

CITY OF WINNSBORO, TEXAS

FINANCIAL STATEMENTS

September 30, 2012



**CITY OF WINNSBORO, TEXAS
 SEPTEMBER 30, 2012
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PRINCIPAL OFFICIALS

September 30, 2012

CITY COUNCIL

CAROLYN JONES, MAYOR

RONNY KNIGHT, MAYOR PRO TEM

BEN AMERSON

BILLIE RUTH SUTHERLAND

LAURA MAURO

LORI WHORFF

CITY ADMINISTRATOR

NINA BROWNING

CITY SECRETARY

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Winnsboro, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Texas, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof 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 February 7, 2013, on our consideration of the City of Winnsboro, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 3 through 10, 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Winnsboro, Texas' financial statements as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
February 7, 2013

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of City of Winnsboro’s annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2012. Please read it in conjunction with the City’s financial statements, which follow this section.

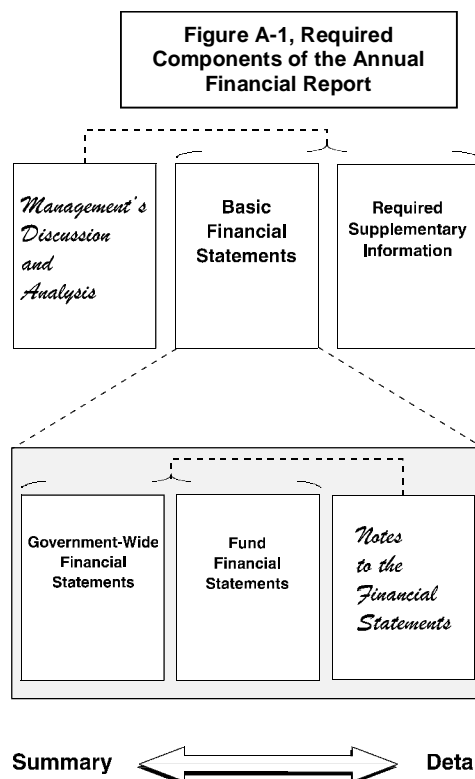
FINANCIAL HIGHLIGHTS

- i The City sales tax revenue exceeded budget by 4.23% which reflects the growth in our area.
- i The City anticipates continued growth of our area demonstrated by the construction of McDonald’s, along with Trinity Mother Francis hospital’s commitment to our area has added stability and additional services within our city.
- i Property tax revenue was at 97% of the levied amount.
- i Completion of the upgrades on the auditorium and building of restrooms at the City park have enhanced our facility usage.
- i The City was able to purchase for the first time an Animal Control vehicle for our shelter. This comes complete with the separate cages, heating and air-conditioning for the animals that are picked up. The shelter was also able to expand its office area with an additional building, making more room in the shelter for housing the animals and having a special quarantine room.

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:

- i The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- i 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.
- i *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- i *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.
- i *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.



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 and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	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
Required financial statements	♦ 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
Accounting basis and measurement focus	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
Type of asset/liability information	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
Type of inflow/outflow information	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 thereafter	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*.

- i Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- i To assess the overall health of the City, one needs to consider additional non-financial 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.

- i Some funds are required by State law and by bond covenants.
- i 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 two kinds of funds:

- i *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 you 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, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- i *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets (See Table A-1). The City's Governmental activity net assets were \$1,043,118 at September 30, 2012, a decrease of 53% over the prior year.

Table A-1
City of Winnsboro's Net Assets
(In dollars)

	Governmental Activities		% Change	Business Activities		Total Activities		% Change
	2012	2011		2012	2011	2012	2011	
Assets:								
Current and other assets	1,672,485	2,771,258	-40%	2,460,184	2,603,127	4,132,669	5,374,385	-23%
Capital and non-current assets	1,879,810	1,959,655	-4%	10,233,340	9,875,548	12,113,150	11,835,203	2%
Total Assets	3,552,295	4,730,913	-25%	12,693,524	12,478,675	16,245,819	17,209,588	-6%
Liabilities:								
Current liabilities	260,610	168,357	55%	319,114	250,510	579,724	418,867	38%
Long-term liabilities	2,248,567	2,328,486	-3%	8,131,708	7,904,458	10,380,275	10,232,944	1%
Total Liabilities	2,509,177	2,496,843	0%	8,450,822	8,154,968	10,959,999	10,651,811	3%
Net Assets:								
Invested in capital assets net of related debt	1,607,657	1,495,036	8%	2,893,679	1,971,090	4,501,336	3,466,126	30%
Restricted	1,018,562	601,241	69%	866,877	1,869,289	1,885,439	2,470,530	-24%
Unrestricted	(1,583,101)	137,793	-1249%	482,146	483,328	(1,100,955)	621,121	-277%
Total Net Assets	1,043,118	2,234,070	-53%	4,242,702	4,323,707	5,285,820	6,557,777	-19%

In March, 2012, the City obtained loans to complete the construction of a water storage tank and relocation of certain utility lines along State Highway 11. Both loans were in the amount of \$200,000.

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 decrease of unrestricted net assets reflects the use of prior year resources (bond proceeds) for the City's street maintenance and improvement program.

Of total net assets, \$1,885,439 is restricted as follows:

Restricted for debt service	\$ 656,415
Restricted for capital projects	898,903
Restricted for federal grants	237,051
Other restrictions	93,070

Changes in net assets (See Table A-2).

Governmental Activities - The City's total revenue for governmental activities was \$2,839,352. 30% of this came from property taxes, 25% came from sales taxes and other taxes, and 32% came from charges for services.

The total cost of all programs was \$5,809,584. Approximately 14% of this was for police, 6% was for administration, 24% was for street improvement, and 31% was for water and sewer services.

