

TOWN OF WOODSBORO, TEXAS

FINANCIAL STATEMENTS

For the Year Ended July 31, 2022

TOWN OF WOODSBORO, TEXAS
FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

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INTRODUCTORY SECTION

TOWN OF WOODSBORO, TEXAS
LIST OF PRINCIPAL OFFICIALS
July 31, 2022

Mayor	Kay Roach
Mayor Pro-tem	Rosemary Vega
Council Members	Freddie Arriaga Johnny Cisneros (August–January) Edward Garza (June–July) Wayne Roberts John Schlabach (February–July) Dahlia Smith
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

[†]CERTIFIED INFORMATION SYSTEMS AUDITOR

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Woodsboro, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Woodsboro, Texas's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Woodsboro, Texas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Woodsboro, Texas's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 5-12 and 56-63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 February 23, 2023, 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.

February 23, 2023

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2022

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, 2022. 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, 2022

Financial Highlights

- The assets of the Town of Woodsboro, Texas exceeded its liabilities at the close of the year ended July 31, 2022 by \$7,600,969. Of this amount, \$920,970 of unrestricted net assets is available to meet the Town's ongoing obligations to citizens and creditors.
- At July 31, 2022, the Town's governmental funds reported combined ending fund balances of \$523,401, of which \$86,689 is unassigned fund balance for the General Fund.
- At July 31, 2022, unassigned fund balance for the General Fund was \$86,689 or 4% of total General Fund expenditures.
- The total cost of all Town activities was \$2,200,899 for the year. Net revenue of all activities was \$430,679.
- During the year, the Town's program revenue exceeded expenditures of the governmental activities by \$355,640.

Town as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Assets at July 31, 2022 and 2021 follows:

Town of Woodsboro, Texas
Components of Net Position
July 31, 2022
With Comparative Totals for July 31, 2021
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021		
Cash	\$ 581	\$ 639	\$ 170	\$ 54	\$ 751	\$ 693	\$ 58	8.4%
Restricted assets	245	135	359	329	604	464	140	30.2%
Other assets	503	304	359	382	862	686	176	25.7%
Capital assets	3,145	2,067	3,783	3,933	6,928	6,000	928	15.5%
Total assets	4,474	3,145	4,671	4,698	9,145	7,843	1,302	16.6%
Deferred outflows of resources	7	7	5	5	12	12	-	0.0%
Current and other liabilities	560	596	256	300	816	896	(80)	-8.9%
Long term debt outstanding	14	12	646	714	660	726	(66)	-9.1%
Total liabilities	574	608	902	1,014	1,476	1,622	(146)	-9.0%
Deferred inflows of resources	44	26	36	21	80	47	33	70.2%
Net investment in capital assets	3,122	2,032	3,023	3,078	6,145	5,110	1,035	20.3%
Restricted	247	154	288	256	535	410	125	30.5%
Unrestricted	494	332	427	334	921	666	255	38.3%
Total net position	\$ 3,863	\$ 2,518	\$ 3,738	\$ 3,668	\$ 7,601	\$ 6,186	\$ 1,415	22.9%

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2022

Financial Highlights (Continued)

During the year ended July 31, 2022, the net position of the Town increased approximately \$1,415,000. Cash (unrestricted and restricted) increased by \$198,000 primarily due to the Town increasing utility rates during the 2022 fiscal year. Net pension asset increased by \$66,000, and other current assets increased by \$110,000, primarily due to receivables from grantor agencies and due to increase in utility service billings. New asset purchases were \$1,247,000, \$5,000 in asset disposals and depreciation expense was \$314,000. No significant change in deferred outflows of resources. Current and other liabilities decreased \$80,000, primarily due to the FEMA Community Disaster Loan in the amount of \$396,000 was canceled by Congress and thus recognized as revenue during 2022. Other significant increases and decreases in current and other liabilities were accounts payable – grant increased \$151,000, due to grantor agencies increased \$229,000, accounts payable – trade and accrued liabilities decreased \$10,000, due to other funds decreased \$18,000 and customer deposits payable increased \$1,000. Long-term debt obligations due within one year decreased \$37,000. Long-term debt outstanding decreased \$66,000 due to the OPEB obligation increased \$4,000 and the long-term portion of the long-term debt outstanding decreased by \$70,000 due to the \$70,000 being classified as current as that is the amount due within one year. Deferred inflows of resources increased \$33,000.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2022

Financial Highlights (Continued)

A condensed version of the Statement of Activities follows:

Town of Woodsboro, Texas
Condensed Statement of Activities
For the Year Ended July 31, 2022
With Comparative Totals for the Year Ended July 31, 2021
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021		
Revenues								
Program revenues								
Charges for services	\$ 465	\$ 445	\$ 1,092	\$ 879	\$ 1,557	\$ 1,324	\$ 233	17.6%
General revenues								
Taxes	590	520	-	-	590	520	70	13.5%
Interest	2	1	1	1	3	2	1	50.0%
Private grant/donation	3	8	-	-	3	8	(5)	-62.5%
Intergovernmental revenue	1,023	501	47	136	1,070	637	433	68.0%
Total revenues	<u>2,083</u>	<u>1,475</u>	<u>1,140</u>	<u>1,016</u>	<u>3,223</u>	<u>2,491</u>	<u>732</u>	<u>29.4%</u>
Expenses								
General government	707	767	-	-	707	767	(60)	-7.8%
Public safety/municipal								
court	298	358	-	-	298	358	(60)	-16.8%
Streets	99	114	-	-	99	114	(15)	-13.2%
Animal control	21	21	-	-	21	21	-	0.0%
Recreation	7	6	-	-	7	6	1	16.7%
Water and sewer	-	-	807	750	807	750	57	7.6%
Sanitation	-	-	258	235	258	235	23	9.8%
Total expenses	<u>1,132</u>	<u>1,266</u>	<u>1,065</u>	<u>985</u>	<u>2,197</u>	<u>2,251</u>	<u>(54)</u>	<u>-2.4%</u>
Excess (deficiency) before non operating expenses and transfers	951	209	75	31	1,026	240	786	327.5%
Non operating revenue (expenses)	394	(83)	(5)	-	389	(83)	472	-568.7%
Transfers	-	6	-	(6)	-	-	-	0.0%
Change in net position	<u>1,345</u>	<u>132</u>	<u>70</u>	<u>25</u>	<u>1,415</u>	<u>157</u>	<u>1,258</u>	<u>801.3%</u>
Beginning 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>
Ending net position	<u>\$3,863</u>	<u>\$2,518</u>	<u>\$3,738</u>	<u>\$3,668</u>	<u>\$7,601</u>	<u>\$6,186</u>	<u>#####</u>	<u>22.9%</u>

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2022

Financial Highlights (Concluded)

Governmental Activities

Revenues

Revenues increased by \$608,000. Program revenues increased \$20,000. General government revenues, including licenses, permits and fees, decreased \$3,000, and public safety/municipal court revenues increased \$23,000. General revenues increased by \$71,000. Ad valorem taxes increased \$41,000, sales taxes increased \$26,000, franchise fees increased \$3,000, and interest income increased \$1,000. Private grant/donations decreased \$5,000 due to the Town receiving private grant funds in the amount of \$3,000 and the Town receiving an in-kind donation during 2021 in the amount of \$8,000. Intergovernmental revenue increased \$522,000 as the Town received Community Development Block Grant funds for streets and drainage infrastructure improvements.

Expenditures

Expenditures decreased by \$134,000. General government expenditures decreased by \$60,000. The decrease is due primarily to the General Fund expending grant revenues for Hurricane Harvey repairs in 2021 whereas the repairs were winding down during 2022. Public safety and municipal court expenditures decreased by \$60,000 primarily due to an \$11,000 increase in uniforms, an \$8,000 increase in fuel usage, a \$2,000 increase in travel and meals, and an \$81,000 decrease in depreciation expense as the Public Safety's capital assets are becoming fully depreciated. Street expenditures decreased \$15,000 due to the Town using Community Development Block Grant funds in 2022 to repair/reconstruct streets and drainage infrastructure instead of Town funds. Animal Control stayed consistent with prior year. Recreation expenditures increased \$1,000.

