007 that we considered to be a significant deficiency.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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


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

March 18, 2022

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended July 31, 2021

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing & Urban Development				
Office of Community Planning & Development				
Community Development Block Grant Disaster Recovery				
Pass-through:				
Texas General Land Office				
Disaster Recovery Program Infrastructure Projects	14.228	20-065-070-C196	\$ -	\$ 117,047
U.S. Department of Treasury				
Office of Community Planning & Development				
Coronavirus Aid, Relief and Economic Security Act				
Pass-through:				
Texas Division of Emergency Management				
COVID-19 Coronavirus Relief Funds	21.019	391-80176-00	-	40,635
U.S. Department of Homeland Security				
Federal Emergency Management Agency				
Community Disaster Loan	97.030		-	396,000
Federal Emergency Management Agency				
Public Assistance Program				
Pass-through:				
Texas Division of Emergency Management				
Homeland Security Grants				
Disaster Recovery	97.036	391-80176-00	-	459,986
Federal Emergency Management Agency				
Hazard Mitigation Grant Program				
Pass-through:				
Texas Division of Emergency Management				
Homeland Security Grants				
Disaster Recovery	97.039	391-80176-00	-	133,336
Federal Emergency Management Agency				
Homeland Security Grant Program				
Pass-through:				
Texas Office of the Governor				
Homeland Security Grants Division				
Operation Stonegarden	97.067	3194205	-	136,223
Operation Stonegarden	97.067	3194206	-	20,970
Total U.S. Department of Homeland Security			-	1,146,515
Total expenditures of federal awards			\$ -	\$ 1,304,197

TOWN OF WOODSBORO, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended July 31, 2021

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Woodsboro, Texas under programs of the federal government for the year ended July 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of the Town of Woodsboro, Texas, it is not intended to be and does not present the financial position, changes in net assets, or cash flows of the Town of Woodsboro, Texas.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The Town of Woodsboro, Texas elected to use the 10% de Minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4: PRIOR YEAR EXPENDITURES

Of the \$1,304,204 in federal expenditures listed on the Schedule, \$132,000 was expended during fiscal year ended 2019 and \$220,000 was expended during fiscal year ended 2020.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended July 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- * Material weakness(es) identified? yes no
- * Significant deficiency(ies) identified? yes no

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:

- * Material weakness(es) identified? yes no
- * Significant deficiency(ies) identified? yes no

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.036	Public Assistance Disaster Recovery
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended July 31, 2021

Section II- Financial Statement Findings

Material Weaknesses in Internal Control over Financial Reporting

2021-001 Lack of Controls over Financial Reporting

Criteria

The Town is expected to prepare and take responsibility for the financial statements and related note disclosures. The Town should have a control structure in place to ensure these statements are prepared accurately, completely, and in compliance with regulatory requirements.

Statement of Condition

The Town has requested that Goldman, Hunt & Notz, L.L.P. (GHN) draft the financial statements and related note disclosures. This was done because, due to its limited resources, the Town's internal personnel do not possess all of the skills and competencies necessary to prepare the financial statements and related note disclosures in accordance with the highly technical requirements of generally accepted accounting principles. While GHN has been requested to prepare the financial statements and related note disclosures, GHN cannot be considered to be part of the Town's internal controls – specifically, GHN cannot be a part of the financial reporting internal control that addresses the preparation of accurate financial statements and related note disclosures. This is considered to be a material weakness in the Town's system of internal control.

Statement of Cause

The Town's lack of controls over financial reporting is primarily driven by the Town's limited resources. The Town's internal personnel do not possess all of the skills and competencies necessary to prepare the financial statements and related note disclosures in accordance with the highly technical requirements of generally accepted accounting principles.

Statement of Effect or Potential Effect

This material weakness in the Town's internal control could result in material misstatements in the financial statements and related note disclosures.

Recommendation

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. It is understood that this may not be 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.

Views of Responsible Officials and Corrective Action Plan

The Town of Woodsboro, Texas does not have the finances to hire a municipality accountant and understands the risks in this control deficiency.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended July 31, 2021

Section II- Financial Statement Findings (Continued)

2021-002 Lack of Segregation of Duties

Criteria

The Town is expected to maintain sufficient internal controls to be able to prevent or detect material misstatements in the financial statements and related note disclosures. The following finding represents a material weakness in the Town's internal control.

Statement of Condition

The Town does not have sufficient staff to separate the performance of key business functions.

Statement of Cause

The Town's lack segregation of duties is primarily driven by the Town's limited resources. The Town has a limited staff that is insufficiently cross-trained to provide the necessary segregation of duties to ensure proper financial reporting and compliance with related grant requirements.

Statement of Effect or Potential Effect

This material weakness in the Town's internal control could result in the Town failing to identify errors or potential fraud in the financial statements and related note disclosures.