Governmental Activities

Table A-2
Changes in City of Winnsboro's Net Assets
(In dollars)

	Governmental Activities		Business Activities		Total Activities		% Change 2011-2012
	2012	2011	2012	2011	2012	2011	
Revenues:							
Charges for Services	916,087	896,954	1,773,928	1,610,302	2,690,015	2,507,256	7%
Operating Grants and Contributions	88,444	37,369	-	-	88,444	37,369	137%
General Revenues:							
Property Taxes	842,673	817,584	-	-	842,673	817,584	3%
Other Taxes	706,317	678,522	-	-	706,317	678,522	4%
Investment Earnings	7,863	10,173	15,828	30,132	23,691	40,305	-41%
Other	119,219	58,739	67,267	70,867	186,486	129,606	44%
Total Revenues	2,680,603	2,499,341	1,857,023	1,711,301	4,537,626	4,210,642	8%
Expenditures:							
Administration	350,393	413,413	-	-	350,393	413,413	-15%
Economic Development	133,892	92,782	-	-	133,892	92,782	44%
Police	787,905	809,174	-	-	787,905	809,174	-3%
Municipal court	63,121	60,764	-	-	63,121	60,764	4%
Animal control	66,424	-	-	-	66,424	-	100%
Animal shelter	12,263	50,804	-	-	12,263	50,804	-76%
Farmers market	32,304	-	-	-	32,304	-	100%
Fire	101,364	75,259	-	-	101,364	75,259	35%
Maintenance	246,897	297,626	-	-	246,897	297,626	-17%
Airport	51,522	56,724	-	-	51,522	56,724	-9%
Library	124,251	147,880	-	-	124,251	147,880	-16%
Parks and recreation	57,425	61,544	-	-	57,425	61,544	-7%
Sanitation	537,351	531,259	-	-	537,351	531,259	1%
Street improvement	1,371,448	-	-	-	1,371,448	-	100%
Debt service-interest and fees	93,744	56,771	-	-	93,744	56,771	65%
Water and sewer	-	-	1,779,280	1,719,661	1,779,280	1,719,661	3%
Total Expenses	4,030,304	2,654,000	1,779,280	1,719,661	5,809,584	4,373,661	33%
Transfers In (Out)	158,749	77,805	(158,749)	(77,805)	-	-	
Net Assets (NA) - Beginning	2,234,070	1,850,073	4,323,708	4,390,434	6,557,778	6,240,507	5%
Adjustment to NA -Beginning	-	460,851	-	19,438	-	480,289	
Change in Net Assets	(1,190,952)	(76,854)	(81,006)	(86,165)	(1,271,958)	(163,019)	680%
Net Assets (NA) - Ending	1,043,118	2,234,070	4,242,702	4,323,707	5,285,820	6,557,777	-19%

Table A-3 presents the cost of some 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 local tax dollars and other sources of funding.

- i The cost of all *governmental* activities this year was \$4,030,304.
- i The amount that City taxpayers funded for these activities through property taxes was \$842,673. Some of the cost was paid by those who directly benefited from the programs (\$916,087), or by grants and contributions (\$88,444).

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

	Total Cost			Net Cost		
	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>
Administration	350,393	413,413	-15%	335,920	400,852	-16%
Police	787,905	809,174	-3%	787,905	809,174	-3%
Maintenance	246,897	297,626	-17%	246,897	297,626	-17%
Sanitation	537,351	531,259	1%	(100,601)	(85,467)	18%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City reported fund balance in its governmental funds of \$1,346,345 at September 30, 2012. This balance is composed of the following:

General Fund	\$1,007,676
Debt Service	87,758
Special Revenue Funds	250,911

Of the fund balance in the General Fund, \$600,731 is restricted for street improvements and \$79,210 is restricted for municipal court, farmers market, animal shelter, and library operations.

Special revenue funds consist of the Hotel/Motel Tax Fund and the Revolving Loan Fund.

General Operating Fund Budgetary Highlights

Actual expenditures were less than the final budget by \$588,068. The entire street improvement project was budgeted in the current year. However, the project was not completed, resulting in \$585,052 of that budget remaining.

Total revenues for the year exceeded budget by \$226,540 and the City's general fund actual performance for the year exceeded budget expectations by \$799,154.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
City's Capital Assets
(In dollars)

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Land and construction in progress	\$ 365,259	\$ 365,259	0%	\$ 561,279	\$ 126,899	342%
Buildings and improvements	1,693,197	1,630,950	4%	-	-	
Machinery and equipment	1,371,059	1,340,431	2%	28,480	-	
Water and sewer system	-	-		16,698,360	16,698,360	0%
Streets	1,677,398	1,677,398	0%	-	-	
Totals at historical cost	<u>5,106,913</u>	<u>5,014,038</u>	2%	<u>17,288,119</u>	<u>16,825,259</u>	3%
Total accumulated depreciation	<u>(3,355,846)</u>	<u>(3,193,332)</u>	5%	<u>(7,287,732)</u>	<u>(6,949,711)</u>	5%
Net capital assets	<u>\$ 1,751,067</u>	<u>\$ 1,820,706</u>	-4%	<u>\$ 10,000,387</u>	<u>\$ 9,875,548</u>	1%

More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

Table A-5
City's Long Term Debt
(In dollars)

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Certificates of obligation	-	-		825,000	870,000	-5%
Bonds payable	2,105,156	2,132,387	-1%	6,906,708	6,994,025	-1%
Notes payable	80,864	114,657	-29%	400,000	40,433	889%
Leases payable	62,547	81,442	-23%	-	-	
Total Debt	<u>2,248,567</u>	<u>2,328,486</u>	-3%	<u>8,131,708</u>	<u>7,904,458</u>	3%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City was able to hold the property tax with no tax increase; it remains at \$.52/\$100. The City was also able to continue at the same utility rates from the previous year with services remaining at the same expected level as the previous year.