Non-operating revenues and expenditures increased \$477,000 due to the FEMA Community Disaster Loan in the amount of \$396,000 was canceled by Congress and thus recognized as revenue during 2022. Interest expense was \$2,000 in 2022 and \$3,000 in 2021. The Town had an \$80,000 loss on asset disposals during 2021.

Business-type Activities

Revenues

Revenues increased by \$124,000. Program revenues increased by \$213,000 due to a 58% increase in water rates, 22% increase in sewer rates, and 4% increase in utility sanitation rates. Interest income was consistent with prior year. Intergovernmental revenue decreased \$89,000 as water and sewer Hurricane Harvey destruction projects funded by FEMA Public Assistance began winding down.

Expenses

Expenses increased by \$80,000 due to sanitation collection fees increased during 2022, the cost of materials and supplies were on the rise during 2022, and the Town had increases in capital assets in current years, therefore, an increase in depreciation expense. Non-operating expenses decreased \$5,000 due to the Town disposing of capital assets not fully depreciated.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2022

Capital Assets

At July 31, 2022 the Town had \$6,900,000 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 \$928,000 or 15.5% compared to last year, due to an influx of new assets primarily to grant activities for street infrastructure improvements in the governmental activities and improvements to the water and wastewater systems in the business-type activities.

Town of Woodsboro, Texas
Capital Assets
July 31, 2022
With Comparative Totals for July 31, 2021
(in thousands)

	Governmental		Business-type		Total		Amount Change	% Change		
	Activities		Activities		Government					
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021				
Construction in progress	\$ 1,227	\$ 750	\$ -	\$ -	\$ 1,227	\$ 750	\$ 477	63.6%		
Land	82	82	-	-	82	82	-	0.0%		
Buildings and improvements	1,306	589	-	-	1,306	589	717	121.7%		
Machinery and equipment	566	570	6,270	6,295	6,836	6,865	(29)	-0.4%		
Streets	635	635	-	-	635	635	-	0.0%		
Subtotal	3,816	2,626	6,270	6,295	10,086	8,921	1,165	13.1%		
Accumulated depreciation	(671)	(559)	(2,487)	(2,362)	(3,158)	(2,921)	(237)	8.1%		
Capital assets, net	<u>\$3,145</u>	<u>\$2,067</u>	<u>\$3,783</u>	<u>\$3,933</u>	<u>\$6,928</u>	<u>\$6,000</u>	<u>\$ 928</u>	<u>15.5%</u>		

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, 2022. Actual revenues in the General Fund were higher than budgeted revenues by approximately \$1,112,000, primarily due to grant revenue not being budgeted. Actual General Fund expenditures were higher than budgeted amounts by approximately \$942,000, primarily due to a significant amount of capital outlay (street infrastructure improvements) during the fiscal year.

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2022

Debt Administration

At year-end, the Town had \$809,000 in Long-Term Debt, including a \$26,000 OPEB obligation, and Certificates of Obligation outstanding versus \$913,000 in Long-Term Debt, including a \$21,000 OPEB obligation, and Certificates of Obligation last year. The Town paid \$70,000 in principal reductions for Refunding Bonds obligation and \$38,000 for other long-term debt. The OPEB obligation increased \$4,000.

Town of Woodsboro, Texas
Debt Outstanding
July 31, 2022
With Comparative Totals for July 31, 2021
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount Change	% Change
	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021	July 31, 2022	July 31, 2021		
Long-term debt	\$ 38	\$ 47	\$ 67	\$ 92	\$ 105	\$ 139	\$ (34)	-24.5%
Refunding bonds	-	-	704	774	704	774	(70)	-9.0%
Total	\$ 38	\$ 47	\$ 771	\$ 866	\$ 809	\$ 913	\$ (104)	-11.4%

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

TOWN OF WOODSBORO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
July 31, 2022

Economic Factors and Next Year's Budgets and Rates

- Anticipate that the Town's effective tax rate will approximate the 2022/2023 rate of .8488/\$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, 2023 will be as follows:

FUND	REVENUE	EXPENDITURE/EXPENSES
General Fund	\$1,091,450	\$1,091,450
Enterprise Fund - Water	\$ 575,100	\$ 575,100
Enterprise Fund - Sewer	\$ 334,843	\$ 334,843
Enterprise Fund - Sanitation	\$ 290,655	\$ 290,655

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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 581,259	\$ 170,147	\$ 751,406
Receivables			
Sales tax	7,054	-	7,054
Service accounts	-	153,118	153,118
Franchise tax	10,738	-	10,738
Ad valorem taxes	80,324	-	80,324
Prepaid expenses	32,930	4,144	37,074
Due from other fund	2,683	17,392	20,075
Due from grant agency	166,434	-	166,434
Inventory	9,525	27,463	36,988
Restricted cash	244,686	358,953	603,639
Net pension asset	192,584	157,569	350,153
Capital assets, net of depreciation	3,145,690	3,782,397	6,928,087
Total assets	<u>4,473,907</u>	<u>4,671,183</u>	<u>9,145,090</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred contributions	3,281	2,685	5,966
Changes in assumptions - net pension	880	720	1,600
Changes in assumptions - OPEB	2,511	2,055	4,566
Total deferred outflows of resources	<u>6,672</u>	<u>5,460</u>	<u>12,132</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, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable - trade	75,420	37,330	112,750
Accounts payable - grants	151,753	-	151,753
Accrued expenses	6,061	2,711	8,772
Accrued interest	-	7,135	7,135
Accrued vacation	3,158	3,723	6,881
Accrued salaries	4,190	4,719	8,909
Due to grant agencies	275,285	2,485	277,770
Due to other fund	20,075	-	20,075
Customer deposits payable	-	73,472	73,472
Noncurrent liabilities:			
Net OPEB obligation	14,287	11,690	25,977
Note payable - due within one year	24,010	55,355	79,365
Bonds payable - due within one year	-	70,000	70,000
Bonds payable - due in more than one year	-	634,000	634,000
Total liabilities	<u>574,239</u>	<u>902,620</u>	<u>1,476,859</u>
DEFERRED INFLOWS OF RESOURCES			
Difference in experience - net pension	9,491	7,765	17,256
Difference in investment returns - net pension	34,132	27,926	62,058
Difference in experience - OPEB	44	36	80
Total deferred inflows of resources	<u>43,667</u>	<u>35,727</u>	<u>79,394</u>
NET POSITION			
Net investment in capital assets	3,121,680	3,023,042	6,144,722
Restricted for:			
Hurricane Harvey repairs	175,080	2,485	177,565
Law enforcement	13,353	-	13,353
Municipal court building security	24,013	-	24,013
Municipal court technology fund	34,865	-	34,865
Utility replacement	-	285,481	285,481
Unrestricted	<u>493,682</u>	<u>427,288</u>	<u>920,970</u>
Total net position	<u><u>\$ 3,862,673</u></u>	<u><u>\$ 3,738,296</u></u>	<u><u>\$ 7,600,969</u></u>

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

TOWN OF WOODSBORO, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended July 31, 2022

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	\$ 706,922	\$ 56,896	\$ 1,023,246	\$ 373,220	\$ -	\$ 373,220
Public safety/municipal court	298,525	408,572	2,552	112,599	-	112,599
Streets	99,397	-	-	(99,397)	-	(99,397)
Animal control	21,301	-	-	(21,301)	-	(21,301)
Recreation	7,961	-	-	(7,961)	-	(7,961)
Interest expense	1,520	-	-	(1,520)	-	(1,520)
Total governmental activities	<u>1,135,626</u>	<u>465,468</u>	<u>1,025,798</u>	<u>355,640</u>	<u>-</u>	<u>355,640</u>
Business-type activities:						
Water and sewer	806,985	818,767	47,394	-	59,176	59,176
Sanitation	258,288	274,151	-	-	15,863	15,863
Total business-type activities	<u>1,065,273</u>	<u>1,092,918</u>	<u>47,394</u>	<u>-</u>	<u>75,039</u>	<u>75,039</u>
Total primary government	<u>\$ 2,200,899</u>	<u>\$ 1,558,386</u>	<u>\$ 1,073,192</u>	<u>355,640</u>	<u>75,039</u>	<u>430,679</u>
General revenues:						
Taxes:						
Property taxes, levied for general purposes			402,904	-	402,904	
Franchise taxes			62,888	-	62,888	
Sales taxes			125,449	-	125,449	
Interest income			1,529	741	2,270	
Forgiveness of long term debt			396,000	-	396,000	
Loss on asset disposal			-	(5,402)	(5,402)	
Total general revenues and transfers			<u>988,770</u>	<u>(4,661)</u>	<u>984,109</u>	
Change in net position			<u>1,344,410</u>	<u>70,378</u>	<u>1,414,788</u>	
Net position - beginning			<u>2,518,263</u>	<u>3,667,918</u>	<u>6,186,181</u>	
Net position - ending			<u>\$ 3,862,673</u>	<u>\$ 3,738,296</u>	<u>\$ 7,600,969</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, 2022

