

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION
(A Component Unit of the City of Winnsboro, Texas)

FINANCIAL STATEMENTS
September 30, 2018

TABLE OF CONTENTS

Independent Auditor's Report	3
Management's Discussion and Analysis	9
Basic Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet – Governmental Fund	16
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	17
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Governmental Fund	18
Notes to Financial Statements	19
Overall Compliance and Internal Controls Section:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Schedule of Findings	33

FINANCIAL SECTION

This page intentionally left blank.



HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
of the Winnsboro Economic Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Winnsboro Economic Development Corporation, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Winnsboro Economic Development Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

2001 MOORES LANE • TEXARKANA, TEXAS 75503 • (903) 823-2727 • FAX (903) 823-2734

WWW.HLCCPAS.COM

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA'S PRIVATE COMPANIES PRACTICE SECTION

TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

This page intentionally left blank.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Winnsboro Economic Development Corporation as of September 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Winnsboro Economic Development Corporation's basic financial statements. The introductory section is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The introductory 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 November 20, 2019, on our consideration of the Winnsboro Economic Development Corporation'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 Winnsboro Economic Development

This page intentionally left blank.

Corporation'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 Winnsboro Economic Development Corporation's internal control over financial reporting and compliance.

Attila, Lemon & Cox, P.C.

November 20, 2019

This page intentionally left blank.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of the Winnsboro Economic Development Corporation (WEDC) represents management's discussion and analysis of WEDC's financial performance during the fiscal year ending September 30, 2018.

FINANCIAL HIGHLIGHTS

The assets of WEDC exceeded its liabilities at the close of the most recent fiscal year by \$525,919 (net position). This full amount is restricted for economic development activities, such as the promotion of existing and prospective businesses and the creation of employment opportunities in Winnsboro, Texas.

WEDC'S total net position increased from operations by \$27,264 during the most recent fiscal year.

The Winnsboro Independent School District passed a bond in November 2017 to build a new high school, which increased sales tax revenues. The Wood County property tax assessments were higher, which resulted in higher property tax revenues without increasing the tax rates.

The EDC purchased playground equipment from a local resident at cost, which led to the formation of Rotary Park within City Park.

WEDC contributed \$10,000 to the Winnsboro Center for the Arts to help fund a concept study by KSA Engineers for a new Center for the Arts facility.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to WEDC's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide and Fund Financial Statements. The financial statements are designed to provide readers with a broad overview of WEDC's finances, in a manner similar to a private-sector business.

The statement of net position and the balance sheet – governmental fund present information on all of WEDC's assets and liabilities, with the difference between the two reported as net position in the government-wide financial statement and as fund balance in the balance sheet – governmental fund. Over time, increases or decreases in net position (equity) may serve as a successful indicator of whether the financial position of WEDC is improving or deteriorating.

The statement of activities and the statement of revenues, expenditures and changes in fund balance present information showing how the organization's net position/fund balance changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses may be reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. WEDC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. WEDC only reports one governmental fund.

Governmental Fund. A governmental fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. If there are differences in the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances, a reconciliation is included to facilitate this comparison between governmental funds and governmental activities. There were no differences in WEDC fund financial statements from the government-wide financial statements, and thus, no reconciliations were required.

WEDC adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of WEDC, assets and deferred outflows of resources exceeded liabilities by \$525,919 at the close of the fiscal year.

	<u>2018</u>	<u>2017</u> <u>(as restated)</u>
Current and other assets		
Cash and cash equivalents	\$ 183,476	151,629
Investments	327,322	323,559
Sales tax receivable	63,122	59,661
Note receivable	29,875	30,532
Total assets	<u>603,795</u>	<u>565,381</u>
Current liabilities		
Accounts payable	<u>77,876</u>	<u>66,726</u>
Total liabilities	<u>77,876</u>	<u>66,726</u>
Net position		
Restricted for economic development	<u>525,919</u>	<u>498,655</u>
Total net position	<u>\$ 525,919</u>	<u>498,655</u>

At the end of both 2018 and 2017, WEDC was able to report a positive balance in its net position.