The 2012-13 budget also provides for the accumulation of a \$100,000 reserve in the general fund. In 2011-2012, the City was able to meet the goal on the reserve and continues to build this fund working towards the guidelines set in the budget.

Economic conditions were favorable due to the property tax collections and sales tax revenue being up. The budget was streamlined and the City worked well within the guidelines set, and at the final date, there were funds remaining. With a stable budget and staff, the City Council was able to give the employees a 3% cost of living adjustment.

Our former Police Chief retired at the end of the fiscal year and the new Chief, Andy Chester, came on board officially on September 17, 2012.

The budget for FY 2013 was approved by the City Council during its regular September Council meeting held on the 11th day of the month.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, stakeholders, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please feel free to contact the City Administrator's Office.

BASIC FINANCIAL STATEMENTS

CITY OF WINNSBORO, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	WEDC
ASSETS				
Cash and cash equivalents	\$ 590,223	\$ 363,173	\$ 953,396	\$ 111,881
Temporary investments	1,916	52,118	54,034	284,002
Receivables (net of allowance for uncollectibles):				
Taxes	27,869	-	27,869	-
Accounts, net	121,791	230,396	352,187	-
Notes	136,558	-	136,558	-
Other	958	-	958	-
Due from other governments	49,231	-	49,231	23,335
Due from other funds	-	19,730	19,730	-
Restricted cash and temporary investments	730,888	1,794,767	2,525,655	-
Inventory	13,051	-	13,051	-
Debt issuance costs, net of amortization	128,743	232,953	361,696	-
Capital assets (net of accumulated depreciation):				
Land	365,259	100,000	465,259	-
Streets	747,184	-	747,184	-
Water and sewer system	-	9,411,002	9,411,002	-
Buildings and improvements	420,575	-	420,575	-
Machinery and equipment	218,049	28,106	246,155	-
Construction in progress	-	461,279	461,279	-
Total assets	<u>3,552,295</u>	<u>12,693,524</u>	<u>16,245,819</u>	<u>419,218</u>
LIABILITIES				
Accounts payable	186,182	100,979	287,161	15,239
Accrued wages	40,180	28,834	69,014	-
Payable to other government	6,298	-	6,298	-
Accrued interest payable	8,220	17,430	25,650	-
Due to other funds	19,730	-	19,730	-
Customer deposits	-	171,871	171,871	-
Noncurrent liabilities:				
Due within one year	144,371	229,772	374,143	-
Due in more than one year	2,104,196	7,901,936	10,006,132	-
Total liabilities	<u>2,509,177</u>	<u>8,450,822</u>	<u>10,959,999</u>	<u>15,239</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,607,657	2,893,679	4,501,336	-
Restricted for:				
Debt service	87,710	568,705	656,415	-
Capital acquisition	600,731	298,172	898,903	-
Other purposes	330,121	-	330,121	-
Unrestricted	<u>(1,583,101)</u>	<u>482,146</u>	<u>(1,100,955)</u>	<u>403,979</u>
Total net assets	<u>\$ 1,043,118</u>	<u>\$ 4,242,702</u>	<u>\$ 5,285,820</u>	<u>\$ 403,979</u>

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit WEDC
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
Primary government:							
Governmental activities:							
Administration	\$ 350,393	\$ 14,473	\$ -	\$ (335,920)	\$ -	\$ (335,920)	\$ -
Economic development	133,892	55,534	88,444	10,086	-	10,086	-
Fire	101,364	-	-	(101,364)	-	(101,364)	-
Police	787,905	-	-	(787,905)	-	(787,905)	-
Animal control	66,424	-	-	(66,424)	-	(66,424)	-
Animal shelter	12,263	-	-	(12,263)	-	(12,263)	-
Farmers market	32,304	-	-	(32,304)	-	(32,304)	-
Municipal court	63,121	129,466	-	66,345	-	66,345	-
Maintenance	246,897	-	-	(246,897)	-	(246,897)	-
Sanitation	537,351	637,952	-	100,601	-	100,601	-
Street improvements	1,371,448	-	-	(1,371,448)	-	(1,371,448)	-
Parks and recreation	57,425	44,634	-	(12,791)	-	(12,791)	-
Airport	51,522	34,028	-	(17,494)	-	(17,494)	-
Library	124,251	-	-	(124,251)	-	(124,251)	-
Debt service	93,744	-	-	(93,744)	-	(93,744)	-
Total governmental activities	<u>4,030,304</u>	<u>916,087</u>	<u>88,444</u>	<u>(3,025,773)</u>	<u>-</u>	<u>(3,025,773)</u>	<u>-</u>
Business-type activities:							
Utility Fund	<u>1,779,280</u>	<u>1,773,928</u>	<u>-</u>	<u>-</u>	<u>(5,352)</u>	<u>(5,352)</u>	<u>-</u>
Total primary government	\$ 5,809,584	\$ 2,690,015	\$ 88,444	\$ (3,025,773)	\$ (5,352)	\$ (3,031,125)	\$ -
Component unit:							
WEDC	<u>\$ 323,443</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (323,443)</u>
General revenues							
Property taxes				842,673	-	842,673	-
Sales taxes				523,762	-	523,762	260,852
Franchise taxes				175,909	-	175,909	-
Other taxes				6,646	-	6,646	-
Unrestricted investment earnings				7,863	15,828	23,691	3,192
Contributions and donations				85,766	-	85,766	17,070
Miscellaneous				33,453	67,267	100,720	-
Transfers				158,749	(158,749)	-	-
Total general revenues and transfers				<u>1,834,821</u>	<u>(75,654)</u>	<u>1,759,167</u>	<u>281,114</u>
Change in net assets				<u>(1,190,952)</u>	<u>(81,006)</u>	<u>(1,271,958)</u>	<u>(42,329)</u>
Net assets - beginning				<u>2,234,070</u>	<u>4,323,708</u>	<u>6,557,778</u>	<u>446,308</u>
Net assets - ending				<u>\$ 1,043,118</u>	<u>\$ 4,242,702</u>	<u>\$ 5,285,820</u>	<u>\$ 403,979</u>