	General Fund	Police Department Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash - unrestricted	\$ 581,259	\$ -	\$ -	\$ 581,259
Receivables:				
Sales tax	7,054	-	-	7,054
Franchise tax	10,738	-	-	10,738
Ad valorem taxes	80,324	-	-	80,324
Restricted cash	175,080	13,411	56,195	244,686
Prepaid expenses	32,930	-	-	32,930
Due from other government funds	-	-	2,683	2,683
Due from grant agency	166,434	-	-	166,434
Inventory	7,525	2,000	-	9,525
Total assets	<u>\$ 1,061,344</u>	<u>\$ 15,411</u>	<u>\$ 58,878</u>	<u>\$ 1,135,633</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	\$ 73,362	\$ 2,058	\$ -	\$ 75,420
Accounts payable - grants	151,753	-	-	151,753
Accrued expenses	6,061	-	-	6,061
Accrued vacation	3,158	-	-	3,158
Accrued salaries	4,190	-	-	4,190
Due to grants agencies	275,285	-	-	275,285
Due to other fund	20,075	-	-	20,075
Total liabilities	<u>533,884</u>	<u>2,058</u>	<u>-</u>	<u>535,942</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	76,290	-	-	76,290
Total deferred inflows of resources	<u>76,290</u>	<u>-</u>	<u>-</u>	<u>76,290</u>
Fund balances:				
Non-spendable	40,455	-	-	40,455
Restricted	175,080	13,353	58,878	247,311
Committed	148,946	-	-	148,946
Unassigned	86,689	-	-	86,689
Total fund balances	<u>451,170</u>	<u>13,353</u>	<u>58,878</u>	<u>523,401</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,061,344</u>	<u>\$ 15,411</u>	<u>\$ 58,878</u>	<u>\$ 1,135,633</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, 2022

Total governmental fund balances (page 16) \$ 523,401

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. 3,145,690

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 192,584

Deferred outflows related to pensions:

Deferred contributions	3,281
Changes in assumptions	880

Deferred outflows related to OPEB:

Changes in assumptions	2,511
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Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 76,290

Deferred inflows related to pensions:

Difference in experience	(9,491)
Difference in investment returns	(34,132)

Deferred inflows related to OPEB:

Difference in experience	(44)
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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:

Net OPEB obligation	(14,287)
Long-term debt	<u>(24,010)</u>

Net position of governmental activities \$ 3,862,673

TOWN OF WOODSBORO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended July 31, 2022

	General Fund	Police Department Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Ad valorem taxes, penalty and interest	\$ 397,587	\$ -	\$ -	\$ 397,587
City sales tax	125,449	-	-	125,449
Franchise taxes	62,888	-	-	62,888
Licenses, permits and fees	33,383	-	-	33,383
Fines and forfeitures	400,769	7,803	-	408,572
Interest income	1,357	45	127	1,529
Intergovernmental - grant revenue	1,023,245	-	-	1,023,245
Private grant - NRA Foundation	2,553	-	-	2,553
Miscellaneous	11,774	-	11,739	23,513
Total revenues	2,059,005	7,848	11,866	2,078,719
EXPENDITURES				
Current:				
General government	636,957	-	200	637,157
Public safety	81,939	19,838	-	101,777
Streets	60,379	-	-	60,379
Animal control	21,301	-	-	21,301
Municipal court	156,539	-	-	156,539
Parks	5,113	-	-	5,113
Capital outlay	1,194,123	-	-	1,194,123
Grant expenditures	34,287	-	-	34,287
Hurricane recovery expenditures	18,161	-	-	18,161
Total expenditures	2,208,799	19,838	200	2,228,837
Excess (deficiency) of revenues over (under) expenditures	(149,794)	(11,990)	11,666	(150,118)
OTHER FINANCING SOURCES (USES)				
Principal payment on loan	(11,315)	-	-	(11,315)
Interest expense	(1,520)	-	-	(1,520)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	(12,835)	-	-	(12,835)
Net change in fund balances	(162,629)	(11,990)	11,666	(162,953)
Fund balances - beginning	613,799	25,343	47,212	686,354
Fund balances - ending	\$ 451,170	\$ 13,353	\$ 58,878	\$ 523,401

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, 2022

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

Net change in fund balances - total governmental funds (page 18)	\$ (162,953)
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.	1,194,123
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.	(115,948)
Some property taxes will not be collected for several months after the Town's fiscal year end, and are not considered "available" revenues in the governmental funds.	5,317
Governmental funds report the payment of long term debt principal the current financial resources are available and payments are due. Forgiveness of debt is not recognized in the Governmental funds but should be recognized in the government wide financial statements as income.	396,000
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.	16,556
Principal payments on long-term debt are recorded as expenses in the governmental funds.	<u>11,315</u>
Change in net assets of governmental activities	<u><u>\$ 1,344,410</u></u>

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

TOWN OF WOODSBORO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
July 31, 2022

	Business-type Activities - Enterprise Fund	
	Water, Sewer and Sanitation Fund	Total Enterprise Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 170,147	\$ 170,147
Accounts receivable - customers, net	153,118	153,118
Prepaid expenses	4,144	4,144
Due from other fund	17,392	17,392
Inventory	27,463	27,463
Total current assets	<u>372,264</u>	<u>372,264</u>
Restricted assets		
Cash and cash equivalents	358,953	358,953
Total restricted assets	<u>358,953</u>	<u>358,953</u>
Noncurrent assets		
Capital assets		
Property, plant and equipment	6,269,827	6,269,827
Less: accumulated depreciation	(2,487,430)	(2,487,430)
Total capital assets, net of accumulated depreciation	<u>3,782,397</u>	<u>3,782,397</u>
Net pension asset	157,569	157,569
Total noncurrent assets	<u>3,939,966</u>	<u>3,939,966</u>
Total assets	<u>4,671,183</u>	<u>4,671,183</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred contributions	2,685	2,685
Changes in assumptions - net pension	720	720
Changes in assumptions - OPEB	<u>2,055</u>	<u>2,055</u>
Total deferred outflows of resources	<u>5,460</u>	<u>5,460</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, 2022

	Business-type Activities - Enterprise Fund	
	Water, Sewer and Sanitation Fund	Total Enterprise Fund
LIABILITIES		
Current liabilities		
Accounts payable - trade	37,330	37,330
Accrued expenses	2,711	2,711
Accrued interest	7,135	7,135
Accrued vacation	3,723	3,723
Accrued salaries	4,719	4,719
Due to grant agencies	2,485	2,485
Customer deposits payable	73,472	73,472
Note payable - current portion	55,355	55,355
Bonds payable - current portion	70,000	70,000
Total current liabilities	<u>256,930</u>	<u>256,930</u>
Noncurrent liabilities		
Net OPEB obligation	11,690	11,690
Bonds payable	634,000	634,000
Total noncurrent liabilities	<u>645,690</u>	<u>645,690</u>
Total liabilities	<u>902,620</u>	<u>902,620</u>
DEFERRED INFLOWS OF RESOURCES		
Difference in experience - net pension	7,765	7,765
Difference in investment returns - net pension	27,926	27,926
Difference in experience - OPEB	36	36
Total deferred inflows of resources	<u>35,727</u>	<u>35,727</u>
NET POSITION		
Invested in capital assets, net of related debt	3,023,042	3,023,042
Restricted for Hurricane Harvey repairs	2,485	2,485
Restricted for utility replacement	285,481	285,481
Unrestricted	427,288	427,288
Total net position	<u>\$ 3,738,296</u>	<u>\$ 3,738,296</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, 2022