Recommendation

To remedy the control deficiency related to the segregation of duties, the Town would need to ensure that sufficient personnel are in place and that they have the appropriate knowledge and tools to be able to effectively separate key steps of high risk procedures, and provide sufficient oversight to assist with the identification of errors or possible fraud.

Views of Responsible Officials and Corrective Action Plan

The Town of Woodsboro, Texas will implement a step by step procedure manual for all duties/procedures for city secretary, municipal clerk and utility clerk and will cross train in all departments.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended July 31, 2021

Section II- Financial Statement Findings (Continued)

Significant Deficiencies in Internal Control Over Financial Reporting

2021-003 Lack of Cross-Training

Criteria

The Town is required to maintain sufficient oversight over their operations to ensure that material misstatements of the financial statements and note disclosures can be readily identified or prevented. The Town does not have sufficient cross-training procedures to allow for these oversight operations to be effective. This has been identified as a significant deficiency in internal control over financial reporting.

Statement of Condition

While the Town may not have sufficient staff to separate the performance of key business functions, the Town has the means for cross-training personnel. It was noted that while this opportunity exists, it has not been sufficiently implemented in order to eliminate the related risks to the fair presentation of the financial statements and related note disclosures.

Statement of Cause

Due the Town's limited staff, cross-training has not been prioritized.

Statement of Effect or Potential Effect

Without sufficient cross-training, the temporary loss of an employee due to sickness, family emergency, vacation leave, departure, or other reasons leaves the Town susceptible to vulnerabilities in operations and internal control.

Recommendation

To remedy the control deficiency related to cross-training, the Town would need to train employees to perform their work associates' jobs and provide sufficient oversight to assist with the identification of errors or possible fraud.

Views of Responsible Officials and Corrective Action Plan

The Town of Woodsboro, Texas will implement a step by step procedure manual for all duties/procedures for city secretary, municipal clerk and utility clerk and will cross train in all departments.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended July 31, 2021

Section II- Financial Statement Findings (Concluded)

2021-004 Capitalization Policy

Criteria

In order to accurately and consistently account for capital assets, the Town should adopt a formally defined capitalization policy. The lack of such a policy is considered a significant deficiency in the Town's internal control over financial reporting.

Statement of Condition

The Town does not maintain a formal policy to define which expenditures should be capitalized.

Statement of Cause

A formal policy has not been developed due to Town's personnel having a limited expertise in the area of generally accepted accounting principles as they relate to the valuation and treatment of fixed assets.

Statement of Effect or Potential Effect

Without a formal capitalization policy, risk exists for the Town's treatment of capital and expense transactions to be inconsistent over multiple periods and possibly even materially misstated.

Recommendation

The Town should research, develop and adopt a formal capitalization policy that is reasonable for the operations of the Town.

Views of Responsible Officials and Corrective Action Plan

The Town of Woodsboro, Texas will adopt a capitalization policy March 1, 2022 at regular council meeting.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended July 31, 2021

Section III- Federal Award Findings and Questioned Costs

Material Weaknesses in Internal Control over Major Federal Programs

2021-005 Lack of Controls Over Financial Reporting

Major Programs

U.S. Department of Homeland Security
Federal Emergency Management Agency
Public Assistance Program
Pass-through: Texas Division of Emergency Management
Homeland Security Grants Disaster Recovery
CFDA: 97.036

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
Pass-through: Texas General Land Office
Disaster Recovery Program Infrastructure Project
CFDA: 14.228

Criteria

The Town is expected to prepare and take responsibility for the schedule of expenditures of federal awards. The Town should have a control structure in place to ensure this Schedule is prepared accurately, completely, and in compliance with regulatory requirements.

Statement of Condition

The Town has requested that Goldman, Hunt & Notz, L.L.P. (GHN) draft the schedule of expenditures of federal awards. 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 the schedule of expenditures of federal awards in accordance with the highly technical requirements for compliance. While GHN has been requested to prepare the schedule of expenditures of federal awards, GHN cannot be considered to be part of the Town's internal controls – specifically, GHN cannot be a part of the financial reporting internal control that address the preparation of an accurate schedule of expenditures of federal awards. This is considered to be a material weakness in the Town's system of internal control.

Statement of Cause

The Town's lack of controls over financial reporting is primarily driven by the Town's limited resources. The Town's internal personnel did not possess all of the skills and competencies necessary to prepare the schedule of expenditures of federal awards in accordance with the highly technical requirements for compliance.

Statement of Effect or Potential Effect

This material weakness in the Town's internal control could result in a compliance issue associated with the preparation of the schedule of expenditures of federal awards.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended July 31, 2021

Section III- Federal Award Findings and Questioned Costs (Continued)

2021-005 Lack of Controls Over Financial Reporting (Concluded)

Questioned Costs

No questioned costs were identified in association with this finding.

Perspective Information

As this finding is associated with the general structure and nature of the Town, it is considered to be a systemic issue.

Identification of Repeat Findings

This finding was not identified in prior years.