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

CITY OF WINNSBORO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND OTHER DEBITS:			
Cash and cash equivalents	\$ 394,870	\$ 195,353	\$ 590,223
Temporary investments	1,916	-	1,916
Receivables:			
Taxes, net	22,697	5,172	27,869
Notes	-	136,558	136,558
Due from other governments	49,231	-	49,231
Due from other funds	-	6,775	6,775
Other	75,248	-	75,248
Restricted cash and temporary investments	730,888	-	730,888
Inventory	<u>13,051</u>	<u>-</u>	<u>13,051</u>
 TOTAL ASSETS	 <u>\$ 1,287,901</u>	 <u>\$ 343,858</u>	 <u>\$ 1,631,759</u>
 LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 184,545	\$ 1,637	\$ 186,182
Accrued wages	40,180	-	40,180
Due to other funds	26,505	-	26,505
Due to other governments	6,298	-	6,298
Unearned revenues	<u>22,697</u>	<u>3,552</u>	<u>26,249</u>
 TOTAL LIABILITIES	 <u>280,225</u>	 <u>5,189</u>	 <u>285,414</u>
 FUND BALANCES:			
Nonspendable Fund Balances:			
Inventory	13,051	-	13,051
Long-term notes receivable	-	136,558	136,558
Restricted Fund Balances:			
Capital acquisitions & contractual obligations	600,731	-	600,731
Debt service	-	87,758	87,758
Other restrictions of fund balance	79,210	114,353	193,563
Unassigned	<u>314,684</u>	<u>-</u>	<u>314,684</u>
 TOTAL FUND BALANCES	 <u>1,007,676</u>	 <u>338,669</u>	 <u>1,346,345</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,287,901</u>	 <u>\$ 343,858</u>	 <u>\$ 1,631,759</u>

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

CITY OF WINNSBORO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	\$ 1,346,345
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
Capital assets used in governmental activities are not reported in the funds	1,751,067
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	26,249
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,065,000)
Premiums on bonds payable are amortized in the statement of net assets but not in the funds.	(40,156)
Payables for note principal which are not due in the current period are not reported in the funds.	(80,864)
Payables for capital lease principal which are not due in the current period are not reported in the funds.	(62,547)
Payables for accrued interest which are not due in the current period are not reported in the funds.	(8,220)
Court fines receivable unavailable to pay for current period expenditures are not reported in the funds.	47,501
Debt issuance costs are amortized in the statement of net assets but not in the funds.	<u>128,743</u>
Net assets of governmental activities - statement of net assets	<u>\$ 1,043,118</u>

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 720,323	\$ 104,200	\$ 824,523
Penalty and interest	18,122	-	18,122
Sales tax	523,762	-	523,762
Franchise taxes	175,909	-	175,909
Other taxes	-	6,646	6,646
Fines and forfeitures	116,652	-	116,652
Licenses and permits	14,473	-	14,473
Sanitation fees, net	637,952	-	637,952
Investment income	5,088	2,775	7,863
Airport revenues	34,028	-	34,028
Rents	44,634	-	44,634
Donations	85,766	-	85,766
Services to other governments	143,978	-	143,978
Miscellaneous	<u>25,298</u>	<u>8,155</u>	<u>33,453</u>
TOTAL REVENUES	<u>2,545,985</u>	<u>121,776</u>	<u>2,667,761</u>
EXPENDITURES:			
Administration	326,290	-	326,290
Economic development	52,678	81,214	133,892
Fire	107,088	-	107,088
Police	753,356	-	753,356
Animal control	75,169	-	75,169
Animal shelter	12,263	-	12,263
Farmers market	32,304	-	32,304
Municipal court	60,279	-	60,279
Maintenance	238,126	-	238,126
Sanitation	486,507	-	486,507
Street improvements	1,371,448	-	1,371,448
Parks and recreation	110,392	-	110,392
Airport	44,233	-	44,233
Library	115,574	-	115,574
Debt service -principal	65,188	25,000	90,188
-interest	10,698	82,628	93,326
-fees and issuance costs	<u>-</u>	<u>830</u>	<u>830</u>
TOTAL EXPENDITURES	<u>3,861,593</u>	<u>189,672</u>	<u>4,051,265</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,315,608)	(67,896)	(1,383,504)
OTHER FINANCING SOURCES (USES):			
Loan proceeds	12,500	-	12,500
Transfers in (out)-net	<u>248,582</u>	<u>(89,833)</u>	<u>158,749</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>261,082</u>	<u>(89,833)</u>	<u>171,249</u>
NET CHANGE IN FUND BALANCES	(1,054,526)	(157,729)	(1,212,255)
FUND BALANCE, OCTOBER 1, 2011	<u>2,062,202</u>	<u>496,398</u>	<u>2,558,600</u>
FUND BALANCE, SEPTEMBER 30, 2012	<u>\$ 1,007,676</u>	<u>\$ 338,669</u>	<u>\$ 1,346,345</u>