	Business-type Activities - Enterprise Fund	
	Water, Sewer and Sanitation Fund	Total Enterprise Fund
OPERATING REVENUES		
Charges for services:		
Water sales	\$ 442,027	\$ 442,027
Sewer	295,793	295,793
Sanitation	274,151	274,151
Late charges	29,912	29,912
Reconnect fees	4,080	4,080
Transfer and other fees	9,525	9,525
Miscellaneous	37,430	37,430
Total operating revenues	<u>1,092,918</u>	<u>1,092,918</u>
OPERATING EXPENSES		
Salaries	221,730	221,730
Sanitation charges	258,288	258,288
Repairs and maintenance	41,063	41,063
Materials, asphalt and caliche	33,773	33,773
Truck expenses	18,298	18,298
Sewer plant	26,049	26,049
Postage, office supplies and fees	76,921	76,921
Professional fees	48,354	48,354
Insurance	60,486	60,486
Utilities and telephone	44,255	44,255
Uniforms	827	827
Payroll taxes	16,960	16,960
Depreciation	198,408	198,408
Retirement	4,274	4,274
Total operating expenses	<u>1,049,686</u>	<u>1,049,686</u>
Operating income (loss)	<u>43,232</u>	<u>43,232</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 (CONTINUED)
For the Year Ended July 31, 2022

	Business-type Activities - Enterprise Fund	
	Water, Sewer and Sanitation Fund	Total Enterprise Fund
NON OPERATING REVENUES (EXPENSES)		
Grant income	47,394	47,394
Interest income	741	741
Grant expenses	(855)	(855)
Loss on sale of asset	(5,402)	(5,402)
Interest expense	(14,732)	(14,732)
Total non operating revenues (expenses)	<u>27,146</u>	<u>27,146</u>
Income (loss) before transfers	70,378	70,378
Transfers in	-	-
Transfers out	-	-
Change in fund net position	<u>70,378</u>	<u>70,378</u>
Total net position, beginning	<u>3,667,918</u>	<u>3,667,918</u>
Total net position, ending	<u>\$ 3,738,296</u>	<u>\$ 3,738,296</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, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 1,031,714
Cash paid to suppliers for goods and services	(549,004)
Cash paid to employees for services	<u>(219,945)</u>
Net cash provided (used) by operating activities	<u>262,765</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Net cash provided (used) by noncapital financing activities	-
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of fixed assets	(52,838)
Principal payments on note payable	(26,401)
Principal payments on 2020 refunding bonds	(70,000)
Interest paid	<u>(14,732)</u>
Net cash provided (used) by capital and related financing activities	<u>(163,971)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	741
Grant income	47,394
Grant expenses	<u>(855)</u>
Net cash provided (used) by investing activities	<u>47,280</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 146,074

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 383,026

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 529,100

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, 2022

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

Operating income (loss)	\$ 43,232
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	198,408
(Increase) decrease in accounts receivable - trade	(54,637)
(Increase) decrease in accounts receivable - grants	86,721
Increase (decrease) in allowance account	6,980
(Increase) decrease in prepaid expenses	(355)
(Increase) decrease in due from other fund	17,568
(Increase) decrease in inventory	(4,157)
Increase (decrease) in accounts payable - trade	(8,300)
Increase (decrease) in accrued expenses	(65)
Increase (decrease) in accrued interest payable	(951)
Increase (decrease) in accrued vacation payable	2,588
Increase (decrease) in accrued salaries payable	3,471
Increase (decrease) in due to other fund	(15,383)
Increase (decrease) in meter deposits payable	1,192
 Total adjustments	 233,080
 Net cash provided (used) by operating activities	 \$ 276,312

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 170,147
Restricted cash and cash equivalents	358,953
 Total cash and cash equivalents	 \$ 529,100

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, 2022

	Custodial Fund	Total
ASSETS		
Inventory - seized vehicles	\$ 8,600	\$ 8,600
Total assets	\$ 8,600	\$ 8,600
LIABILITIES		
Due to others	\$ 8,600	\$ 8,600
Total liabilities	\$ 8,600	\$ 8,600

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, 2022

	Custodial Fund	Total
ADDITIONS		
Inventory - seized vehicles	\$ 8,600	\$ 8,600
Total additions	<u>8,600</u>	<u>8,600</u>
DEDUCTIONS		
Inventory - seized vehicles	14,500	14,500
Total liabilities	<u>14,500</u>	<u>14,500</u>
Change in net position	(5,900)	(5,900)
Net position, beginning	<u>14,500</u>	<u>14,500</u>
Net position, ending	<u>\$ 8,600</u>	<u>\$ 8,600</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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Classification of Fund Balances (Concluded)

	General Fund	Police Department Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES:				
Non-spendable:				
Inventory	\$ 7,525	\$ -	\$ -	\$ 7,525
Prepaid expenses	32,930	-	-	32,930
Restricted for:				
Hurricane Harvey repairs	175,080	-	-	175,080
Law enforcement purposes	-	13,353	-	13,353
Municipal court building security	-	-	24,013	24,013
Municipal court technical fund	-	-	34,865	34,865
Committed to:				
Street maintenance	148,946	-	-	148,946
Unassigned	<u>86,689</u>	<u>-</u>	<u>-</u>	<u>86,689</u>
Total fund balances	<u>\$ 451,170</u>	<u>\$ 13,353</u>	<u>\$ 58,878</u>	<u>\$ 523,401</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.

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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Property Tax (concluded)

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

During the year ended July 31, 2022, the Town levied an ad valorem tax for maintenance and operations at a rate of 1.0373 per \$100 of assessed value. A total tax levy of \$389,660 resulted, based on a net taxable valuation of \$37,564,812 for the 2021 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 \$149,794 of expenditures over revenues occurred in the General Fund in the year ended July 31, 2022. An excess of \$11,990 of expenditures over revenues occurred in the Police Fund in the year ended July 31, 2022.

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, 2022

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, 2022

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, 2022. As of July 31, 2022, the carrying amount of the Town's deposits was \$1,354,445, and the bank balance was \$1,432,595. 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, 2022

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, 2022, accounts receivable – customers for business-type activities were:

	Amount
Total accounts receivable - customers	\$ 168,143
Less: allowance for doubtful accounts	<u>(15,025)</u>
Accounts receivable - customers	<u><u>\$ 153,118</u></u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

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	750,297	1,051,190	(574,297)	1,227,190
Total capital assets not being depreciated	<u>832,638</u>	<u>1,051,190</u>	<u>(574,297)</u>	<u>1,309,531</u>
Other capital assets				
Buildings and improvements	588,810	717,230	-	1,306,040
Machinery and equipment	570,352	-	(4,500)	565,852
Streets	635,058	-	-	635,058
Total other capital assets at historical cos	<u>1,794,220</u>	<u>717,230</u>	<u>(4,500)</u>	<u>2,506,950</u>
Less accumulated depreciation for:				
Buildings and improvements	(61,157)	(32,716)	-	(93,873)
Machinery and equipment	(398,243)	(53,192)	4,500	(446,935)
Streets	(99,943)	(30,040)	-	(129,983)
Total accumulated depreciation	<u>(559,343)</u>	<u>(115,948)</u>	<u>4,500</u>	<u>(670,791)</u>
Other capital assets, net	1,234,877	601,282	-	1,836,159
Governmental activities capital assets, net	<u>\$ 2,067,515</u>	<u>\$ 1,652,472</u>	<u>#####</u>	<u>\$ 3,145,690</u>
 Business-type activities:				
Capital assets not being depreciated				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other capital assets				
Buildings and improvements	-	-	-	-
Machinery and equipment	6,295,415	52,838	(78,426)	6,269,827
Total other capital assets at historical cos	<u>6,295,415</u>	<u>52,838</u>	<u>(78,426)</u>	<u>6,269,827</u>
Less accumulated depreciation for:				
Buildings and improvements	-	-	-	-
Machinery and equipment	(2,362,046)	(198,408)	73,024	(2,487,430)
Total accumulated depreciation	<u>(2,362,046)</u>	<u>(198,408)</u>	<u>73,024</u>	<u>(2,487,430)</u>
Other capital assets, net	3,933,369	(145,570)	(5,402)	3,782,397
Business-type activities capital assets, net	<u>\$ 3,933,369</u>	<u>\$ (145,570)</u>	<u>\$ (5,402)</u>	<u>\$ 3,782,397</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