	<u>2018</u>	<u>2017</u> <i>(as restated)</i>
Revenues		
General revenues		
Sales taxes	\$ 358,896	386,391
Investment earnings	4,845	3,471
Miscellaneous	9,870	
Total revenue	<u>373,611</u>	<u>389,862</u>
Expenses		
Economic development	<u>346,579</u>	<u>319,834</u>
Total expenses	<u>346,579</u>	<u>319,834</u>
Increase in net position	<u>27,264</u>	<u>70,028</u>
Net position, beginning, as originally reported	700,272	428,627
Prior period adjustment	(201,617)	
Net position, beginning, as restated	<u>498,655</u>	<u>428,627</u>
Net position, ending	<u>\$ 525,919</u>	<u>498,655</u>

Financial Analysis of the Government's Funds

As noted earlier, WEDC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

At the end of the current fiscal year, total fund balance was \$525,919. As a measure of a fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represented approximately 1.5 times total annual expenditures for the year ended September 30, 2018.

WEDC's fund balance increased by \$27,264 from operations during the year.

Economic Factors and Next Year's Budgets

Skycinema Studios produced a video for the City of Winnsboro and WEDC that highlighted all of the amenities that Winnsboro has to offer. Skycinema Studios is also the new administrator for the WEDC Website.

WEDC's Board approved a contribution of \$200,000 for fiscal year 2019 to help fund a new water line to be installed from the water tower to the new high school. The water line will produce enough water to support economic growth to the western portion of Winnsboro. New housing in this area will support the growth of the new school, thereby increasing property tax revenues in 2019.

Business and rental assistance programs were re-engineered during fiscal year 2018. The businesses and new start-up businesses took advantage of the programs, and WEDC looks forward to the continued growth of these programs in the coming years. The budget for fiscal year 2019 emphasizes marketing efforts to promote growth in our local economy.

Requests for Information

This financial report is designed to provide a general overview of WEDC's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Winnsboro Economic Development Corporation, 501 South Main Street, Winnsboro, Texas 75494.

BASIC FINANCIAL STATEMENTS

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF NET POSITION

September 30, 2018

	<i>Economic Development Fund</i>
ASSETS	
Cash and cash equivalents	\$ 183,476
Investments	327,322
Sales tax receivable	63,122
Note receivable	29,875
Total assets	<u>603,795</u>
LIABILITIES	
Accounts payable	<u>77,876</u>
Total liabilities	<u>77,876</u>
NET POSITION	
Restricted for economic development	<u>525,919</u>
Total net position	<u><u>\$ 525,919</u></u>

The accompanying notes are an integral part of these financial statements.

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES For the Year Ended September 30, 2018

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Primary Government Net (Expense) Revenue and Changes in Net Position</u>
FUNCTIONS/PROGRAMS:			
Primary government:			
Governmental activities:			
Economic development	\$ 346,347	9,870	(336,477)
Total governmental activities	<u>346,347</u>	<u>9,870</u>	<u>(336,477)</u>
General revenues:			
Sales tax			358,896
Interest earnings			<u>4,845</u>
Total general revenues			<u>363,741</u>
Change in net position			<u>27,264</u>
Net position, beginning of year, as originally reported			700,272
Prior period adjustment			<u>(201,617)</u>
Net position, beginning of year, as restated			<u>498,655</u>
Net position, end of year			<u>\$ 525,919</u>

The accompanying notes are an integral part of these financial statements.

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEET GOVERNMENTAL FUND September 30, 2018

	<i>Economic Development Fund</i>
ASSETS	
Cash and cash equivalents	\$ 183,476
Investments	327,322
Sales tax receivable	63,122
Note receivable	29,875
Total assets	<u>603,795</u>
LIABILITIES	
Accounts payable	<u>77,876</u>
Total liabilities	<u>77,876</u>
FUND BALANCES	
Fund balances	
Nonspendable - note receivable	29,199
Restricted for economic development	496,720
Total fund balances	<u>525,919</u>
Total liabilities and fund balances	<u>\$ 603,795</u>

The accompanying notes are an integral part of these financial statements.