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

CITY OF WINNSBORO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balances - total governmental funds	\$ (1,212,255)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	92,875
The depreciation of capital assets used in governmental activities is not reported in the funds.	(162,514)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	28
Court fines receivable are not reported in the funds. This is the change in these amounts this year.	12,814
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	25,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	46,293
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	18,895
Bond premium is amortized in the SOA but not in the funds.	2,231
Decrease in accrued interest from beginning of period to end of period.	8,387
Long-term debt proceeds are reported as revenues in the funds but not in the SOA.	(12,500)
Loss on defeasance of debt is amortized in the SOA but not in the funds.	(4,735)
Debt issuance costs are amortized in the SOA but not in the funds.	<u>(5,471)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (1,190,952)</u>

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2012

		Utilities Fund
ASSETS:		
Current assets:		
Cash and cash equivalents	\$	363,173
Temporary investments		52,118
Receivables:		
Accounts		230,396
Due from other funds		19,730
Restricted assets:		
Cash and temporary investments		1,794,767
Noncurrent assets:		
Capital assets, net		10,000,387
Debt issuance costs, net		<u>232,953</u>
TOTAL ASSETS		<u>12,693,524</u>
LIABILITIES:		
Current liabilities:		
Accounts payable		100,979
Accrued wages		28,834
Accrued interest payable		17,430
Customer deposits		171,871
Noncurrent liabilities:		
Due within one year		229,772
Due in more than one year		<u>7,901,936</u>
TOTAL LIABILITIES		<u>8,450,822</u>
NET ASSETS		
Invested in capital assets, net of related debt		2,893,679
Restricted for debt service		568,705
Restricted for capital projects		298,172
Unrestricted		<u>482,146</u>
TOTAL NET ASSETS	\$	<u><u>4,242,702</u></u>

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Utilities Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 1,742,779
Penalties	31,149
Miscellaneous	<u>67,267</u>
TOTAL OPERATING REVENUES	<u>1,841,195</u>
OPERATING EXPENSES:	
Personnel costs	422,113
Contractual services	255,668
Supplies and other expenses	469,593
Depreciation	<u>378,032</u>
TOTAL OPERATING EXPENSES	<u>1,525,406</u>
OPERATING INCOME	315,789
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	15,828
Interest expense and fees	<u>(253,874)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(238,046)
TRANSFERS IN (OUT)	<u>(158,749)</u>
CHANGE IN NET ASSETS	(81,006)
TOTAL NET ASSETS - BEGINNING	<u>4,323,708</u>
TOTAL NET ASSETS - ENDING	<u>\$ 4,242,702</u>

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers for water sales and sewer service	\$ 1,817,637
Cash receipts from customers for deposits	6,000
Cash payments to employees	(420,884)
Cash payments for goods and services	(648,744)
NET CASH PROVIDED BY OPERATING ACTIVITIES	754,009
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	(158,749)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(158,749)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on debt	(165,433)
Interest paid on debt	(275,913)
Loan fees	(420)
Loan proceeds	400,000
NET CASH USED BY FINANCING ACTIVITIES	(41,766)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment earnings	15,828
Redemption of certificates of deposits	127,919
Change in restricted cash	105,256
Purchase of assets	(462,860)
NET CASH USED BY INVESTING ACTIVITIES	(213,857)
NET INCREASE IN CASH AND CASH EQUIVALENTS	339,637
CASH AND CASH EQUIVALENTS - OCTOBER 1, 2011	23,536
CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2012	\$ 363,173
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 315,789
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	378,032
(Increase) decrease in accounts receivable	(23,558)
Increase (decrease) in customer deposits	6,000
Increase (decrease) in accounts payable	76,517
Increase (decrease) in accrued wages	1,229
Total adjustments	438,220
Net cash provided by operating activities	\$ 754,009

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

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the City of Winnsboro, Texas, conform to generally accepted accounting principles as applied to governmental entities.

A. FINANCIAL REPORTING ENTITY

For financial reporting purposes, the City of Winnsboro includes all funds that are controlled by or dependent on the City's executive and legislative branches (the Mayor or the Council, respectively). Control by or dependence on the City is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

COMPONENT UNIT

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

DISCRETELY PRESENTED COMPONENT UNITS

Winnsboro Economic Development Corporation (WEDC). WEDC is a Texas nonprofit corporation organized for the purpose of benefitting and accomplishing public purposes of the City of Winnsboro, Texas, by promoting, assisting, and enhancing economic development activities for the City. The board members are appointed by the City of Winnsboro City Council. WEDC is funded by a one-half cent sales tax levied on taxable sales within the City of Winnsboro. This tax was enacted by popular vote in 1995 and may be repealed by popular vote. Corporate financial statements of WEDC can be obtained directly from their administrative offices in Winnsboro, Texas. WEDC is reported in a separate column to emphasize that it is legally separate from the City.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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 are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental fund:

General Fund

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

Utility Fund

The utilities fund operates the water distribution system, the sewage treatment plant, sewage pumping stations, and collection systems, for which outside users are charged fees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The City has elected to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities Fund are charges to customers for sales and services. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

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

D. BUDGETS AND BUDGETARY ACCOUNTING

Budgets for the general fund, special revenue funds, and debt service fund are adopted on a basis consistent with the modified accrual basis of accounting. The proprietary fund budget is adopted on a basis consistent with the accrual basis of accounting except for depreciation, which is not budgeted and capital outlay, which is budgeted. The budget comparison for the proprietary fund has been adjusted to reflect these differences. Unexpended budget appropriations lapse at year end and do not carry forward to future periods.

Although budgetary integration is employed as a management control, the City does not record encumbrances in its accounting records.

Budget controls are imposed at the fund level and require Council approval for amendment.

