

**City of Winnsboro, Texas**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**For the year ended September 30, 2008**



City of Winnsboro, Texas  
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 Year ended September 30, 2008

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City of Winnsboro  
OFFICIAL DIRECTORY

Mayor  
Carolyn Jones

Council  
Pat Patrick  
Terry Matthews  
David Blair  
Jerry Hopper  
Lori Whorff

City Personnel  
Nina Browning, City Administrator  
Vickie Brenton, City Secretary  
Wanda Renshaw, Financial Officer



**ARNOLD, WALKER, ARNOLD & CO., P.C.**  
*Certified Public Accountants And Consultants*

Bob J. Arnold, C.P.A., P.F.S.  
Lanny G. Walker, C.P.A., P.F.S.  
Kris Arnold, C.P.A., P.F.S.  
Lauri G. Robertson, C.P.A.  
Melissa J. Godfrey, C.P.A.  
Andrew T. Arnold, C.P.A.

MEMBER

American Institute Of  
Certified Public Accountants

Texas State Society Of  
Certified Public Accountants

UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER  
SUPPLEMENTARY INFORMATION

Independent Auditor's Report

Honorable Mayor, City Council, and  
City Administrator  
City of Winnsboro, Texas  
Winnsboro, Texas

We have audited the accompanying financial statements of the government activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Texas as of and for the year ended September 30, 2008, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Texas, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or compliance. The report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 2 through 10 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

*Arnold, Walker, Arnold & Co., P.C.*  
Arnold, Walker, Arnold & Co., P.C.

December 11, 2008

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Winnsboro, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2008. The information presented here should be read in conjunction with the independent auditor's report and the City's financial statements.

### FINANCIAL HIGHLIGHTS

The City's total combined net assets were \$6.38 million at September 30, 2008. \$3.6 million of the net assets is invested in capital assets, net of related debt. During the year, the City's expenses were \$80 thousand more than the \$4.4 million generated in taxes, charges for services and other revenues.

The total cost of all the City's activities was up about 8% compared to the prior year. Revenue was up about 11% compared to the prior year.

The general fund balance is \$260 thousand at September 30, 2008 which is a decrease of \$63 thousand. The utility fund net assets increased \$78 thousand.

During the year, \$266 thousand of fixed assets were added to the general fixed assets. \$172 thousand of these were added through obtaining new debt. \$328 thousand was added to utility fund fixed assets through grants. These projects are not yet completed.

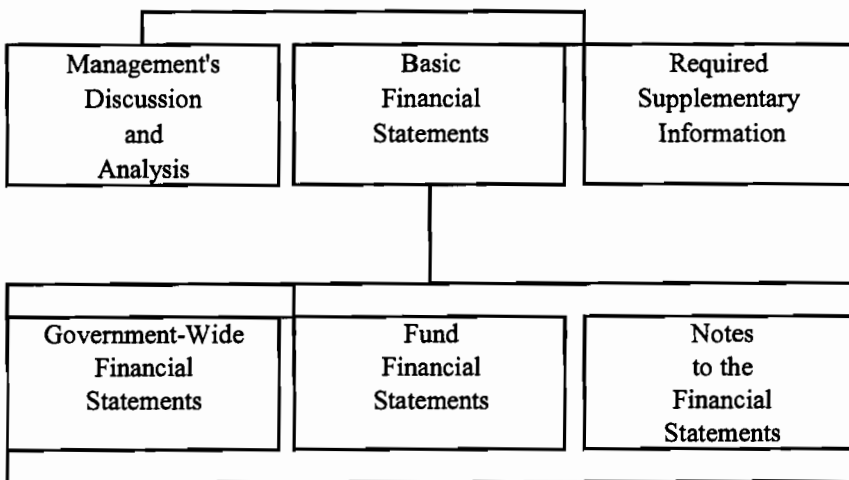
Approximately 98% of the taxes levied for 2007-08 were collected by September 30, 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide information about the City's activities as a whole and present a longer-term view of the City's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer operations.
  - *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the City's Annual Financial Report



Summary ⇄ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-wide Fund Financial Statements				
Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: self insurance	Instances in which the City is the trustee or agent for someone else's resources
<i>Required financial statements</i>	*Statement of net assets	*Balance sheet	*Statement of net assets	*Statement of fiduciary net assets
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net assets *Statement of cash flows	*Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

## Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net assets* and how they have changed. Net assets-the difference between the City's assets and liabilities-is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, consideration should be given to additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as public safety, highways, streets and bridges, judicial and general administration. Property taxes and charges for services finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*-not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has three kinds of funds:

- *Governmental funds*-Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Proprietary funds*-Services for which the City charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are used to report activities that provide supplies and services for the City's other programs and activities-such as the City's Self Insurance Fund.
- *Fiduciary funds*-The City is the trustee, of *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. At the present time, the City has no fiduciary funds.



FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets. The City's combined net assets were approximately \$6.37 million at September 30, 2008.

Table A-1  
The City's Net Assets  
(in thousands of dollars)

	Governmental Activities		Business Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	573	762	2,562	2,801	3,135	3,563
Capital and non-current assets	1,721	1,715	10,732	10,732	12,453	12,447
<b>TOTAL ASSETS</b>	<b>2,294</b>	<b>2,477</b>	<b>13,294</b>	<b>13,533</b>	<b>15,588</b>	<b>16,010</b>
Long-term liabilities	161	74	8,669	8,998	8,830	9,072
Other liabilities	236	348	146	134	382	482
<b>TOTAL LIABILITIES</b>	<b>397</b>	<b>422</b>	<b>8,815</b>	<b>9,132</b>	<b>9,212</b>	<b>9,554</b>
Invested in capital assets net of related debt	1,494	1,597	2,063	1,735	3,557	3,332
Restricted	124	115	2,221	2,385	2,345	2,500
Unrestricted	279	343	195	281	474	624
<b>TOTAL NET ASSETS</b>	<b>1,897</b>	<b>2,055</b>	<b>4,479</b>	<b>4,401</b>	<b>6,376</b>	<b>6,456</b>

Net assets invested in capital assets net of related debt reflects the book value of the City's capital assets in excess of the debt which financed those assets. The \$474 thousand of unrestricted net assets represents resources available to fund the programs of the City for the next fiscal year.

The \$2.34 million is restricted as follows:

Restricted for debt service	1.29
Restricted for capital projects	<u>1.05</u>
	<u>2.34</u>

Net assets of the City decreased from \$6.45 million to \$6.37 million. The reasons for the decrease were as follows. The governmental funds reflected expenditures in excess of revenues of \$58 thousand. The enterprise fund reflected an excess of revenues over expenses of \$78 thousand. A total of \$241 thousand of depreciation expense was recorded for the governmental funds. \$268 thousand of capital outlay was added to fixed assets in the governmental funds. \$63 thousand of principal was paid on the governmental fund long-term debt. New debt of \$172 thousand was obtained to acquire new assets.

Changes in net assets.

The City's total revenues were \$4.4 million. 15% of this came from property taxes, 12% came from sales taxes and other taxes, and 45% came from charges for services.

The total cost of all programs was \$4.5 million. Approximately 17% of this was for police, 11% was for administration, and 35% was for water and sewer.