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND

For the Year Ended September 30, 2018

	<i>Economic Development Fund</i>
REVENUES	
Sales tax	\$ 358,896
Investment earnings	4,845
Miscellaneous	9,870
Total revenues	<u>373,611</u>
EXPENDITURES/EXPENSES	
Economic Development	
Advertising	32,900
Administrative	12,157
Computer and software	8,983
Dues and memberships	1,726
Economic development	5,479
Legal and professional fees	4,155
Marketing	1,200
Office supplies and expenses	760
Promotion materials	9,839
Prospect	1,458
Rent	3,000
Salaries and benefits - Administrative	91,851
Salaries and benefits - Main Street coordinator	82,144
Salaries and benefits - Farmers' Market coordinator	32,275
Telephone	1,404
Travel and training	4,248
Capital outlay	52,768
Total expenditures/expenses	<u>346,347</u>
Change in net position	<u>27,264</u>
Fund balance at beginning of year, as previously reported	465,272
Prior period adjustment	33,383
Fund balance at beginning of year, as restated	<u>498,655</u>
Fund balance at end of year	<u><u>\$ 525,919</u></u>

The accompanying notes are an integral part of these financial statements.

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

Budget and Actual
GOVERNMENTAL FUND
For the Year Ended September 30, 2018

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Sales tax	\$ 360,000	325,000	358,896	33,896
Investment earnings	3,311	2,500	4,845	2,345
Miscellaneous			9,870	9,870
Total revenues	<u>363,311</u>	<u>327,500</u>	<u>373,611</u>	<u>46,111</u>
EXPENDITURES/EXPENSES				
Economic Development				
Advertising	11,000	25,240	32,900	(7,660)
Administrative	12,066	12,066	12,157	(91)
Computer and software	2,750		8,983	(8,983)
Dues and memberships	1,200	2,500	1,726	774
Economic development	9,060	5,400	5,479	(79)
Incentives	20,000			-
Legal and professional fees	9,000	17,000	4,155	12,845
Marketing	20,000		1,200	(1,200)
Office supplies and expenses	750	1,600	760	840
Printing and forms	1,000	1,000		1,000
Promotion materials		8,000	9,839	(1,839)
Prospect	10,000	2,000	1,458	542
Publications	150	150		150
Rent	3,000	3,000	3,000	-
Salaries and benefits - Administrative	101,472	120,418	91,851	28,567
Salaries and benefits - Main Street coordinator	85,358	81,467	82,144	(677)
Salaries and benefits - Farmers' Market coordinator	5,000	30,300	32,275	(1,975)
Telephone	1,405	1,500	1,404	96
Travel and training	4,000	10,000	4,248	5,752
Capital outlay			52,768	(52,768)
Total expenditures	<u>297,211</u>	<u>321,641</u>	<u>346,347</u>	<u>(24,706)</u>
Net change in fund balance	<u>66,100</u>	<u>5,859</u>	<u>27,264</u>	<u>21,405</u>
Fund balance at beginning of year, as previously reported	465,272	465,272	465,272	-
Prior period adjustment	33,383	33,383	33,383	-
Fund balance at beginning of year, as restated	<u>498,655</u>	<u>498,655</u>	<u>498,655</u>	<u>-</u>
Fund balance at end of year	<u>\$ 564,755</u>	<u>504,514</u>	<u>525,919</u>	<u>21,405</u>

The accompanying notes are an integral part of these financial statements.

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

Notes to the financial statements continued.

NOTES TO THE FINANCIAL STATEMENTS

September 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

Winnsboro Economic Development Corporation (WEDC) is a nonprofit corporation and is a component unit of the City of Winnsboro, Texas (City). The governing body of WEDC is appointed by the Winnsboro City Council and the operating budget of WEDC is subject to approval of the City Council. WEDC was organized for the purpose of assisting in economic development in Winnsboro and Wood County. WEDC is funded by a one-half percent sales tax levied on taxable sales within the City of Winnsboro, Texas. This tax was enacted by popular vote in September 1995 and may be repealed by popular vote.

WEDC is reported as a component unit of the City of Winnsboro, Texas, on the basis of financial and governance interdependence.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all activities of the government. The fund financial statements provide information about WEDC's single fund.

Governments engaged in a single governmental program may combine their fund financial statements with their government-wide statements by using a columnar format that reconciles individual line items of fund financial data to the government-wide data in a separate column. Winnsboro Economic Development Corporation has chosen this form of presentation for the accompanying financial statements.