E. INTERFUND RECEIVABLES AND PAYABLES

Any short-term advances between funds that may exist are accounted for in the appropriate interfund receivable and payable accounts.

F. ESTIMATES

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

G. CASH EQUIVALENTS

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have an initial maturity of three months or less.

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. RISK MANAGEMENT

The city is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, the City purchased insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding liability insurance coverage for each of the past three fiscal years.

I. CAPITAL ASSETS

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Infrastructure	50
Buildings	50
Building Improvements	15 - 20
Vehicles	4 - 7
Furniture & Equipment	5 - 7

J. FUND BALANCES - GOVERNMENTAL FUNDS

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The City Council has adopted a goal to maintain a minimum unassigned fund balance in the general fund equal to 25% of its annual expenditures in that fund.

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	None

Deficit Fund Balances or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None	Not applicable	Not applicable

NOTE 3 - PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessment ratio of the City is 100 percent of market value. The assessed value for the roll as of January 1, 2011 upon which the 2012 fiscal-year levy was based, was \$ 158,376,688 and the tax levy was set at \$.52 per \$100 of assessed valuation.

Taxes were due in January following the October 1 statement date. Tax collections during the fiscal year ended September 30, 2012, for the fiscal 2012 tax levy were 97.42 percent of the total tax levy for that year.

Delinquent taxes as of September 30, 2012, were \$ 65,623.

Allowances for uncollectible tax receivables within the General and Interest & Sinking Funds are based upon 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. The allowance for uncollectible taxes at September 30, 2012 is \$39,374.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2012 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 365,259	\$ -	\$ -	\$ 365,259
Total capital assets not being depreciated	<u>365,259</u>	<u>-</u>	<u>-</u>	<u>365,259</u>
Capital assets being depreciated:				
Buildings	1,630,950	62,247	-	1,693,197
Streets	1,677,398	-	-	1,677,398
Machinery and equipment	1,340,431	30,628	-	1,371,059
Total capital assets being depreciated	<u>4,648,779</u>	<u>92,875</u>	<u>-</u>	<u>4,741,654</u>
Less accumulated depreciation for:				
Buildings	(1,222,469)	(50,153)	-	(1,272,622)
Streets	(880,938)	(49,276)	-	(930,214)
Machinery and equipment	(1,089,925)	(63,085)	-	(1,153,010)
Total accumulated depreciation	<u>(3,193,332)</u>	<u>(162,514)</u>	<u>-</u>	<u>(3,355,846)</u>
Total capital assets being depreciated, net	<u>1,455,447</u>	<u>(69,639)</u>	<u>-</u>	<u>1,385,808</u>
Governmental activities capital assets, net	<u>\$ 1,820,706</u>	<u>\$ (69,639)</u>	<u>\$ -</u>	<u>\$ 1,751,067</u>

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in progress	26,899	434,380	-	461,279
Total capital assets, not being depreciated	<u>126,899</u>	<u>434,380</u>	<u>-</u>	<u>561,279</u>
Capital assets being depreciated:				
Water and sewer system	16,698,360	-	-	16,698,360
Equipment	-	28,480	-	28,480
Total capital assets being depreciated	<u>16,698,360</u>	<u>28,480</u>	<u>-</u>	<u>16,726,840</u>
Less accumulated depreciation for:				
Water and sewer system	(6,949,711)	(337,647)	-	(7,287,358)
Equipment	-	(374)	-	(374)
Total accumulated depreciation	<u>(6,949,711)</u>	<u>(338,021)</u>	<u>-</u>	<u>(7,287,732)</u>
Total capital assets being depreciated, net	<u>9,748,649</u>	<u>(309,541)</u>	<u>-</u>	<u>9,439,108</u>
Business-type activities capital assets, net	<u>\$ 9,875,548</u>	<u>\$ 124,839</u>	<u>\$ -</u>	<u>\$ 10,000,387</u>

Depreciation expense was charged to departments of the primary government as follows:

Governmental activities:	
Administrative	\$ 24,103
Police	34,549
Municipal court	2,842
Animal shelter	3,755
Fire	12,404
Maintenance	8,771
Airport	7,289
Library	8,677
Parks and recreation	9,280
Sanitation	50,844
Total depreciation expense - governmental activities	<u>162,514</u>
Business-type activities:	
Water and sewer	338,021
Total depreciation expense - business-type activities	<u>338,021</u>

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5 - LONG-TERM DEBT

Long-term debt transactions for the year ended September 30, 2012, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
<u>Notes Payable:</u>					
First Financial Bank, interest at 7.61%, maturing 10/2012	\$ 25,254	\$ -	\$ 12,135	\$ 13,119	\$ 13,119
First Financial Bank, interest at 5.5%, maturing 10/2013	81,949	-	26,064	55,885	27,435
First National Bank Winnsboro, interest at 6.25%, maturing 4/2013	7,454	-	7,454	-	-
First National Bank Winnsboro, interest at 5.5%, maturing 7/2015	-	12,500	640	11,860	3,977
<u>Bonds Payable:</u>					
Series 2011, interest at 2.0 - 4.25%, maturing 3/15/2031	2,090,000	-	25,000	2,065,000	80,000
Premium on Series 2011	42,387	-	2,231	40,156	-
<u>Leases Payable:</u>					
Mineola Community Bank, interest at 5.0%, maturing 5/2015	81,442	-	18,895	62,547	19,840
Total Governmental Activities	<u>\$ 2,328,486</u>	<u>\$ 12,500</u>	<u>\$ 92,419</u>	<u>\$ 2,248,567</u>	<u>\$ 144,371</u>
Business-type Activities:					
<u>Certificates of Obligation:</u>					
Series 2005, interest at 0.0%, maturing 2/15/2026	\$ 870,000	\$ -	\$ 45,000	\$ 825,000	\$ 45,000
<u>Loans Payable:</u>					
TWDB, interest at 4.7%, maturing 1/2012	40,433	-	40,433	-	-
First State Bank Winnsboro, interest at 3.25%, maturing 3/2017	-	200,000	-	200,000	37,483
Government Capital Corporation, interest at 3.53%, maturing 3/2017	-	200,000	-	200,000	37,289
<u>Bonds Payable:</u>					
Series 2011, interest at 2.0 - 4.25%, maturing 3/15/2031	6,855,000	-	80,000	6,775,000	110,000
Premium on Series 2011	139,025	-	7,317	131,708	-
Total Business-Type Activities	<u>\$ 7,904,458</u>	<u>\$ 400,000</u>	<u>\$ 172,750</u>	<u>\$ 8,131,708</u>	<u>\$ 229,772</u>
Total Long-term Debt	<u>\$ 10,232,944</u>	<u>\$ 412,500</u>	<u>\$ 265,169</u>	<u>\$ 10,380,275</u>	<u>\$ 374,143</u>