Table A-2  
The City's Changes in Net Assets  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for Services	690	637	1,326	1,343	2,016	1,980
Operating Grants and Contributions	504	485	-	-	504	485
Capital Grants	-	-	328	-	328	-
<u>General Revenues</u>						
Property Taxes	668	600	-	-	668	600
Other taxes	514	572	-	-	514	572
Investment earnings	3	6	73	72	76	78
Other	296	258	36	8	332	266
<b>Total Revenues</b>	<u>2,675</u>	<u>2,558</u>	<u>1,763</u>	<u>1,423</u>	<u>4,438</u>	<u>3,981</u>
<b>Expenses</b>						
Administration	486	428	-	-	486	428
EDC coordinator	71	69	-	-	71	69
Police	780	751	-	-	780	751
Municipal court	58	56	-	-	58	56
Animal shelter	50	51	-	-	50	51
Fire/EMS	104	83	-	-	104	83
Maintenance	319	306	-	-	319	306
Airport	52	49	-	-	52	49
Library	137	124	-	-	137	124
Parks and recreation	68	82	-	-	68	82
Sanitation	405	377	-	-	405	377
Intergovernmental	398	247	-	-	398	247
Debt service-interest	7	3	-	-	7	3
Water and sewer	-	-	1,583	1,547	1,583	1,547
<b>Total Expenses</b>	<u>2,935</u>	<u>2,626</u>	<u>1,583</u>	<u>1,547</u>	<u>4,518</u>	<u>4,173</u>
Transfers in (out)	102	74	(102)	(74)	-	-
<b>Increase (Decrease) in Net Assets</b>	(158)	6	78	(198)	(80)	(192)
<b>Beginning Net Assets</b>	2,055	2,072	4,401	4,599	6,456	6,671
<b>Prior period adjustment</b>	-	(23)	-	-	-	(23)
<b>Ending Net Assets</b>	<u>1,897</u>	<u>2,055</u>	<u>4,479</u>	<u>4,401</u>	<u>6,376</u>	<u>6,456</u>

Table A-3 presents the cost of each of the City's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$4.5 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$668 thousand.
- Some of the cost was paid by those who directly benefited from the programs (\$690 thousand), or by grants and contributions (\$504 thousand).

Table A-3  
Net Cost of Selected City Functions  
(in thousands of dollars)

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Administration	486	428	432	312
Police	780	750	679	658
Maintenance	319	306	319	306
Sanitation	405	377	(60)	(59)

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The City reported fund balance in its governmental funds of approximately \$383 thousand at September 30, 2008. This balance is composed of the following in thousands

General	260
Debt service	123
Reported in Special Revenue Fund	-
	<u>383</u>

The general fund fund balance decreased \$63 thousand. Revenue decreased about \$230 thousand compared to the prior year. Intergovernmental revenue decreased \$316 thousand. Expenditures decreased \$103 thousand. Intergovernmental expenditures decreased \$216 thousand. Capital outlay expenditures were \$39 thousand more than the prior year.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Actual expenditures exceeded the final budget by 5% or \$126 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4  
City's Capital Assets  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Land and construction in progress	365	338	428	100
Buildings and improvements	1,604	1,594	-	-
Machinery and equipment	1,195	1,037	-	-
Water and sewer system	-	-	16,248	16,248
Streets	1,382	1,382	-	-
Totals at historical cost	<u>4,546</u>	<u>4,351</u>	<u>16,676</u>	<u>16,348</u>
Total accumulated depreciation	<u>2,826</u>	<u>2,636</u>	<u>5,944</u>	<u>5,615</u>
Net capital assets	<u>1,720</u>	<u>1,715</u>	<u>10,732</u>	<u>10,733</u>

Two grants are in progress in the utility fund. \$328 thousand has been added to date.

Long-Term Debt

Table A-5  
City's Long-Term Debt  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Certificates of obligation	-	-	5,915	6,036
Notes payable	30	14	151	185
Bonds payable	-	-	2,810	3,000
Leases payable	197	104	-	-
	<u>227</u>	<u>118</u>	<u>8,876</u>	<u>9,221</u>

A fire truck costing \$151 thousand was acquired with debt proceeds this year and a Kubota tractor costing \$21 thousand was also acquired with debt proceeds.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget for 2008 and 2009 was approved by the City Council during its regular September Council meeting held on the 9<sup>th</sup> of the month. The council approved a budget of \$3,915,855 an overall decrease of approximately 4%.

The City had little turnover in most departments, which is equal to the prior budget year personnel ratio. This was due to the Council's continued support with providing insurance, education and cost of living pay.

The City sales tax collections reflected for a second year a much stronger retail market than what was anticipated during the year. The increase of sales revenue was up approximately 7%, which may be due to strong marketing efforts. The Economic Development Corporation also provided additional advertising dollars for special events during the year. New businesses and a new 3-plex retail building have open downtown creating a good shopping environment.

Water revenues were \$45,086 less than the budgeted amount due to the citizens in our City becoming more conservative and aware of spending. We did have a raise in our city rates for water and sewer usage, but no increase has been done in 6 years. This also had a negative effect on sewer revenues since they are based on water consumption. Franchise fees were right on the budgeted amount. The increase cost in automobile fuel had a great impact in all our departments.

Mineola Community Bank has opened their new building across the street from City Hall. They have sold their old building to Peoples Wireless. The building of the new Pine Street Baptist church activity building is a \$1M project, the new assisted living facility is a \$3M project and it should be started early in 2009. The hospital is doing a \$9M addition at their present facility. A business that has been here for many years is developing a new 40,000 sq. ft. warehouse. First National bank has begun the building of their new South Town building at the corner of Hwy. 37 and Coke Rd. There is a lot of building going on and this looks as if it may only be the beginning for 2009.

Two water line improvement projects were started this year to help with waterline pressures, also water quality.

The adopted tax rate remains at \$0.4515 per \$100 valuation, the same tax rate as last year. The city's valuation was raised from the previous year which will offset staying at the same tax rate. It is anticipated that the equity position of the City will remain about the same. The financial position of the City is at adequate levels to provide the services the citizens are requiring.

It is our understanding that City Administrator Ronny Knight retired February 29<sup>th</sup> of this year and Nina E. Browning was hired for this position effective March 1, 2008.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Winnsboro's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City Manager's Office.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT WIDE STATEMENT**

City of Winnsboro, Texas  
**STATEMENT OF NET ASSETS**  
As of September 30, 2008

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	391,901	220,900	612,801
Accounts receivable, net of allowances	179,518	120,067	299,585
Due from other funds	-	-	-
Inventory	2,024	-	2,024
<b>Total current assets</b>	<u>573,443</u>	<u>340,967</u>	<u>914,410</u>
<b>Restricted assets</b>			
Cash and cash equivalents	-	2,220,750	2,220,750
<b>Total restricted assets</b>	<u>-</u>	<u>2,220,750</u>	<u>2,220,750</u>
<b>Capital assets</b>			
Land and construction in progress	365,259	428,437	793,696
Other capital assets, net of accumulated depreciation	1,355,344	10,303,839	11,659,183
<b>Total capital assets</b>	<u>1,720,603</u>	<u>10,732,276</u>	<u>12,452,879</u>
<b>Total assets</b>	<u>2,294,046</u>	<u>13,293,993</u>	<u>15,588,039</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	170,412	14,451	184,863
Deferred revenues	-	-	-
Due to other funds	-	-	-
Notes payable, current	66,021	35,228	101,249
<b>Total current liabilities</b>	<u>236,433</u>	<u>49,679</u>	<u>286,112</u>
<b>Liabilities payable from restricted assets</b>			
Bond interest payable, current	-	-	-
Certificates of obligation and bonds payable, current	-	322,000	322,000
<b>Total liabilities payable from restricted assets</b>	<u>-</u>	<u>322,000</u>	<u>322,000</u>
<b>Non-current liabilities</b>			
Meter deposits	-	131,239	131,239
Certificates of obligation and bonds payable, non-current	-	8,403,000	8,403,000
Unamortized bond cost	-	(206,954)	(206,954)
Notes payable, non-current	160,987	115,935	276,922
<b>Total non-current liabilities</b>	<u>160,987</u>	<u>8,443,220</u>	<u>8,604,207</u>
<b>Total liabilities</b>	<u>397,420</u>	<u>8,814,899</u>	<u>9,212,319</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of debt	1,493,595	2,063,067	3,556,662
Restricted for debt service	123,519	1,174,626	1,298,145
Restricted for special revenue funds	-	-	-
Restricted for capital projects	-	1,046,122	1,046,122
Unrestricted	279,512	195,279	474,791
<b>Total net assets</b>	<u>1,896,626</u>	<u>4,479,094</u>	<u>6,375,720</u>

The accompanying notes are an integral part of this statement.