NOTE 4: CHANGES IN CAPITAL ASSETS (Concluded)

Depreciation expense was charged to functions as follows:

	<u>Amount</u>
Governmental activities	
General government	\$ 33,873
Public safety	40,209
Streets	39,018
Parks	2,848
Total governmental activities depreciation expense	<u>\$ 115,948</u>
Business-type activities	
Water and sewer	\$ 198,408
Total business-type activities depreciation expense	<u>\$ 198,408</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

NOTE 5: LONG-TERM DEBT

A. Changes in Long-Term Liabilities

Long-term liability activity for the year ended July 31, 2022 was as follows:

Description and Purpose	Amount of Original Issue	Maturity Date	Interest Rate	Balance 07/31/21	Issued During Year	Increases (Decreases) During Year	Balance 07/31/22	Due Within One Year
<u>Governmental-type activities</u>								
General Fund:								
OPEB liability	\$ -	various	various	\$ 11,766	\$ -	\$ 2,521	\$ 14,287	\$ -
Direct borrowing	\$ 57,670	9/28/2023	4.29%	35,325	-	(11,315)	24,010	24,010
<u>Business-type activities</u>								
Water, Sewer, and Sanitation Fund:								
OPEB liability	\$ -	various	various	9,626	-	2,064	11,690	-
Refunding bonds	\$ 848,000	3/1/2037	1.57%	774,000	-	(70,000)	704,000	70,000
Direct borrowing	\$ 131,584	9/28/2023	4.29%	81,756	-	(26,401)	55,355	55,355
Total long-term debt				\$ 912,473	\$ -	\$ (103,131)	\$ 809,342	\$ 149,365

The interest paid for governmental activities was \$1,520 for equipment loan debt for the year ended July 31, 2022. The interest paid for business-type activities was \$14,732 for bonds and equipment loan debt for the year ended July 31, 2022 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, 2022

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, 2022. Therefore, debt will be considered current at July 31, 2022.

As of July 31, 2022, the remaining annual payments are as follows:

Year Ended July 31,	Loan Principal	Interest	Total Requirements
2023	\$ 11,800	\$ 1,035	\$ 12,835
2024	12,210	528	12,738
	<u>\$ 24,010</u>	<u>\$ 1,563</u>	<u>\$ 25,573</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

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, 2022. Therefore, debt will be considered current at July 31, 2022.

As of July 31, 2022, the remaining annual payments are as follows:

Year Ended July 31,	Loan Principal	Interest	Total Requirements
2023	\$ 27,534	\$ 2,414	\$ 29,948
2024	<u>27,821</u>	<u>1,232</u>	<u>29,053</u>
	<u>\$ 55,355</u>	<u>\$ 3,646</u>	<u>\$ 59,001</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

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:

Year Ended July 31,	Principal	Interest	Total Requirements
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	75,000	6,484	81,484
2028-2032	219,000	18,699	237,699
2033-2035	119,000	3,752	122,752
	<u>\$ 704,000</u>	<u>\$ 66,443</u>	<u>\$ 770,443</u>

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

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			
	Notes from Direct Borrowings			
	Principal	Interest		
2023	\$ 11,800	\$ 1,035		
2024	12,210	528		
	<u>\$ 24,010</u>	<u>\$ 1,563</u>		

Year Ended July 31,	Business-Type Activities			
	Bonds		Notes from Direct Borrowings	
	Principal	Interest	Principal	Interest
2023	\$ 70,000	\$ 11,053	\$ 27,534	\$ 2,414
2024	71,000	9,954	27,821	1,232
2025	75,000	8,839	-	-
2026	75,000	7,662	-	-
2027	75,000	6,484	-	-
2028-2032	219,000	18,699	-	-
2033-2035	119,000	3,752	-	-
	<u>\$ 704,000</u>	<u>\$ 66,443</u>	<u>\$ 55,355</u>	<u>\$ 3,646</u>

F. Federal Emergency Management Agency Disaster Loan

In fiscal year-end 2018, the Town of Woodsboro, Texas entered into a \$396,640 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 would adversely affect the Town's ability to provide essential municipal services. The loan was to be paid in increments to the Town as requested by the Town and approved by FEMA. The loan had a term of five years, and each advance would bear fixed interest at 3.0%. Principal and interest was to 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. Between fiscal year ends 2018 through 2021, the Town drew \$396,000 on this loan. The Town drew and expended the remaining \$640 during fiscal year ended July 31, 2022. The total amount of draws was used to pay salaries in both the General and the Enterprise Funds. 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. Revenue associated with forgiveness of this loan in the amount of \$396,000 is recognized in the statement of activities as "Forgiveness of Long-Term Debt."

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, 2022

NOTE 6: PENSION PLAN

A. Plan Description

The Town participates as one of 901 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G, (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual 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 member's benefit is calculated as if the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member's contributions and interest.

Plan provisions for the Town were as follows:

	Plan Year 2021
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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	4
Active employees	10
Total	18

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

NOTE 6: PENSION PLAN (Continued)

C. Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of member's total compensation, and the Town matching percentages are either 1:1 (1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), 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 Town's contribution rate is based on the liabilities created from the benefit plan options selected by the Town and any changes in benefits or actual experience over time.

Employees for the Town were required to contribute 5% of their annual compensation during the fiscal year 2022. The contribution rates for the Town were 1.94% and 1.66% in calendar years 2021 and 2022, respectively. The Town's contributions to TMRS for the year ended 2022 were \$9,286, and exceeded the required contributions.

D. Net Pension Asset

The Town's Net Pension Asset (NPA) was measured as of December 31, 2021, 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, 2021 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, 2022

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. The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public and Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Asset was 6.75%. The projection of cash flows used to determine the discount rate assumed that member 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 members. 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, 2022

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 12/31/2020	<u>\$ 656,434</u>	<u>\$ 940,235</u>	<u>\$ (283,801)</u>
Changes for the year:			
Service cost	43,952	-	43,952
Interest	44,615	-	44,615
Difference between expected and actual experience	168	-	168
Changes in assumptions	-	-	-
Contributions - employer	-	8,291	(8,291)
Contributions - employee	-	24,973	(24,973)
Net investment income	-	122,386	(122,386)
Benefit payments, including refunds of employee contributions	(34,889)	(34,889)	-
Administrative expense	-	(567)	567
Other changes	-	4	(4)
Net changes	<u>53,846</u>	<u>120,198</u>	<u>(66,352)</u>
Balance at 12/31/2021	<u>\$ 710,280</u>	<u>\$ 1,060,433</u>	<u>\$ (350,153)</u>

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

The following presents the Net Pension Asset of the Town, calculated using the discount rate of 6.75%, as well as what the Town's Net Pension 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 Asset	\$(250,018)	\$(350,153)	\$(433,106)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at www.tmrs.com.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

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, 2022, the Town recognized pension income of \$24,623.

At July 31, 2022, 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	\$ -	\$17,256
Changes in actuarial assumptions	1,600	-
Difference between projected and actual investment earnings	-	62,058
Contributions subsequent to the measurement date December 31, 2021	5,966	-
Total	\$7,566	\$79,314

\$5,966 reported as 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, 2022. 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
2022	\$(15,674)
2023	(31,735)
2024	(17,051)
2025	(13,254)
2026	-
Thereafter	-
Total	\$(77,714)

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	10
Total	13

C. Contributions

The Town contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is 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, 2022 were \$874, which equaled the required contributions each year.