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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 December, 2009, with First Financial Bank of Southlake, Texas, for the purpose of financing personal property associated with the Wanda Street Bridge project. The amount capitalized was \$108,000. The minimum annual payments of principal and interest are \$30,375 and the interest rate is approximately 5.5%. The loan will be paid off in October, 2013.

The City entered into a loan agreement during October, 2009 with First Financial Bank of Southlake, Texas for the purpose of acquiring a tractor with loader. The amount capitalized was \$49,999. The minimum annual payments of principal and interest are \$14,056 and the interest rate is approximately 7.61%. The loan will be paid off in October, 2012.

The City entered into a loan agreement during July, 2012 with First National Bank of Winnsboro, Texas for the purpose of acquiring an animal shelter truck. The amount capitalized was \$12,500. The minimum annual payments of principal and interest are \$4,530 and the interest rate is approximately 5.5%. The loan will be paid off in July, 2015.

On September 22, 2004, a loan for \$1,050,000 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.

In September, 2011, the City issued \$8,945,000 in refunding bonds payable with interest rates ranging between 2.0% and 4.25%. The City used the net proceeds along with other resources to refund \$9,260,599 of the outstanding Certificates of Obligation, Series 1996 and 2003 and Tax Maintenance Notes, Series 2010. Of the total 2011 Series, \$2,090,000 is reported as debt of the governmental fund types and \$6,855,000 is reported in the Utilities Fund.

The City entered into a loan agreement during March, 2012 with First National Bank of Winnsboro, Texas for improvement and extension of water/sewer lines on State Highway 11. The minimum annual payments of principal and interest are \$43,983 and the interest rate is approximately 3.25%. The loan will be paid off in March, 2017.

The City entered into a loan agreement during March, 2012 with Government Capital Corporation of Southlake, Texas for a water storage project. The minimum annual payments of principal and interest are \$44,467 and the interest rate is approximately 3.53%. The loan will be paid off in March, 2017.

Aggregate maturities of long-term debt subsequent to September 30, 2012 are as follows:

Governmental activities:

Year Ending September 30	Principal	Interest	Total
2013	\$ 144,371	\$ 82,820	\$ 227,191
2014	133,485	77,163	210,648
2015	105,555	71,991	177,546
2016	85,000	68,327	153,327
2017	90,000	65,703	155,703
2018-2022	485,000	280,375	765,375
2023-2027	595,000	175,185	770,185
2028-2031	570,000	48,365	618,365
	<u>\$ 2,208,411</u>	<u>\$ 869,929</u>	<u>\$ 3,078,340</u>

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Business-type activities:

Year Ending September 30	Principal	Interest	Total
2013	\$ 229,772	\$ 264,651	\$ 494,423
2014	392,213	257,211	649,424
2015	404,880	246,293	651,173
2016	417,640	234,834	652,474
2017	425,495	222,978	648,473
2018-2022	1,870,000	936,182	2,806,182
2023-2027	2,195,000	610,400	2,805,400
2028-2031	2,065,000	175,953	2,240,953
	<u>\$ 8,000,000</u>	<u>\$ 2,948,502</u>	<u>\$ 10,948,502</u>

NOTE 6 - EMPLOYEE BENEFITS

A. PLAN DESCRIPTION

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows for the Plan years 2011 and 2012:

	2011	2012
Employee deposit rate:	5%	5%
Matching ratio (city to employee)	2 to 1	1 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
	100%	100%
Updated Service Credit	Repeating, Transfers	Repeating, Transfers
	70% of CPI	70% of CPI
Annuity Increase (to retirees)	Repeating	Repeating

B. CONTRIBUTIONS

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 6 - EMPLOYEE BENEFITS (CONTINUED)

The annual pension cost and net pension obligation (asset) are as follows:

Annual required contribution (ARC)	\$ 88,689
Interest on net pension obligation	-
Adjustment to the ARC	-
Annual pension cost (APC)	88,689
Contributions made	88,689
Increase (decrease) in net pension	-
Net pension obligation/asset, beginning of year	-
Net pension obligation/asset, end of year	\$ -

Fiscal Year Ended	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
9/30/2010	\$ 111,936	100%	\$ -
9/30/2011	114,106	100%	-
9/30/2012	88,689	100%	-

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/2009	12/31/2010	12/31/2011
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.1 years; closed period	27.3 years; closed period	25.9 years; closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.5%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress

The funded status as of December 31, 2011, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	12/31/2011
Actuarial Valuation of Assets	\$ 3,613,219
Actuarial Accrued Liability (AAL)	\$ 4,082,562
Funded Ratio	88.5%
Unfunded AAL (UAAL)	\$ 469,343
Covered Payroll	\$ 1,269,403
UAAL as a Percentage of Covered Payroll	37.0%

CITY OF WINNSBORO, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

NOTE 6 - EMPLOYEE BENEFITS (CONTINUED)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

C. SUPPLEMENTAL DEATH BENEFITS FUND

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post-employment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2012, 2011 and 2010 were \$2,838, \$3,744, and \$3,617, respectively, which equaled the required contributions each year.