City of Winnsboro, Texas  
**STATEMENT OF ACTIVITIES**  
 For the year ended September 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
Administration	486,635	54,600	-	-	(432,035)	-	(432,035)
EDC coordinator	70,920	-	70,319	-	(601)	-	(601)
Police	780,530	101,245	-	-	(679,285)	-	(679,285)
Municipal court	57,958	4,683	-	-	(53,275)	-	(53,275)
Animal shelter	49,613	-	-	-	(49,613)	-	(49,613)
Fire/EMS	104,073	-	-	-	(104,073)	-	(104,073)
Maintenance	318,535	-	-	-	(318,535)	-	(318,535)
Airport	51,758	30,497	-	-	(21,261)	-	(21,261)
Library	136,878	6,977	35,566	-	(94,335)	-	(94,335)
Parks and recreation	68,318	26,885	-	-	(41,433)	-	(41,433)
Sanitation	405,056	465,449	-	-	60,393	-	60,393
Intergovernmental	398,437	-	398,437	-	-	-	-
Debt service-interest	6,854	-	-	-	(6,854)	-	(6,854)
<b>Total Governmental Activities</b>	<b>2,935,565</b>	<b>690,336</b>	<b>504,322</b>	<b>-</b>	<b>(1,740,907)</b>	<b>-</b>	<b>(1,740,907)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water and sewer	1,582,983	1,325,947	-	328,437	-	71,401	71,401
<b>Total Business-Type Activities</b>	<b>1,582,983</b>	<b>1,325,947</b>	<b>-</b>	<b>328,437</b>	<b>-</b>	<b>71,401</b>	<b>71,401</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>4,518,548</b>	<b>2,016,283</b>	<b>504,322</b>	<b>328,437</b>	<b>(1,740,907)</b>	<b>71,401</b>	<b>(1,669,506)</b>
<b>General Revenues</b>							
<b>Taxes</b>							
Property taxes, levied for general puposes					577,342	-	577,342
Property taxes, levied for debt service					90,769	-	90,769
Other taxes					513,856	-	513,856
Fees					143,210	-	143,210
Investment earnings					3,473	73,379	76,852
Miscellaneous					151,153	35,825	186,978
<b>Total General Revenues</b>					<b>1,479,803</b>	<b>109,204</b>	<b>1,589,007</b>
<b>Other Sources (Uses)</b>							
Transfers in (out)					102,338	(102,338)	-
<b>Changes in Net Assets</b>							
Net Assets -- Beginning					(158,766)	78,267	(80,499)
					2,055,392	4,400,827	6,456,219
Net Assets -- Ending					<b>1,896,626</b>	<b>4,479,094</b>	<b>6,375,720</b>

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Winnsboro, Texas  
**BALANCE SHEET**  
 Governmental Funds  
 as of September 30, 2008

	General	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash	420,495	(28,594)	391,901
Account Receivable, Net of Allowances	61,996	117,522	179,518
Note Receivable	-	-	-
Inventory	2,024	-	2,024
Prepaid Expenses	-	-	-
Due from other funds	-	111,619	111,619
<b>Total Assets</b>	<b><u>484,515</u></b>	<b><u>200,547</u></b>	<b><u>685,062</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable and Accrued Expenses	96,346	74,066	170,412
Deferred Revenue	16,826	3,259	20,085
Due to other funds	111,619	-	111,619
<b>Total Liabilities</b>	<b><u>224,791</u></b>	<b><u>77,325</u></b>	<b><u>302,116</u></b>
<b>Fund Balances</b>			
<b>Reserved for:</b>			
Improvement	-	-	-
Retirement of Long-Term Debt	-	123,519	123,519
Capital Projects	-	-	-
Library	48,282	-	48,282
<b>Designated</b>			
Reported in Special Revenue Funds	-	(297)	(297)
<b>Unreserved and Undesignated</b>			
Reported in the General Fund	211,442	-	211,442
<b>Total Fund Balances</b>	<b><u>259,724</u></b>	<b><u>123,222</u></b>	<b><u>382,946</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>484,515</u></b>	<b><u>200,547</u></b>	<b><u>685,062</u></b>

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 for the year ended September 30, 2008

<b>Total Fund Balances - Governmental Funds</b>	382,946
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$4,351,003 and the accumulated depreciation was \$2,636,360. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	1,596,986
2. Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2008 capital outlays and debt principal payments is to increase (decrease) net assets.	309,515
3. The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(240,736)
4. Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of debt as an increase in notes payable and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	<u>(152,085)</u>
<b>Net Assets, of Governmental Activities</b>	<u><u>1,896,626</u></u>

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES--GOVERNMENTAL FUNDS  
 for the year ended September 30, 2008

	General	Other Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	1,116,405	92,744	1,209,149
Intergovernmental	67,601	398,437	466,038
Charges for services	465,449	-	465,449
Sale of supplies	27,294	-	27,294
Rentals	43,660	-	43,660
EDC coordinator	70,319	-	70,319
Fees	325,466	-	325,466
Interest	3,473	-	3,473
Miscellaneous	80,199	179	80,378
<b>Total Revenues</b>	<u>2,199,866</u>	<u>491,360</u>	<u>2,691,226</u>
<b>EXPENDITURES</b>			
<b>Operating</b>			
Administration	429,536	25,371	454,907
EDC coordinator	70,920	-	70,920
Police	735,512	-	735,512
Municipal court	53,291	-	53,291
Animal shelter	43,398	-	43,398
Fire/EMS	73,629	-	73,629
Maintenance	302,547	-	302,547
Airport	43,457	-	43,457
Library	123,644	-	123,644
Parks and recreation	54,030	-	54,030
Sanitation	334,203	-	334,203
Revolving loans issued	-	100,000	100,000
	<u>2,264,167</u>	<u>125,371</u>	<u>2,389,538</u>
<b>Capital outlay</b>			
Administration	27,636	-	27,636
Police	18,919	-	18,919
Library	-	-	-
Fire/EMS	159,633	-	159,633
Maintenance	35,287	-	35,287
Airport	24,936	-	24,936
Intergovernmental--utility system improvements	-	298,437	298,437
	<u>266,411</u>	<u>298,437</u>	<u>564,848</u>
<b>Debt service</b>			
Principal	62,819	-	62,819
Interest	6,854	-	6,854
	<u>69,673</u>	<u>-</u>	<u>69,673</u>
<b>Total Expenditures</b>	<u>2,600,251</u>	<u>423,808</u>	<u>3,024,059</u>
Excess (deficiency) of revenues over expenditures	<u>(400,385)</u>	<u>67,552</u>	<u>(332,833)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Lease proceeds	172,170	-	172,170
Operating transfers in	165,000	25,371	190,371
Operating transfers out	-	(88,033)	(88,033)
Total Other Financing Sources (Uses)	<u>337,170</u>	<u>(62,662)</u>	<u>274,508</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(63,215)</u>	<u>4,890</u>	<u>(58,325)</u>
Fund balance, beginning of year	322,939	118,332	441,271
Fund balance, end of year	<u>259,724</u>	<u>123,222</u>	<u>382,946</u>