D. Total OPEB Liability

The Town's total OPEB liability of \$25,977 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The total OPEB liability in the December 31, 2021 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	1.84%
Retirees' share of benefit-related costs	\$0

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

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, 2021.

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, 2021 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 12/31/2020	<u>\$ 21,392</u>
Changes for the year:	
Service cost	2,697
Interest on total OPEB liability	453
Changes of benefit terms	-
Differences between expected and actual experience	922
Changes in assumptions and other inputs	713
Benefit payments	(200)
Administrative expense	-
Other changes	-
Net changes	<u>4,585</u>
Balance at 12/31/2021	<u>\$ 25,977</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.00 percent as of December 31, 2020 to 1.84 percent as of December 31, 2021.

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 1.84%, 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 (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB liability	\$31,436	\$25,977	\$21,672

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

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, 2022, the Town recognized OPEB expense of \$4,007.

At July 31, 2022, 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	\$ -	\$80
Changes in assumptions and other inputs	4,566	-
Contributions made subsequent to measurement date	N/A	-
Total (excluding contributions made subsequent to measurement date)	\$4,566	\$80

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, 2022 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
2022	\$ 857
2023	857
2024	857
2025	857
2026	763
Thereafter	293
Total	\$4,484

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

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, 2022 are as follows:

Fund	Due From Other Funds	Due To Other Funds
General	\$ -	\$ (20,075)
MC Security	858	-
MC Technology	1,825	-
Enterprise	17,392	-
Total Due From/Due To	\$ 20,075	\$ (20,075)

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, 2022

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: 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. Plaintiff, Timothy Lee Dickey purchased a license to operate amusement redemption machines in the City of Woodsboro, Texas. Mr. Dickey voluntarily paid for these permits and purchased 12 permits in 2016 and 28 permits in 2017. These are permit fees which are the same or similar as charged by other cities and counties in the South Texas area. This case is being vigorously contested by the Town of Woodsboro. In the opinion of Counsel, based on current facts, the outcome is unknown; however, it is more likely than not that the Town will prevail.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

NOTE 11: COMMITMENTS AND CONTINGENCIES

Engineering, administration and construction contracts relating to construction or major repairs in progress aggregated approximately \$169,975. 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, 2022, the Town had outstanding Federal grant awards of \$90,186 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, 2022, the Town had outstanding Federal grant awards of \$319,100 for improvements on approved projects by the U.S. Department of Housing and Urban Development, in which the grant is administered through the Texas Department of Agriculture. 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 Department of Agriculture, 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, 2022, the Town had outstanding Federal grant awards of \$259,156 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, 2022, the Town had outstanding Federal grant awards of \$175,034 to respond to the COVID-19 emergency or its negative economic impacts, provide premium pay for essential workers, replace lost public sector revenue, and invest in water, sewer, and broadband infrastructure on approved projects by the U.S. Department of Treasury, in which the grant is administered through the Texas Division 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.

TOWN OF WOODSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended July 31, 2022

NOTE 11: COMMITMENTS AND CONTINGENCIES (Concluded)

As of July 31, 2022, 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 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.

NOTE 12: SUBSEQUENT EVENTS

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through February 23, 2023, 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, 2022

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes:			
Property taxes	\$ 348,000	\$ 397,587	\$ 49,587
City sales tax revenue	120,000	125,449	5,449
Franchise fees	58,500	62,888	4,388
Municipal court	370,000	400,769	30,769
Police	37,565	22,110	(15,455)
Street	4,500	3,904	(596)
Animal control	-	63	63
Town Square	-	1,010	1,010
Permits	7,000	6,944	(56)
Interest income	1,000	1,357	357
Intergovernmental - grant revenue	-	1,025,798	1,025,798
Miscellaneous	-	11,126	11,126
Total revenues	<u>946,565</u>	<u>2,059,005</u>	<u>1,112,440</u>
EXPENDITURES			
General government	327,497	451,511	(124,014)
Street	405,886	1,216,847	(810,961)
Public safety	291,370	310,216	(18,846)
Municipal court	241,800	230,225	11,575
Total expenditures	<u>1,266,553</u>	<u>2,208,799</u>	<u>(942,246)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(319,988)</u>	<u>(149,794)</u>	<u>170,194</u>
OTHER FINANCING SOURCES (USES)			
Principal payment on loan	(11,315)	(11,315)	-
Interest expense	(1,520)	(1,520)	-
Total other financing sources (uses)	<u>(12,835)</u>	<u>(12,835)</u>	<u>-</u>
Net change in fund balances	<u>\$ (332,823)</u>	<u>(162,629)</u>	<u>\$ 170,194</u>
Fund balances - beginning		613,799	
Fund balances - ending		<u>\$ 451,170</u>	

TOWN OF WOODSBORO, TEXAS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended July 31, 2022

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, 2022

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021
Total pension liability								
Service cost	\$ 28,152	\$ 38,084	\$ 39,754	\$ 46,271	\$ 41,106	\$ 39,661	\$ 44,647	\$ 43,952
Interest (on the total pension liability)	26,117	24,744	27,898	31,448	35,490	37,903	41,737	44,615
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(58,879)	3,564	(3,254)	9,501	(12,245)	(7,655)	(17,216)	168
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)	(34,889)
Net change in total pension liability	(36,337)	62,985	48,161	73,333	28,728	52,989	51,682	53,846
Total pension liability - beginning	374,893	338,556	401,541	449,702	523,035	551,763	604,752	656,434
Total pension liability - ending (a)	\$ 338,556	\$ 401,541	\$ 449,702	\$ 523,035	\$ 551,763	\$ 604,752	\$ 656,434	\$ 710,280
Plan fiduciary net position								
Contributions - employer	\$ 3,673	\$ 928	\$ -	\$ 1,726	\$ 3,162	\$ 4,892	\$ 3,873	\$ 8,291
Contributions - employee	18,084	23,194	23,357	26,965	23,954	23,193	26,171	24,973
Net investment income	33,129	888	41,782	92,405	(23,174)	114,344	65,352	122,386
Benefit payments, including refunds of employee contributions	(31,727)	(8,221)	(16,237)	(13,887)	(35,623)	(20,125)	(17,486)	(34,889)
Administrative expense	(346)	(541)	(472)	(479)	(448)	(647)	(424)	(567)
Other	(28)	(27)	(25)	(25)	(22)	(19)	(17)	4
Net change in plan fiduciary net position	22,785	16,221	48,405	106,705	(32,151)	121,638	77,469	120,198
Plan fiduciary net position - beginning	579,163	601,948	618,169	666,574	773,279	741,128	862,766	940,235
Plan fiduciary net position - ending (b)	\$ 601,948	\$ 618,169	\$ 666,574	\$ 773,279	\$ 741,128	\$ 862,766	\$ 940,235	\$ 1,060,433

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (unaudited) (CONTINUED)
For the Year Ended July 31, 2022

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019	Measurement Year 2020	Measurement Year 2021
Net pension liability (asset) - ending (a) - (I)	\$ (263,392)	\$ (216,628)	\$ (216,872)	\$ (250,244)	\$ (189,365)	\$ (258,014)	\$ (283,801)	\$ (350,153)
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 %	149.30 %
Covered employee payroll	\$ 361,677	\$ 463,872	\$ 467,148	\$ 539,294	\$ 479,085	\$ 463,869	\$ 523,414	\$ 499,458
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) %	(70.11) %

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended July 31, 2022

	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Actuarially determined contribution	\$ 2,953	\$ 436	\$ 1,274	\$ 3,205	\$ 4,122	\$ 4,426	\$ 6,525	\$ 9,286
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>	<u>9,286</u>
Contribution deficiency (excess)	<u>\$ (311)</u>	<u>\$ -</u>	<u>\$ 303</u>	<u>\$ 646</u>	<u>\$ -</u>	<u>\$ (915)</u>	<u>\$ (835)</u>	<u>\$ -</u>
Covered employee payroll	\$ 303,484	\$ 485,011	\$ 503,403	\$ 509,279	\$ 469,038	\$ 514,044	\$ 509,394	\$ 507,528
Contributions as a percentage of covered employee payroll	1.08 %	0.09 %	0.19 %	0.50 %	0.88 %	1.04 %	1.44 %	1.83 %