Recommendation

To remedy the control deficiency related to the preparation of the schedule of expenditures of federal awards, 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. It is understood that this may not be feasible because of the Town's size and limited resources. Management may make a conscious decision to accept the risk in this control deficiency because of cost or other considerations.

Views of Responsible Officials and Corrective Action Plan

The Town of Woodsboro, Texas does not have the finances to hire a municipality accountant and understands the risks in this control deficiency.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended July 31, 2021

Section III- Federal Award Findings and Questioned Costs (Continued)

2021-006 Lack of Segregation of Duties

Major Programs

U.S. Department of Homeland Security
Federal Emergency Management Agency
Public Assistance Program
Pass-through: Texas Division of Emergency Management
Homeland Security Grants Disaster Recovery
CFDA: 97.036

U.S. Department of Housing and Urban Development
Office of Community Planning and Development
Pass-through: Texas General Land Office
Disaster Recovery Program Infrastructure Project
CFDA: 14.228

Criteria

The Town is expected to maintain sufficient internal controls as to be able to prevent or detect material instances of non-compliance. The following finding represents a material weakness in the Town's internal control.

Statement of Condition

In the course of performing the financial statement audit it was determined that the Town has a lack of segregation of duties. This is considered to be a material weakness in the Town's system of internal control. As compliance with the requirements of FEMA Public Assistance Disaster Recovery (FEMA PA) Grant and the COVID-19 Coronavirus assistance requires effective controls and oversight around preparing and maintaining the Town's financial records, this control deficiency impacts the control structure around the FEMA PA grant and the COVID-19 Coronavirus assistance. It was found that the Town does not have sufficient staff that is appropriately cross-trained and experienced to ensure the necessary oversight procedures and separation of key duties.

Statement of Cause

The Town's lack of segregation of duties is primarily driven by the Town's limited resources. The Town has a limited staff that is insufficiently cross-trained to provide the necessary segregation of duties to ensure proper financial reporting and compliance with related grant requirements.

Statement of Effect or Potential Effect

This material weakness in the Town's internal control could result in a compliance issue associated with financial reporting to not be identified or corrected before the Town has fallen out of compliance with the requirements of the FEMA PA Grant.

Questioned Costs

No questioned costs were identified in association with this finding.

Perspective Information

As this finding is associated with the general structure and nature of the Town, it is considered to be a systemic issue.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended July 31, 2021

Section III- Federal Award Findings and Questioned Costs (Continued)

2021-006 Lack of Segregation of Duties (Concluded)

Identification of Repeat Findings

This finding was not identified in prior years.

Recommendation

To remedy the control deficiency related to the segregation of duties, the Town would need to ensure that sufficient personnel are in place and that they have the appropriate knowledge and tools to be able to effectively separate key steps of high risk procedures, and provide sufficient oversight to assist with the identification of errors or possible fraud.

Views of Responsible Officials and Corrective Action Plan

The Town of Woodsboro, Texas procures a grant firm to facilitate with all grant procedures. The Town relies on grant writers to comply with all grant requirements due to the Town's limited staff and their knowledge of grant financial reporting and compliance.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
For the Year Ended July 31, 2021

Section III- Federal Award Findings and Questioned Costs (Concluded)

Significant Deficiency in Internal Control over Major Federal Programs

2021-007 Period of Performance Noncompliance

Major Program

U.S. Department of Homeland Security
Federal Emergency Management Agency Public Assistance Program
Pass-through: Texas Division of Emergency Management
Homeland Security Grants Disaster Recovery
CFDA: 97.036

Criteria

The Town is expected to complete projects during a program-specified timeframe. If the Town is unable to complete the project by the end of the specified period of performance, the Town is to request a time extension. The following finding represents a significant deficiency in the Town's internal control over compliance.

Statement of Condition

In the course of performing the audit of the FEMA-PA grant, it was determined that when projects were not completed by either the end of the initial period of performance or by the latest approved time extension, additional time extensions had not been requested. This is considered to be a significant deficiency in the Town's system of internal control.

Statement of Cause

The Town is inefficiently monitoring the progress of each project. The Town has a limited staff that is insufficiently cross-trained to provide the necessary duties to ensure proper compliance with related grant requirements.

Statement of Effect or Potential Effect

This significant deficiency in the Town's internal control over compliance results in a compliance issue associated with the period of performance requirements of the FEMA-PA.

Questioned Costs

No questioned costs were identified in association with this finding.

Perspective Information

This finding is considered to be a systemic issue.

Identification of Repeat Findings

This finding was not identified in prior years.

Recommendation

To remedy the control deficiency related to the period of performance compliance requirement, the Town would need to request time extensions on a timely basis.

Views of Responsible Officials and Corrective Action Plan

The Town of Woodsboro, Texas procures a grant firm to facilitate with all grant procedures. The Town relies on grant writers keep the Town in compliance with all grant performance requirements of the FEMA-PA grant due to the Town's limited staff and their knowledge of grant financial reporting and compliance.