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
 for the year ended September 30, 2008

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>(58,325)</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2008 capital outlays and debt principal payments is to increase (decrease) net assets.	309,515
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.	(240,736)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of new debt, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	<u>(169,220)</u>
<b>Change in Net Assets of Governmental Activities</b>	<u><b>(158,766)</b></u>

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas  
**BUDGETARY COMPARISON SCHEDULE**  
 General Fund  
 for the year ended September 30, 2008

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	944,935	1,103,210	1,116,405	13,195
Intergovernmental	132,636	259,939	67,601	(192,338)
Charges for services	445,500	465,328	465,449	121
Sale supplies	29,600	23,020	27,294	4,274
Rentals	33,600	35,633	43,660	8,027
EDC coordinator	71,120	72,357	70,319	(2,038)
Fees	330,334	325,408	325,466	58
Interest	2,000	3,038	3,473	435
Miscellaneous	35,919	37,593	80,199	42,606
<b>Total Revenues</b>	<u>2,025,644</u>	<u>2,325,526</u>	<u>2,199,866</u>	<u>(125,660)</u>
<b>EXPENDITURES</b>				
<b>Operating</b>				
Administration	403,659	380,037	429,536	(49,499)
EDC coordinator	70,463	70,319	70,920	(601)
Police	698,054	700,940	735,512	(34,572)
Municipal court	51,971	53,824	53,291	533
Animal shelter	38,880	45,745	43,398	2,347
Fire/EMS	62,718	52,119	73,629	(21,510)
Maintenance	306,656	275,975	302,547	(26,572)
Airport	43,153	47,563	43,457	4,106
Library	102,202	109,474	123,644	(14,170)
Parks and recreation	64,380	58,208	54,030	4,178
Sanitation	283,600	285,600	334,203	(48,603)
	<u>2,125,736</u>	<u>2,079,804</u>	<u>2,264,167</u>	<u>(184,363)</u>
<b>Capital outlay</b>				
Administration	112,945	5,000	27,636	(22,636)
Police	10,950	10,950	18,919	(7,969)
Parks and recreation	9,500	85,000	-	85,000
Library	1,500	1,000	-	1,000
Fire/EMS	39,382	182,600	159,633	22,967
Maintenance	23,700	41,970	35,287	6,683
Airport	10,000	-	24,936	(24,936)
	<u>207,977</u>	<u>326,520</u>	<u>266,411</u>	<u>60,109</u>
<b>Debt service</b>				
Principal	-	62,000	62,819	(819)
Interest	-	5,430	6,854	(1,424)
	<u>-</u>	<u>67,430</u>	<u>69,673</u>	<u>(2,243)</u>
<b>Total Expenditures</b>	<u>2,333,713</u>	<u>2,473,754</u>	<u>2,600,251</u>	<u>(126,497)</u>
Excess (deficiency) of revenues over expenditures	<u>(308,069)</u>	<u>(148,228)</u>	<u>(400,385)</u>	<u>(252,157)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Note proceeds	7,500	181,270	172,170	9,100
Operating transfers in	165,000	165,000	165,000	-
Insurance proceeds	3,141	8,690	-	(8,690)
Operating transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>175,641</u>	<u>354,960</u>	<u>337,170</u>	<u>410</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(132,428)</u>	<u>206,732</u>	<u>(63,215)</u>	<u>(251,747)</u>
Fund balance, beginning of year	322,939	322,939	322,939	-
<b>Fund balance, end of year</b>	<u>190,511</u>	<u>529,671</u>	<u>259,724</u>	<u>(251,747)</u>

The accompanying notes are an integral part of this statement.

**PROPRIETARY FUND FINANCIAL STATEMENTS**



City of Winnsboro, Texas  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
as of September 30, 2008

	<u>Enterprise Fund</u>	<u>Total Proprietary Funds</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	220,900	220,900
Accounts receivable, net of allowances	120,067	120,067
Total current assets	<u>340,967</u>	<u>340,967</u>
<b>RESTRICTED ASSETS</b>		
Cash and cash equivalents	<u>2,220,750</u>	<u>2,220,750</u>
<b>CAPITAL ASSETS</b>		
Land and construction in progress	428,437	428,437
Other capital assets, net of accumulated depreciation	<u>10,303,839</u>	<u>10,303,839</u>
Total capital assets	<u>10,732,276</u>	<u>10,732,276</u>
Total assets	<u><u>13,293,993</u></u>	<u><u>13,293,993</u></u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses	14,451	14,451
Note payable, current	<u>35,228</u>	<u>35,228</u>
Total current liabilities	<u>49,679</u>	<u>49,679</u>
Liabilities payable from restricted assets		
Bond interest payable, current	-	-
Certificates of obligation and bonds payable, current	<u>322,000</u>	<u>322,000</u>
Total liabilities payable from restricted assets	<u>322,000</u>	<u>322,000</u>
Non-current liabilities		
Customer deposits	131,239	131,239
Note payable, non-current	115,935	115,935
Certificates of obligation and bonds payable, non-current	8,403,000	8,403,000
Unamortized bond cost/discount (net)	<u>(206,954)</u>	<u>(206,954)</u>
Total non-current liabilities	<u>8,443,220</u>	<u>8,443,220</u>
Total liabilities	<u><u>8,814,899</u></u>	<u><u>8,814,899</u></u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	1,931,568	1,931,568
Restricted for debt service	1,174,626	1,174,626
Restricted for capital projects	1,046,122	1,046,122
Unrestricted	<u>326,778</u>	<u>326,778</u>
Total net assets	<u><u>4,479,094</u></u>	<u><u>4,479,094</u></u>

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas  
 STATEMENT OF REVENUES, EXPENSES AND  
 CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 for the year ended September 30, 2008

	Enterprise Fund	Total Proprietary Funds
OPERATING REVENUES		
Charges for sales and services	1,325,947	1,325,947
Other	35,825	35,825
Total Operating Revenues	1,361,772	1,361,772
OPERATING EXPENSES		
Personnel costs	401,775	401,775
Contractual expenses	180,393	180,393
Supplies	241,669	241,669
Depreciation and amortization	344,733	344,733
Total Operating Expenses	1,168,570	1,168,570
Net operating income (loss)	193,202	193,202
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	73,379	73,379
Interest expense and fees	(414,413)	(414,413)
Total nonoperating revenues (expenses)	(341,034)	(341,034)
Net income (loss) before contributions and transfers	(147,832)	(147,832)
Capital contributions, grants	328,437	328,437
Transfers from other funds	88,033	88,033
Transfers to other funds	(190,371)	(190,371)
Changes in net assets	78,267	78,267
Net assets, beginning of year	4,400,827	4,400,827
Net assets, end of year	4,479,094	4,479,094

The accompanying notes are an integral part of this statement.