WEDC reports the following major fund:

The economic development fund is used to account for specific revenues that are legally restricted to expenditures for particular purposes. WEDC is currently using the economic development fund to account for sales tax revenue that is restricted for economic development.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

Notes to the financial statements continued.

when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However some certain expenditures are recorded only when payment is due.

Sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

When both restricted and unrestricted resources are available for use, it is WEDC's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. FUND BALANCES – GOVERNMENTAL FUNDS

Fund balances of the governmental funds are classified as follows:

Nonspendable fund balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Restricted fund balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed fund balance – includes amounts that can only be used for a specific purpose because of a formal action by the Board of Directors. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned fund balance – includes amounts which the Board intends to use for a specific purpose but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board or by an official or body to which the Board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of WEDC itself.

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

Notes to the financial statements continued.

Unassigned fund balance – includes amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Sometimes WEDC will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is WEDC's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In order to calculate the amounts to be reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is WEDC's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND RESPONSIBILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

The budget is adopted on a basis consistent with generally accepted accounting principles. Unexpended budget appropriations lapse at year end and do not carry forward to future periods. Budget controls are imposed at the fund level and require Board approval for amendment.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The expenditures in WEDC exceeded appropriations by \$24,706.

NOTE 3 – DEPOSITS AND INVESTMENTS

WEDC uses the City of Winnsboro's Investment Policy to govern its deposit and investment activity.

Interest Rate Risk

WEDC does not have any debt security investments.

Custodial Credit Risk

For a deposit, custodial credit risk is the risk that, in the event of a failure of a depository institution, WEDC will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Of WEDC's categorizable deposits of \$510,797, none were uninsured and uncollateralized at September 30, 2018.

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

Notes to the financial statements continued.

WEDC's policy on custodial credit risk requires that all deposits and investments of WEDC funds shall be secured by pledged collateral at a level of 102% of the market value of principal and accrued interest on the deposits or investments less an amount insured by the Federal Deposit Insurance Corporation (FDIC).

WEDC is authorized to invest in obligations collateralized by the FDIC, the U.S. Government or the State of Texas, or obligations of Texas counties, cities, or other political subdivision of the State of Texas with a quality rating of not less than "A".

Credit Risk

For an investment, credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. WEDC's investment policy authorizes the City of Winnsboro's Investment Committee to invest WEDC funds in certificates of deposit with depository banks of WEDC, other state or national banks domiciled in Texas with offices in Winnsboro that are insured by FDIC, investment pools with a rating of AAA or AAAM, or treasury securities issued by the federal government.

Concentrations of credit risk of over 5% by issuer are as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>Fair Value</u>	<u>% of Total Investments</u>
Cash and certificates of deposit	First National Bank of Winnsboro	\$510,797	100%

NOTE 4 – RISK MANAGEMENT

WEDC is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, WEDC obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. WEDC pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. WEDC continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year, and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

NOTE 5 – CONTINGENT LIABILITIES

WEDC has participated in grant programs in prior years, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that WEDC has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of WEDC, there are no significant

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

Notes to the financial statements continued.

contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

No reportable litigation was pending against WEDC at September 30, 2018.

NOTE 6 – SUBSEQUENT PRONOUNCEMENTS

The Governmental Accounting Standards Board recently issued the following statements not yet implemented by WEDC. The statements, which might impact WEDC, are as follows:

Statement No. 83, *Certain Asset Retirement Obligations*, issued November 2016, will be effective for the fiscal year ending September 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable.

Statement No. 84, *Fiduciary Activities*, issued in January 2017, will be effective for the fiscal year September 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

Statement No. 87, *Leases*, issued in June 2017, will be effective for the fiscal year ending September 30, 2021. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangement.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, issued April 2018 will be effective for the fiscal year ending September 30, 2019. This Statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowing and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The Statement also requires

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

Notes to the financial statements continued.

that existing and additional information be provided for direct borrowings and direct placement of debt separately from other debt.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued in June 2018, will be effective for the fiscal year ending September 30, 2021. The Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with Statement No. 62. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The Statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest costs incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, issued in August 2018, will be effective for the fiscal year ending September 30, 2020. The Statement's objective is to improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

Statement No. 91, *Conduit Debt Obligations*, issued in May 2019, will be effective for the fiscal year ending September 30, 2022. This Statement clarifies the existing definition of a conduit debt obligation, establishes that a conduit debt is not a liability of the issuer, establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves required note disclosures.