TOWN OF WOODSBORO, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended July 31, 2022

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, 2022

	Measurement	Measurement	Measurement	Measurement	Measurement
	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021
Total OPEB liability					
Service cost	\$ 1,402	\$ 1,437	\$ 1,392	\$ 2,198	\$ 2,697
Interest on Total OPEB liability	342	386	509	515	453
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	-	1,357	(677)	(1,651)	922
Change of assumptions and other inputs	896	(1,054)	3,441	2,718	713
Benefit payments	(54)	(48)	(46)	(52)	(200)
Net change in total pension liability	2,586	2,078	4,619	3,728	4,585
Total OPEB liability - beginning	8,381	10,967	13,045	17,664	21,392
Total OPEB liability - ending	\$ 10,967	\$ 13,045	\$ 17,664	\$ 21,392	\$ 25,977
Covered employee payroll	\$ 539,294	\$ 479,085	\$ 463,869	\$ 523,414	\$ 499,458
Total OPEB liability as a percentage of covered employee payroll	2.03 %	2.72 %	3.81 %	4.09 %	5.20 %

**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, 2022**

NOTE 1: CHANGE OF ASSUMPTIONS

Changes of assumptions and other inputs reflect the effect of change in the discount rate from 2.00 percent as of December 31, 2020 to 1.84 percent as of December 31, 2021.

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, 2022

	Municipal Court Security	Municipal Court Technology	Total Non- Major Govern- mental Funds
ASSETS			
Cash - restricted	\$ 23,155	\$ 33,040	\$ 56,195
Due from other government funds	858	1,825	2,683
Total assets	<u>\$ 24,013</u>	<u>\$ 34,865</u>	<u>\$ 58,878</u>
LIABILITIES			
Total liabilities	\$ -	\$ -	\$ -
FUND BALANCES			
Restricted:			
Municipal court building security	24,013	-	24,013
Municipal court technology fund	-	34,865	34,865
Total fund balances	<u>24,013</u>	<u>34,865</u>	<u>58,878</u>
Total liabilities and fund balances	<u>\$ 24,013</u>	<u>\$ 34,865</u>	<u>\$ 58,878</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, 2022

	Municipal Court Security	Municipal Court Technology	Total Non- Major Govern- mental Funds
REVENUES			
Interest income	\$ 50	\$ 77	\$ 127
Miscellaneous income	6,293	5,446	11,739
Total revenues	6,343	5,523	11,866
EXPENDITURES			
Miscellaneous expenditures	-	200	200
Total expenditures	-	200	200
Excess (deficit) of revenues over expenditures	6,343	5,323	11,666
OTHER FINANCING SOURCES (USES)			
Total other financing sources (uses)	-	-	-
Net change in fund balances	6,343	5,323	11,666
FUND BALANCES, beginning of year	17,670	29,542	47,212
FUND BALANCES, end of year	\$ 24,013	\$ 34,865	\$ 58,878

INDIVIDUAL GRANT INFORMATION

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2022

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	Amended Budget	Prior Year	Current Year	Total	Remaining Budget
Revenue:						
Federal/State	\$ 130,000	\$ 98,219	\$ 20,970	\$ 23,580	\$ 44,550	\$ 53,669
Total revenue	130,000	98,219	20,970	23,580	44,550	53,669
Expenditures						
Federal/State						
Personnel	88,719	44,550	20,970	23,580	44,550	-
Equipment	41,281	53,669	-	-	-	53,669
Total expenditures	130,000	98,219	20,970	23,580	44,550	53,669
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2022

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 3194207

Contract Period: March 1, 2022 to February 28, 2023

	Original Budget	Prior Year	Current Year	Total	Remaining Budget
Revenue:					
Federal/State	\$ 80,000	\$ -	\$ 9,678	\$ 9,678	\$ 70,322
Total revenue	<u>80,000</u>	<u>-</u>	<u>9,678</u>	<u>9,678</u>	<u>70,322</u>
Expenditures					
Federal/State					
Personnel - augmentees	59,999	-	8,273	8,273	51,726
Personnel - overtime	<u>20,001</u>	<u>-</u>	<u>1,405</u>	<u>1,405</u>	<u>18,596</u>
Total expenditures	<u>80,000</u>	<u>-</u>	<u>9,678</u>	<u>9,678</u>	<u>70,322</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, 2022

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	\$ 168,296	\$ 6,815	\$ 175,111	\$ 259,156
Local match - TDEM	103,397	-	41,338	41,338	62,059
Local match - Town	41,359	14,032	-	14,032	27,327
Total revenue	579,023	182,328	48,153	230,481	348,542
Expenses:					
Federal/State					
Project costs	364,087	115,852	-	115,852	248,235
Engineering	49,500	49,500	-	49,500	-
Administration	20,680	9,759	-	9,759	10,921
Local match - TDEM					
Project costs	91,022	28,963	-	28,963	62,059
Engineering	12,375	12,375	-	12,375	-
Local match - Town					
Project costs	30,341	9,654	-	9,654	20,687
Engineering	4,125	4,125	-	4,125	-
Administration	6,893	253	-	253	6,640
Total expenses	579,023	230,481	-	230,481	348,542
Excess revenue over expenditures	\$ -	\$ (48,153)	\$ 48,153	\$ -	\$ -

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2022

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 – Amended October 30, 2022

	Original Budget	Prior Year	Current Year	Total	Remaining Budget
Revenue:					
Federal/State	\$ 1,245,322	\$ 176,000	\$ 975,847	\$ 1,151,847	\$ 93,475
Total revenue	1,245,322	176,000	975,847	1,151,847	93,475
Expenditures					
Federal/State					
Construction/reconstruction of streets	1,245,322	176,000	975,847	1,151,847	93,475
Total expenditures	1,245,322	176,000	975,847	1,151,847	93,475
Excess revenue over expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE
For the Year Ended July 31, 2022

Community Development Block Grant – Community Development Fund 2021

Street Improvement Project

Federal Grantor: Department of Housing and Urban Development

Pass Through Grantor: Texas General Land Office

CFDA Number: 14.228

Contract Number: CDV21-0029

Contract Period: March 1, 2022 to February 29, 2024

	Budget	Prior Year	Current Year	Total	Remaining Budget
Revenue:					
Federal/State	\$ 332,500	\$ -	\$ 13,500	\$ 13,500	\$ 319,000
Local match - Town	17,500	-	-	-	17,500
Total revenue	<u>350,000</u>	<u>-</u>	<u>13,500</u>	<u>13,500</u>	<u>336,500</u>
 Expenses:					
Federal/State					
Street improvements	247,000	-	-	-	247,000
Engineering	52,250	-	3,000	3,000	49,250
Administration	33,250	-	10,500	10,500	22,750
Local match - Town					
Street improvements	13,000	-	-	-	13,000
Engineering	2,750	-	-	-	2,750
Administration	1,750	-	-	-	1,750
Total expenses	<u>350,000</u>	<u>-</u>	<u>13,500</u>	<u>13,500</u>	<u>336,500</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, 2022

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

	Budget	Prior Year	Current Year	Total
Revenue:				
Federal	\$ 1,161,946	\$ 520,863	\$ -	\$ 520,863
Local match - State	26,346	26,346	-	26,346
Local match - Town	96,154	59,435	-	59,435
Total revenue	<u>1,284,446</u>	<u>606,644</u>	<u>-</u>	<u>606,644</u>
Expenditures				
Federal				
Emergency protective measures	59,447	59,477	-	59,477
Lift station fence	3,812	1,327	-	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	3,705	-	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	30,009	-	30,009
WWTP contents	11,546	11,546	-	11,546
WTP contents	5,369	5,369	-	5,369
Ditches/city wide	99,075	99,077	-	99,077
Fire house	436,271	436,271	-	436,271
Water treatment plant	154,720	14,360	-	14,360
Street signs/city wide	140,288	64,404	-	64,404
PAAP-DAC	55,048	44,355	-	44,355
Total Federal expenditures	<u>1,161,946</u>	<u>892,462</u>	<u>-</u>	<u>892,462</u>

TOWN OF WOODSBORO, TEXAS
GRANT REVENUE AND EXPENSE SCHEDULE (CONTINUED)
For the Year Ended July 31, 2022

	<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	26,346	18,587	-	18,587
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	96,154	59,435	-	59,435
Total expenditures	1,284,446	970,484	-	970,484
Excess revenue over expenditures	\$ -	\$ (363,840)	\$ -	\$ (363,840)

SINGLE AUDIT SECTION

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

Certified Public Accountants

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

*CERTIFIED VALUATION ANALYST

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA, CISA*
STEPHANIE S. KOCH, CPA

*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, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 23, 2023.