**City of Winnsboro, Texas**  
**STATEMENT OF CASH FLOWS**  
**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS PROPRIETARY FUND**  
**for the year ended September 30, 2008**

	Enterprise Fund	Total Proprietary Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	1,370,045	1,370,045
Cash payments to suppliers for goods and services	(422,062)	(422,062)
Cash payments to employees for services and benefits	(394,327)	(394,327)
Net cash provided by operating activities	553,656	553,656
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	88,033	88,033
Transfers to other funds	(190,371)	(190,371)
Capital contributions, grants	328,437	328,437
Net cash provided by noncapital financing activities	226,099	226,099
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition or construction of capital assets	(328,437)	(328,437)
Note proceeds	-	-
Principal paid on debt	(344,646)	(344,646)
Interest paid on debt	(414,413)	(414,413)
Net cash (used in) capital and related financing activities	(1,087,496)	(1,087,496)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	73,379	73,379
Net cash provided by investing activities	73,379	73,379
Net (decrease) in cash and cash equivalents	(234,362)	(234,362)
Cash and cash equivalents, beginning of year	2,676,012	2,676,012
Cash and cash equivalents, end of year	2,441,650	2,441,650
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Operating income (loss)	193,202	193,202
Adjustment to reconcile operating (loss) to net cash provided by operating activities		
Depreciation and amortization	344,733	344,733
Decrease in accounts receivable	4,210	4,210
Increase in accounts payable and accrued expenses	7,448	7,448
Increase in customer deposits	4,063	4,063
Net cash provided by operating activities	553,656	553,656

The accompanying notes are an integral part of this statement.

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Winnsboro, Texas is a City government operating under the applicable laws and regulations of the State of Texas. It is governed by City Council elected by registered voters of the City. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants.

**A. REPORTING ENTITY**

The City Council is elected by the public and it has the authority to make decisions and significantly influence operations. It has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City of Winnsboro with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues. Business type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include fees charges for water, sewer, and garbage service. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the City's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the City to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

## D. FUND ACCOUNTING

The City reports the following major governmental funds:

1. **The General Fund** – The general fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the City reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund.
2. **Debt Service Funds** -- The City accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the City reports the following major proprietary fund:

**Proprietary Funds:**

1. **Enterprise Funds** -- The City's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The City's major Enterprise Fund is the water and sewer fund.

**E. OTHER ACCOUNTING POLICIES**

1. For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.
3. Capital assets, which include land, buildings, machinery and equipment and roads and bridges, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, machinery and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	15-50
Vehicles	4-7
Office Equipment	5-7
Computer Equipment	5-7
Machinery	7
Water and sewer system	50

4. Some cash and investments are restricted for future debt payments.
5. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
6. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
7. Investments are recorded at fair market value.
8. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

## II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	337,623	-	337,623	
Buildings & improvements	1,594,316	-	1,594,316	
Machinery & equipment	1,036,943	-	1,036,943	
Streets	1,382,121	-	1,382,121	
Accumulated depreciation	-	(2,636,360)	(2,636,360)	
Change in Net Assets	<u>4,351,003</u>	<u>(2,636,360)</u>	<u>1,714,643</u>	<u>1,714,643</u>
<u>Long-term Liabilities</u> <u>at the Beginning of the year</u>			<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Notes payable			<u>117,657</u>	
Change in Net Assets				<u>117,657</u>
Net Adjustment to Net Assets				<u>1,596,986</u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current year Capital Outlay</u>			
Land	27,636	27,636	27,636
Building & improvement	24,936	24,936	24,936
Machinery & equipment	213,839	213,839	213,839
Total Capital Outlay	<u>266,411</u>	<u>266,411</u>	<u>266,411</u>
Book value of dispositions	<u>(19,715)</u>	<u>(19,715)</u>	<u>(19,715)</u>
<u>Debt Principal Payments</u>			
Note principal	62,819	62,819	62,819
Total Principal Payments	<u>62,819</u>	<u>62,819</u>	<u>62,819</u>
Total Adjustment to Net Assets		<u>309,515</u>	<u>309,515</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	15,518	(15,518)	-
Uncollected taxes (assumed collectible) from Current Year Levy	18,210	18,210	18,210
Uncollected Taxes (assumed collectible) from Prior Year Levy	1,875	-	1,875
Effect of prior year tax entry	258	258	-
Issuance of new debt -- Note lease proceeds	<u>172,170</u>	<u>(172,170)</u>	<u>(172,170)</u>
Total		<u>(169,220)</u>	<u>(152,085)</u>



### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. BUDGETARY DATA**

Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue fund and debt service fund. This budget is adopted on a basis consistent with generally accepted accounting principles. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year the applicable purchase orders are expected to be issued. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

The City does not record encumbrances as part of its accounting records.

### **IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

#### **A. DEPOSITS AND INVESTMENTS**

##### **Legal and Contractual Provisions Governing Deposits and Investments**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rate of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Additional contractual provisions governing deposits and investments for the City are as follows:

##### **Policies Governing Deposits and Investments**

In compliance with the Public Funds Investment Act, the City has adopted a deposit and investment policy. That policy does address the following risks:

1. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy regarding types of deposits allowed and collateral requirements is that the funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the City's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Deposits of the City are insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the City.

At September 30, 2008, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,833,551 and the bank balance was \$3,061,683. The City's cash deposits at September 30, 2008 and during the year ended September 30, 2008 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

In addition, the following is disclosed regarding coverage of combined balances as of September 30, 2008:

- a. Depository: First National Bank of Winnsboro
  - b. The market value of securities pledged as of September 30, 2008 was \$2,849,629.
  - c. Total amount of FDIC coverage as of September 30, 2008 was \$300,000.
2. Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The City has no investments exposed to custodial credit risk at the end of the period.
  3. Interest-rate Risk – Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for these securities if interest rates rise. The City does not purchase investment where the face value is not guaranteed.
  4. Concentration Risk – Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investments in external investment pools are not subject to concentration risk. The City is not exposed to any amounts of concentration risk.
  5. Other Credit Risk Exposure – The City has no investments in external investment pools.

## B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The 2007 assessed valuation (net of exemptions) was approximately \$148 million levied as a rate of \$0.4515 per hundred dollar valuation. Property tax revenues of \$668 thousand was available.

## C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

## D. INTERFUND TRANSFERS AND BALANCES

Transfers between funds were as follows:

Transfers to General Fund from:	
Major Enterprise Fund	<u>165,000</u>
Total Transferred to General Fund	<u>165,000</u>
Transfers to Major Enterprise Fund from:	
Nonmajor Governmental Funds	<u>88,033</u>
Total Transferred to Major Enterprise Fund	<u>88,033</u>
Transfers to Nonmajor Governmental Fund from:	
Major Enterprise Fund	<u>25,371</u>
Total Transferred to Nonmajor Governmental Fund	<u>25,371</u>

Interfund balances are as follows:

One to General Fund from:  
Debt Service Fund

111,619

This was for property taxes deposited to the wrong fund in a previous year that has not been repaid.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2008, were as follows:

	Property Taxes	Charges for Services	Intergovern- mental	Other	Total Receivables
<b>Governmental Activities:</b>					
General Fund	42,065	45,170	-	-	87,235
Nonmajor Governmental Funds	8,147	-	114,263	-	122,410
Total - Governmental Activities	<u>50,212</u>	<u>45,170</u>	<u>114,263</u>	<u>-</u>	<u>209,645</u>
Amounts not scheduled for collection during the subsequent year	<u>30,127</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,127</u>
<b>Business Type Activities:</b>					
Major Enterprise Fund	-	120,067	-	-	120,067
Total-Business Type Activities	<u>-</u>	<u>120,067</u>	<u>-</u>	<u>-</u>	<u>120,067</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payables at September 30, 2008, were as follows:

	Accounts	Salaries & Benefits	Due to Other Governments	Other	Total Payables
<b>Governmental Activities:</b>					
General Fund	27,272	24,867	-	44,207	96,346
Nonmajor Governmental Funds	74,066	-	-	-	74,066
Total - Governmental Activities	<u>101,338</u>	<u>24,867</u>	<u>-</u>	<u>44,207</u>	<u>170,412</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Business Type Activities:</b>					
Major Enterprise Fund	-	14,451	-	-	14,451
Total-Business Type Activities	<u>-</u>	<u>14,451</u>	<u>-</u>	<u>-</u>	<u>14,451</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the City for the year ended September 30, 2008, was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
Land and construction in progress	337,623	27,636	-	365,259
Streets	1,382,121	-	-	1,382,121
Buildings and improvements	1,594,316	24,936	(15,000)	1,604,252
Machinery and equipment	1,036,943	213,839	(55,915)	1,194,867
Totals at historic cost	<u>4,351,003</u>	<u>266,411</u>	<u>(70,915)</u>	<u>4,546,499</u>
Less accumulated depreciation for:				
Buildings, improvements, machinery and equipment	(2,636,360)	(240,736)	51,200	(2,825,896)
Total accumulated depreciation	<u>(2,636,360)</u>	<u>(240,736)</u>	<u>51,200</u>	<u>(2,825,896)</u>
<b>Governmental activities capital, assets net</b>	<u>1,714,643</u>	<u>25,675</u>	<u>(19,715)</u>	<u>1,720,603</u>
<b>Business-Type Activities:</b>				
Land and construction in progress	100,000	328,437	-	428,437
Water and sewer system	16,247,601	-	-	16,247,601
Totals at historic cost	<u>16,347,601</u>	<u>328,437</u>	<u>-</u>	<u>16,676,038</u>
Less accumulated depreciation for:				
Water and sewer system	(5,615,129)	(328,633)	-	(5,943,762)
Total accumulated depreciation	<u>(5,615,129)</u>	<u>(328,633)</u>	<u>-</u>	<u>(5,943,762)</u>
<b>Business-Type Activities Capital assets, net</b>	<u>10,732,472</u>	<u>(196)</u>	<u>-</u>	<u>10,732,276</u>
<b>Primary Government Capital assets, net</b>	<u>12,447,115</u>	<u>25,479</u>	<u>(19,715)</u>	<u>12,452,879</u>

Depreciation expense was charged to governmental functions as follows:

	Governmental Activities	Business-Type Activities
Administration	31,728	-
Police	45,018	-
Municipal court	4,667	-
Animal shelter	6,215	-
Fire/EMS	30,444	-
Maintenance	15,988	-
Airport	8,301	-
Library	13,234	-
Parks and recreation	14,288	-
Sanitation	70,853	-
Water and sewer	-	328,633
	<u>240,736</u>	<u>328,633</u>

## G. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2008.

	Balance at 10/01/07	Issued	Retired	Balance at 9/30/08	Due Within One Year
Primary Government					
Governmental Activities:					
Notes payable	14,379	21,270	(6,199)	29,450	8,733
Leases payable	103,278	150,900	(56,620)	197,558	57,288
Total Governmental Activities	<u>117,657</u>	<u>172,170</u>	<u>(62,819)</u>	<u>227,008</u>	<u>66,021</u>
Business-Type Activities:					
Certificates of obligation	6,036,000	-	(121,000)	5,915,000	122,000
Bonds payable	3,000,000	-	(190,000)	2,810,000	200,000
Loans payable	184,810	-	(33,647)	151,163	35,228
Total Business-Type Activities	<u>9,220,810</u>	<u>-</u>	<u>(344,647)</u>	<u>8,876,163</u>	<u>357,228</u>
Total Primary Government Long-Term Debt	<u>9,338,467</u>	<u>172,170</u>	<u>(407,466)</u>	<u>9,103,171</u>	<u>423,249</u>

The changes in the general long-term debt as of September 30, 2008, follows:

	Original Amount	Terms of Maturity	Payable at 10/1/2007	Additions (Reductions)	Payable at 9/30/2008
E-One Lease	139,745	5.57%	36,452	(17,732)	18,720
		annually			
Ford Motor Credit Company	92,058	6.50%	66,826	(20,888)	45,938
		annually			
First National Bank	35,000	4.75%	14,379	(4,669)	9,710
Mineola Community Bank	150,900	5.00%	-	150,900 (18,000)	132,900
First National Bank	21,270	6.25%	-	21,270 (1,530)	19,740
			<u>117,657</u>	<u>109,351</u>	<u>227,008</u>

The annual requirements to amortize general long-term debt as of September 30, 2008, follows:

Years ended	Principal	Interest	Total
9/30			
2009	66,021	12,227	78,248
2010	49,735	8,441	58,176
2011	22,345	5,598	27,943
2012	23,525	4,418	27,943
2013	22,676	3,177	25,853
2014-2015	42,706	3,229	45,935
	<u>227,008</u>	<u>37,090</u>	<u>264,098</u>

The City entered into a capital lease purchase agreement during May, 2008 with Mineola Community Bank for the purpose of acquiring a 2009 Kenworth T-300 Fire Truck. The amount capitalized was \$150,900. The minimum annual payments of principal and interest are \$22,968 and the interest rate is approximately 5%. The lease will be paid off in May, 2015.

The City entered into a loan agreement during April, 2008 with First National Bank of Winnsboro for the purpose of acquiring a Kubota tractor. The amount capitalized was \$21,270. The minimum annual payments of principal and interest are \$4,975 and the interest rate is approximately 6.25%. The loan will be paid off in April, 2013.

**G. CHANGES IN LONG-TERM DEBT (continued)**

The following is a summary of long-term debt transactions in the business-type activities for the year ended September 30, 2008.

	Original Amount	Interest Rate & Terms	Payable at 10/1/2007	Additions (Reductions)	Payable at 9/30/2008
Certificates of Obligation, Series 2005	1,050,000	serially -	1,025,000	(35,000)	990,000
Certificates of Obligation, Series 1996	750,000	serially 4.50%	661,000	(11,000)	650,000
Refunding Revenue Bonds Series 1999	4,060,000	serially 4.50-5.75%	3,000,000	(190,000)	2,810,000
Tx DOT Loan	331,700	4.70%	184,810	(33,647)	151,163
Combination Tax and Revenue Certificates of Obligation, Series 2003	4,500,000	serially 4.51-5.35%	4,350,000	(75,000)	4,275,000
			<u>9,220,810</u>	<u>(344,647)</u>	<u>8,876,163</u>

The annual requirements to amortize debt as of September 30, 2008, follows:

Years Ended 9/30	Principal	Interest	Total
2009	357,228	398,510	755,738
2010	373,884	382,870	756,754
2011	391,618	366,371	757,989
2012	409,433	348,775	758,208
2013	429,000	329,108	758,108
2014-2018	2,472,000	1,321,667	3,793,667
2019-2023	3,141,000	640,381	3,781,381
2024-2028	1,027,000	93,468	1,120,468
2029-2033	160,000	44,507	204,507
2034-2036	115,000	7,898	122,898
	<u>8,876,163</u>	<u>3,933,555</u>	<u>12,809,718</u>

The Refunding Revenue Bonds Series 1999 were issued for \$4,060,000. The Series 1978, 1988, 1988-A and 1988-B were paid off with these proceeds with the remaining amount being used to fund improvements to the water and sewer system. The Combination Tax and Revenue Certificate of Obligation Series 2003 were issued for \$4,500,000. This was received in September 2003. This will be used for water and sewer system improvements. Issuance costs related to these are being amortized over the term of the bond principal payments. These are reflected as other assets on the balance sheet.

The City is in compliance with all bond ordinance requirements. All required monthly transfers to reserve funds are being made. The reserve fund has a balance of \$1,174,626 at September 30, 2008, and is reflected as restricted for debt service.