NOTE 7 – PRIOR PERIOD ADJUSTMENTS

Fund Financial Statements and Government-wide Financial Statements

A prior period adjustment was recorded in the fund financial statements and in the government-wide financial statements to properly record receivables at September 30, 2017 for sales taxes of \$33,383. The total effect was to increase fund balance and reduce current year revenue by \$33,383.

Government-wide Financial Statements

A prior period adjustment was recorded to properly reflect notes receivable entered into by WEDC prior to the current year. The notes each have provisions for the entire amounts to be forgiven by WEDC so that the note will not be repaid by the recipient if the business fulfills the specified criteria as listed in the respective agreements. In the prior years, \$235,000 of notes receivable were outstanding, and WEDC did not expect to collect any of the amounts. A prior period adjustment was recorded to reduce the deferred outflows of resources – performance agreement resources as well as the related net position for \$235,000.

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

Notes to the financial statements continued.

NOTE 8 – SUBSEQUENT EVENTS

In preparing these financial statements, management of WEDC has evaluated subsequent events and transactions for potential recognition or disclosure through November 20, 2019, the date the financial statements were available to be issued.

This page intentionally left blank.

OVERALL INTERNAL CONTROL AND COMPLIANCE

This page intentionally left blank.



HOLLIDAY, LEMONS & COX, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Board of Directors
of the Winnsboro Economic Development Corporation

Dear Ladies and Gentlemen:

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 and the major fund of Winnsboro Economic Development Corporation (WEDC), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Winnsboro Economic Development Corporation's basic financial statements, and have issued our report thereon dated November 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Winnsboro Economic Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Winnsboro Economic Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Winnsboro Economic Development Corporation'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, which we consider to be a material weakness.

2001 MOORES LANE • TEXARKANA, TEXAS 75503 • (903) 823-2727 • FAX (903) 823-2734

WWW.HLCCPAS.COM

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA'S PRIVATE COMPANIES PRACTICE SECTION

TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

ARKANSAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

This page intentionally left blank.

Compliance and Other Matters

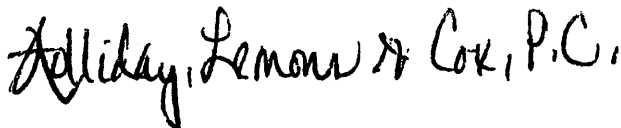
As part of obtaining reasonable assurance about whether the Winnsboro Economic Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which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

Winnsboro Economic Development Corporation's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink, reading "Adlibay, Lemon & Cox, P.C.", is written over a faint, larger version of the same text.

November 20, 2019

This page intentionally left blank.

WINNSBORO ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS – *FINANCIAL STATEMENT AUDIT* **For the Year Ended September 30, 2018**

Financial Policies, Procedures, and Application of Accounting Principles

Reference 2018-001

Condition

The following is a selection of the account balances that required significant adjusting entries on WEDC's financial statements:

1. WEDC did not record sales tax receivable at September 30, 2018 in the amount of \$63,122. A prior period adjustment for sales tax receivable was recorded at September 30, 2017 for \$33,383.
2. Accounts payable was understated in the amount of \$13,673 at September 30, 2018.
3. At September 30, 2017, the deferred outflows of resources, performance agreement advances, as well as net position, were overstated by \$235,000 for notes receivable that were issued in previous years, but which contain forgiveness clauses for the entire amounts of the notes receivable. The notes are not expected by WEDC to be repaid and are not assets of WEDC.

Criteria

All financial statement accounts should be properly stated prior to close of the year end books and issuance of interim financial statements. WEDC management is responsible for establishing and maintaining effective internal controls over financial policies.

Cause

Some ending balances may not have been assessed for completeness and accuracy by WEDC.

Effect

Potentially material misstatements in the financial statements or material misstatements of assets due to error or fraud could occur and not be prevented or detected in a timely manner. Several accounts were not properly adjusted by WEDC as of September 30, 2018.

Recommendation

WEDC should review all of the financial statement accounts to determine if any adjusting entries are necessary as part of the year end closing process. Generally accepted accounting principles should be applied in order to produce fairly stated financial statements.

This page intentionally left blank.