Report on 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, 2022-03, and 2022-04 that we consider to be significant deficiencies.

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

February 23, 2023

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

Certified Public Accountants

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

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AMERICAN INSTITUTE OF
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TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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

[†]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

Opinion on Each Major Federal Program

We have audited the Town of Woodsboro, Texas's (the Town's) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in blue ink that reads "Goldman, Hunt & Notz, LLP".

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

February 23, 2023

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended July 31, 2022

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-through Grantor and Number	Federal Expenditures
(Alternative Compliance Examination)-Cluster			
Department of the Treasury			\$ -
<i>Total Department of the Treasury</i>	21.027		<u>-</u>
(Alternative Compliance Examination)-Cluster			
Other Programs			
Department of Homeland Security			
Community Disaster Loans			
Community Disaster Loans	97.030		640
<i>Total Community Disaster Loans</i>			<u>640</u>
Homeland Security Grant Program			
Homeland Security Grant Program	97.067	Texas Office of Governor, 3194206	23,580
Homeland Security Grant Program	97.067	Texas Office of Governor, 3194207	9,678
<i>Total Homeland Security Grant Program</i>			<u>33,258</u>
<i>Total Department of Homeland Security</i>			<u>33,898</u>
Department of Housing and Urban Development			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Texas General Land Office, 20-065-057-C169	975,847
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	Texas Department of Agriculture, CDV21-0029	13,500
<i>Total Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii</i>			<u>989,347</u>
<i>Total Department of Housing and Urban Development</i>			<u>989,347</u>
Total Other Programs			<u>1,023,245</u>
Total Expenditures of Federal Awards			<u>\$ 1,023,245</u>

The accompanying notes are an integral part of this schedule.

TOWN OF WOODSBORO, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended July 31, 2022

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, 2022. 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.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended July 31, 2022

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?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> x	no
* Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> x yes	<input type="checkbox"/>	no

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major federal programs:

* Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> x	no
* Significant deficiency(ies) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> x	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 x no

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
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, 2022

Section II- Financial Statement Findings

Significant Deficiencies in Internal Control over Financial Reporting

2022-001 Lack of Controls over Financial Reporting

Criteria

The Town is expected to prepare and take responsibility for the annual 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 of Woodsboro has requested that Goldman, Hunt & Notz, L.L.P. (GHN) draft the financial statements and related note disclosures subject to the Town's personnel review and acceptance. This was done because, due to its limited resources, the Town's internal personnel do not possess all of the skills necessary to prepare the financial statements and related note disclosures in accordance with the highly technical requirements of generally accepted accounting principles. However, the Town's personnel do possess the suitable skills, knowledge or experience to effectively process the accounting and internal control functions of the Town. This scenario is common for towns this size. This is considered to be a significant deficiency in the Town's system of internal control.

Statement of Cause

The Town's lack of controls over the preparation of the annual financial statements and related note disclosures are primarily driven by the Town's professional accounting limited resources.

Statement of Effect or Potential Effect

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

Recommendation

To remedy the control deficiency related to the preparation of the annual financial statements, Town of Woodsboro, Texas 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

The Town of Woodsboro does not have the finances to hire a professional municipal 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, 2022

Section II- Financial Statement Findings (Continued)

Significant Deficiencies in Internal Control Over Financial Reporting

2022-002 Lack of Segregation of Duties

Criteria

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

Statement of Condition

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

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 not fully 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 significant deficiency 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

The Town of Woodsboro 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, 2022

Section II- Financial Statement Findings (Continued)

Significant Deficiencies in Internal Control Over Financial Reporting

2022-003 Lack of Cross-Training – General Ledger Accounting

Criteria

The Town of Woodsboro, Texas is required to maintain sufficient oversight over their operations to ensure that misstatements of the financial statements and note disclosures can be readily identified or prevented. The Town does not have full cross-training procedures of the general ledger accounting 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. Cross-training of the general ledger accounting 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 of the general ledger accounting has not been fully implemented.

Statement of Effect or Potential Effect

Without sufficient cross-training of the general ledger accounting procedures, the temporary loss of an employee due to sickness, family emergency, vacation leave, departure, or other reasons leaves the Town susceptible to a variety of uncontrollable events.

Recommendation

To remedy the control deficiency related to cross-training, the Town would need to train employees to perform general ledger accounting duties and to provide sufficient oversight to assist with the identification of errors or possible fraud.

Views of Responsible Officials

The Town of Woodsboro will implement a step by step procedure manual for all duties/procedures for City Secretary will cross train in that department.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)
For the Year Ended July 31, 2022

Section II- Financial Statement Findings (Concluded)

Significant Deficiencies in Internal Control Over Financial Reporting

2022-004 Debt Obligation Covenant Failure

Criteria

The Town of Woodsboro, Texas is required to establish and maintain a Payment Fund (cash account) in accordance with a financial debt contract agreement in order to not constitute an event of default. The Payment Fund is to house the Ad Valorem Tax revenue or other lawfully available funds (within the limits prescribed by law) in a manner in which the amounts would be sufficient to make the required payments.

Statement of Condition

The Town did not establish a Payment Fund in accordance with the contract agreement. The establishment of a separate fund for the annual payments is to ensure the Town sets aside enough funds in order to meet the obligation each year. As the Town has the monetary funds to make the annual debt payments, the contract requirement is there to provide surety to the financial institution that the Town will make the annual debt payments with sufficient funds on each due date.

Statement of Cause

The establishment of a Payment Fund has not been established.

Statement of Effect or Potential Effect

A violation of the covenant could cause the financial institution to call the obligation and the Town would be required to pay the obligation in its entirety.

Recommendation

To remedy the deficiency the Town Mayor and City Secretary should become familiar with all requirements stated within debt contract agreements and adhere to all stated terms and conditions.

Views of Responsible Officials

The Town of Woodsboro will open a bank account for Government Leasing Equipment as per the contract agreement and the Town of Woodsboro will fund the account with a sufficient amount to be in compliance with the contract agreement.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended July 31, 2022

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

This finding has not been corrected as the Town's lack of controls over financial reporting is primarily driven by the Town's limited resources.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
For the Year Ended July 31, 2022

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

This finding has been partially corrected. The Town of Woodsboro, Texas will implement a step by step procedure manual for all duties/procedures for city secretary and will cross train in all departments.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
For the Year Ended July 31, 2022

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

This finding has been partially corrected. The Town of Woodsboro, Texas will implement a step by step procedure manual for all duties/procedures for city secretary and will cross train in all departments.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
For the Year Ended July 31, 2022

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

This finding has been corrected. The Town adopted a capitalization policy during fiscal year ended July 31, 2022.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
For the Year Ended July 31, 2022

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 PRIOR AUDIT FINDINGS (CONTINUED)
For the Year Ended July 31, 2022

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

This finding has been corrected. The Town has requested Goldman, Hunt & Notz, L.L.P. to assist with the preparation of the schedule of expenditures of federal awards and the Town takes full responsibility for the schedule and the related note disclosures.

TOWN OF WOODSBORO, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
For the Year Ended July 31, 2022

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 PRIOR AUDIT FINDINGS (CONTINUED)
For the Year Ended July 31, 2022**

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

This finding has been corrected. 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 PRIOR AUDIT FINDINGS (CONCLUDED)
For the Year Ended July 31, 2022**

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

This finding has been corrected. The Town is in the process of closing this grant. 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.