On September 22, 2004, a loan for \$1,060,000 from the Texas Water Development Board was approved. Bond proceeds were received in August, 2005 and were used to improve and extend the sewer collection system and professional fees in connection with the system and in connection with the issuance of the bonds.

## H. RETIREMENT PLAN

### Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system.

### Benefits

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 25 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

### Contributions

The contribution rate for the employees is 5%, and the City's matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases its annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2007 valuation is effective for rates beginning in January 2008)

**H. RETIREMENT PLAN (continued)**

**Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date	12/31/2007
Actuarial Value of Assets	\$1,065,896
Actuarial Accrued Liability	\$1,363,843
Percentage Funded	78.15%
Unfunded (Over-Funded) Actuarial Accrued Liability (UAAL)	\$297,947
Annual Covered Payroll	\$1,004,208
UAAL as a Percentage of Covered Payroll	29.67%
Net Pension Obligation (NPO) at the Beginning of Period	-
Annual Pension Cost:	
Annual required contribution (ARC)	85,096
	<hr/>
Contributions Made	
Increase in NPO	<u>(85,096)</u>
NPO at the end of the period	<u><u>-</u></u>

The City of Winnsboro is one of 821 municipalities having the benefit plan administered by TMRS. Each of the 821 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/2007 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

**I. RESTRICTED ASSETS**

Certain assets are restricted for debt service on bonded debt and for a construction project.

**J. CONTINGENCIES**

Litigation

There are no lawsuits pending against the City.

Federal Award Programs (Grants)

The City has received Federal and State Awards for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the appropriate agency. City management does not believe that any significant costs will be incurred by the City.

**K. RESERVED FUND EQUITY**

Reservations of fund equity show amounts that are legally restricted for specific purposes. The purpose for each is indicated by the account title on the face of the balance sheet.

**L. RISK MANAGEMENT**

The City is exposed to various risks of loss to torts of theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2008, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.



**M. COMPLIANCE WITH BOND ORDINANCES**

All the covenants of the bond ordinances have been complied with. The following information is provided for compliance with the ordinances:

**A. Insurance**

<u>Policy Number</u>	<u>Insurance Company</u>	<u>Policy Period</u>	<u>Coverage</u>	<u>Amount</u>
TML-6039-07	Texas Municipal League	10-1-07/08	Workers' Compensation	1,216,011
			General Liability	1,000,000
			Automobile Liability	1,000,000
			Law Enforcement Liability	1,000,000
			Errors & Omissions Liability	1,000,000
			Real & Personal Property (Bldg & Conts)	10,769,108
			Mobile Equipment	177,331
			Electronic Data Proc. Eqmt.	Incl.
			Auto Physical Damage	Actual cash value

**B. Customers at September 30, 2008**

Water	1,597
Sewer	1,461
Sanitation	1,473

**N. HEALTH CARE COVERAGE**

During the year ended September 30, 2008, employees of the City of Winnsboro were covered by a health insurance plan with the Texas Municipal League. The City pays \$433 monthly for each employee. The contract is renewable October 1, 2008 and terms of coverage and premium costs are included in the contractual provisions.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

City of Winnsboro, Texas  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
 for the year ended September 30, 2008

	TCDP Grant #724831	ORCA Step Grant #726146	ORCA Step Grant #727510	ORCA Grant #726372	Total Nonmajor Special Revenue Funds	I&S Tax Revenues	Total Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>								
Cash	-	(38,181)	(2,313)	-	(40,494)	11,900	11,900	(28,594)
Account receivable, net of allowance	-	37,884	76,379	-	114,263	3,259	3,259	117,522
Due from other funds	-	-	-	-	-	111,619	111,619	111,619
Prepaid expenses	-	-	-	-	-	-	-	-
Total Assets	<u>-</u>	<u>(297)</u>	<u>74,066</u>	<u>-</u>	<u>73,769</u>	<u>126,778</u>	<u>126,778</u>	<u>200,547</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable and accrued expenses	-	-	74,066	-	74,066	-	-	74,066
Deferred revenue	-	-	-	-	-	3,259	3,259	3,259
Total Liabilities	<u>-</u>	<u>-</u>	<u>74,066</u>	<u>-</u>	<u>74,066</u>	<u>3,259</u>	<u>3,259</u>	<u>77,325</u>
<b>Fund Balances</b>								
Reserved for:								
Retirement of long-term debt	-	-	-	-	-	123,519	123,519	123,519
Capital projects	-	-	-	-	-	-	-	-
Designated for:								
Reported in special revenue funds	-	(297)	-	-	(297)	-	-	(297)
Total fund balances	<u>-</u>	<u>(297)</u>	<u>-</u>	<u>-</u>	<u>(297)</u>	<u>123,519</u>	<u>123,519</u>	<u>123,222</u>
Total liabilities and fund balances	<u>-</u>	<u>(297)</u>	<u>74,066</u>	<u>-</u>	<u>73,769</u>	<u>126,778</u>	<u>126,778</u>	<u>200,547</u>

City of Wimmsboro, Texas  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES--NONMAJOR GOVERNMENTAL FUNDS**  
 for the year ended September 30, 2008

	TCDP Grant #724831	ORCA Step Grant #726146	ORCA Step Grant #727510	ORCA Grant #726372	Total Nonmajor Special Revenue Funds	I&S Tax Revenues	Total Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>								
Taxes	-	-	-	-	-	92,744	92,744	92,744
Intergovernmental	-	63,914	234,523	100,000	398,437	-	-	398,437
Interest	-	-	-	-	-	179	179	179
<b>Total Revenues</b>	<u>-</u>	<u>63,914</u>	<u>234,523</u>	<u>100,000</u>	<u>398,437</u>	<u>92,923</u>	<u>92,923</u>	<u>491,360</u>
<b>EXPENDITURES</b>								
Operating	-	-	25,371	-	25,371	-	-	25,371
Capital outlay	-	63,914	234,523	-	298,437	-	-	298,437
Revolving loans issued	-	-	-	100,000	100,000	-	-	100,000
<b>Total Expenditures</b>	<u>-</u>	<u>63,914</u>	<u>259,894</u>	<u>100,000</u>	<u>423,808</u>	<u>-</u>	<u>-</u>	<u>423,808</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(25,371)</u>	<u>-</u>	<u>(25,371)</u>	<u>92,923</u>	<u>92,923</u>	<u>67,552</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	-	-	25,371	-	25,371	-	-	25,371
Operating transfers out	(3,335)	-	-	-	(3,335)	(84,698)	(84,698)	(88,033)
<b>Total Other Financing sources (Uses)</b>	<u>(3,335)</u>	<u>-</u>	<u>25,371</u>	<u>-</u>	<u>22,036</u>	<u>(84,698)</u>	<u>(84,698)</u>	<u>(62,662)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(3,335)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,335)</u>	<u>8,225</u>	<u>8,225</u>	<u>4,890</u>
Fund balance, beginning of year	<u>3,335</u>	<u>(297)</u>	<u>-</u>	<u>-</u>	<u>3,038</u>	<u>115,294</u>	<u>115,294</u>	<u>118,332</u>
<b>Fund balance, end of year</b>	<u>-</u>	<u>(297)</u>	<u>-</u>	<u>-</u>	<u>(297)</u>	<u>123,519</u>	<u>123,519</u>	<u>123,222</u>

**SUPPLEMENTARY INFORMATION**

City of Winnsboro, Texas  
**BUDGETARY COMPARISON SCHEDULE**  
 Debt Service Fund  
 for the year ended September 30, 2008

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	91,400	91,700	92,744	1,044
Interest	100	100	179	79
<b>Total revenues</b>	<u>91,500</u>	<u>91,800</u>	<u>92,923</u>	<u>1,123</u>
<b>EXPENDITURES</b>				
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>91,500</u>	<u>91,800</u>	<u>92,923</u>	<u>1,123</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(91,500)	(91,800)	(84,698)	7,102
<b>Total other financing sources (uses)</b>	<u>(91,500)</u>	<u>(91,800)</u>	<u>(84,698)</u>	<u>7,102</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	-	-	8,225	8,225
<b>Fund balance, beginning of year</b>	115,294	115,294	115,294	-
<b>Fund balance, end of year</b>	<u>115,294</u>	<u>115,294</u>	<u>123,519</u>	<u>8,225</u>

**FEDERAL AWARDS SECTION**





# ARNOLD, WALKER, ARNOLD & CO., P.C.

*Certified Public Accountants And Consultants*

Bob J. Arnold, C.P.A., P.F.S.  
Lanny G. Walker, C.P.A., P.F.S.  
Kris Arnold, C.P.A., P.F.S.  
Lauri G. Robertson, C.P.A.  
Melissa J. Godfrey, C.P.A.  
Andrew T. Arnold, C.P.A.

MEMBER

American Institute Of  
Certified Public Accountants

Texas State Society Of  
Certified Public Accountants

## 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*

Honorable Mayor and Members of  
City Council  
City of Winnsboro, Texas

Members of the Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Winnsboro, Texas as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 11, 2008. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered The City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Arnold, Walker, Arnold & Co., P.C.

December 11, 2008

City of Winnsboro, Texas  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the City of Winnsboro was unqualified.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. None
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. None.
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. N/A.
- e. The type of report the auditor issued on compliance for major programs. N/A.
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section .510(a). N/A.
- g. An identification of major programs: N/A.
- h. The dollar threshold used to distinguish between Type A and Type B programs. N/A.
- i. A statement as to whether the auditee qualified as a low risk auditee. N/A.

II. Findings Relating to the Financial Statements Which are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I. f above.

None

City of Winnsboro, Texas  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
For the year ended September 30, 2008

07-1      Depository coverage was short at year end. Additional securities were pledged by the depository bank. Also FDIC coverage increased. Depository coverage was adequate this year.

City of Winnsboro, Texas  
CORRECTIVE ACTION PLAN  
For the year ended September 30, 2008

ITEM #      CORRECTIVE ACTION PLAN

N/A

City of Winnsboro, Texas  
**FEDERAL PROGRAM PROJECT SCHEDULE**  
**PROJECTS THAT ENDED OR WERE IN OPERATION DURING**  
the year ended September 30, 2008

Federal Grantor: U.S. Department of HUD  
Pass Through Grantor: Office of Rural Community Affairs  
CFDA # 14.228  
Project # 726146  
Contract Period 1/7/07-1/6/09

	<u>Budget</u>	<u>Federal Prior Year</u>	<u>Federal Current Year</u>	<u>Total</u>
<b>REVENUE</b>				
Federal	154,509	30,000	26,030	56,030
Local	-	-	-	-
Total	<u>154,509</u>	<u>30,000</u>	<u>26,030</u>	<u>56,030</u>
<b>EXPENSES</b>				
Federal				
Water Facilities	85,509	-	46,614	46,614
Engineering	44,000	26,500	7,900	34,400
Administration	<u>25,000</u>	<u>3,500</u>	<u>9,400</u>	<u>12,900</u>
Total	<u>154,509</u>	<u>30,000</u>	<u>63,914</u>	<u>93,914</u>
<b>EXCESS (DEFICIT) REVENUE OVER EXPENSES</b>	<u>-</u>	<u>-</u>	<u>(37,884)</u>	<u>(37,884)</u>

City of Winnsboro, Texas  
**FEDERAL PROGRAM PROJECT SCHEDULE**  
**PROJECTS THAT ENDED OR WERE IN OPERATION DURING**  
**the year ended September 30, 2008**

Federal Grantor: U.S. Department of HUD  
 Pass Through Grantor: Office of Rural Community Affairs  
 CFDA # 14.228  
 Project # 727510  
 Contract Period 7/4/07-7/3/09

	<u>Budget</u>	<u>Federal Prior Year</u>	<u>Federal Current Year</u>	<u>Local Prior Year</u>	<u>Local Current Year</u>	<u>Total</u>
<b>REVENUE</b>						
Federal	250,000	-	158,144	-	-	158,144
Local	<u>50,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	25,371	<u>25,371</u>
Total	<u>300,400</u>	<u>-</u>	<u>158,144</u>	<u>-</u>	<u>25,371</u>	<u>183,515</u>
<b>EXPENSES</b>						
Federal						
Water Facilities	220,400	-	211,861	-	-	211,861
Engineer/Architecture	29,600	-	22,662	-	-	22,662
Local						
Administration	27,320	-	-	198	25,371	25,569
Water Facilities	23,080	-	-	-	-	-
Engineer/Architecture	-	-	-	-	-	-
Total	<u>300,400</u>	<u>-</u>	<u>234,523</u>	198	<u>25,371</u>	<u>260,092</u>
<b>EXCESS (DEFICIT) REVENUE OVER EXPENSES</b>	<u>-</u>	<u>-</u>	<u>(76,379)</u>	<u>(198)</u>	<u>-</u>	<u>(76,577)</u>

City of Winnsboro, Texas  
**FEDERAL PROGRAM PROJECT SCHEDULE**  
**PROJECTS THAT ENDED OR WERE IN OPERATION DURING**  
**the year ended September 30, 2008**

Federal Grantor: U.S. Department of HUD  
 Pass Through Grantor: TDHCA Housing Contract  
 CFDA # 14.228  
 Project # 1000544  
 Contract Period 10/3/05-9/28/07

	<u>Budget</u>	<u>Federal Prior Year</u>	<u>Federal Current Year</u>	<u>Local Prior Year</u>	<u>Local Current Year</u>	<u>Total</u>
<b>REVENUE</b>						
Federal	249,600	-	196,924	-	-	196,924
Local	-	-	-	19,934	5,196	25,130
<b>Total</b>	<u>249,600</u>	<u>-</u>	<u>196,924</u>	<u>19,934</u>	<u>5,196</u>	<u>222,054</u>
<b>EXPENSES</b>						
Federal						
Housing	240,000	189,350	-	-	-	189,350
Administration	9,600	7,574	-	-	-	7,574
Local						
Housing	-	-	-	700	-	700
Administration	-	-	-	19,234	5,196	24,430
<b>Total</b>	<u>249,600</u>	<u>196,924</u>	<u>-</u>	<u>19,934</u>	<u>5,196</u>	<u>222,054</u>
<b>EXCESS (DEFICIT) REVENUE OVER EXPENSES</b>	<u>-</u>	<u>(196,924)</u>	<u>196,924</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Winnsboro, Texas  
**FEDERAL PROGRAM PROJECT SCHEDULE**  
**PROJECTS THAT ENDED OR WERE IN OPERATION DURING**  
the year ended September 30, 2008

Federal Grantor: U.S. Department of HUD  
Pass Through Grantor: Office of Rural Community Affairs  
CFDA # 14.228  
Project # 726146  
Contract Period 3/7/07-3/1/12

	<u>Budget</u>	<u>Federal Current Year</u>	<u>Total</u>
<b>REVENUE</b>			
Federal	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
<b>EXPENSES</b>			
Disbursed for loans	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
<b>EXCESS (DEFICIT) REVENUE OVER EXPENSES</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>