NOTE 7 - INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and from other funds at September 30, 2012, consisted of the following:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>	<u>Purpose</u>
Utilities Fund	General Fund	\$ 19,730	Prepaid interest on refunding bond issue, Utilities Fund portion
Other Governmental Fund	General Fund	6,775	Advance to fund repairs to animal shelter

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2012, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Utilities Fund	General Fund	\$ 246,082	Budgetary transfer to cover admin costs
Other Governmental Funds	General Fund	2,500	To fund special project
Debt Service Fund	Utilities Fund	87,333	Budgetary transfer to cover debt payments

CITY OF WINNSBORO, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

NOTE 8 - RESTRICTED FUND BALANCES AND NET ASSETS

As of September 30, 2012, fund balances restricted for specific purposes were as follows:

General Fund:	
Municipal court technology and security	\$ 24,936
Farmers market / animal shelter	254
Library	54,020
	<u>\$ 79,210</u>
Other Governmental Funds:	
Tourism	\$ 13,860
Federal grants	100,493
	<u>\$ 114,353</u>

At September 30, 2012, restricted net assets were comprised of the following:

	Governmental Activities
Municipal court technology and security	\$ 24,936
Farmers market / animal shelter	254
Library	54,020
Tourism	13,860
Federal grants	237,051
	<u>\$ 330,121</u>

NOTE 9 - DEPOSITS AND INVESTMENTS

Cash Deposits

Deposits - At September 30, 2012, the carrying amounts of the City's bank balances were \$3,533,085. The City's cash deposits at September 30, 2012 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, 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 rates 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 and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City did not adhere to the requirements of the Act in that two of three investment officers did not obtain the required amount of investment training.

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 deposits, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

CITY OF WINNSBORO, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2012

NOTE 9 - DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investments at September 30, 2012, are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of deposit	5/10/2013	\$ 52,118
Certificate of deposit	12/11/2012	<u>367,997</u>
Total Restricted Investments		<u>420,115</u>
Certificate of deposit	2/6/2013	130,120
Certificate of deposit	1/18/2013	<u>1,916</u>
Total Unrestricted Investments		<u>132,036</u>
Total Investments		<u>\$ 552,151</u>

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

NOTE 9 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Accounting Policy

In accordance with GASB Statement No. 31, the City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The City is under contract with a construction company for a new water storage tank. The original contract sum is \$437,030. As of September 30, 2012, the City has paid or incurred expenditures of \$409,373. The remaining commitment for this project is \$27,657.

The City is under contract with a construction company for street improvements. The original contract sum is \$1,317,228. As of September 30, 2012, the City has paid or incurred expenditures of \$1,204,093. The remaining commitment for this project is \$113,135.

Contingencies

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 7, 2013, the date on which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WINNSBORO, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Property taxes	\$ 746,742	\$ 729,558	\$ 720,323	\$ (9,235)
Penalty and interest	12,000	12,000	18,122	6,122
Sales tax	473,795	502,500	523,762	21,262
Franchise taxes	182,000	182,000	175,909	(6,091)
Fines and forfeitures	100,400	100,400	116,652	16,252
Licenses and permits	10,500	10,500	14,473	3,973
Sanitation	568,037	604,000	637,952	33,952
Investment income	1,000	1,000	5,088	4,088
Airport revenues	27,000	27,000	34,028	7,028
Rents	41,740	43,540	44,634	1,094
Donations	11,000	11,000	85,766	74,766
Services to other governments	77,965	83,113	143,978	60,865
Miscellaneous	17,700	12,834	25,298	12,464
TOTAL REVENUES	<u>2,269,879</u>	<u>2,319,445</u>	<u>2,545,985</u>	<u>226,540</u>
EXPENDITURES:				
Administration	318,661	324,025	326,290	(2,265)
Economic development	77,765	53,558	52,678	880
Fire	92,148	92,148	107,088	(14,940)
Police	714,217	744,188	753,356	(9,168)
Animal control	59,153	62,958	75,169	(12,211)
Animal shelter	-	-	12,263	(12,263)
Farmers market	-	31,242	32,304	(1,062)
Court	59,347	59,347	60,279	(932)
Maintenance	453,788	421,579	238,126	183,453
Sanitation	460,400	489,600	486,507	3,093
Street improvement	1,956,500	1,956,500	1,371,448	585,052
Parks and recreation	59,138	59,138	110,392	(51,254)
Airport	43,575	46,075	44,233	1,842
Library	105,723	109,303	115,574	(6,271)
Debt service - principal	-	-	65,188	(65,188)
- interest	-	-	10,698	(10,698)
TOTAL EXPENDITURES	<u>4,400,415</u>	<u>4,449,661</u>	<u>3,861,593</u>	<u>588,068</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,130,536)</u>	<u>(2,130,216)</u>	<u>(1,315,608)</u>	<u>814,608</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	12,500	12,500
Transfers in (out)-net	2,230,536	276,536	248,582	(27,954)
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,230,536</u>	<u>276,536</u>	<u>261,082</u>	<u>(15,454)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>100,000</u>	<u>(1,853,680)</u>	<u>(1,054,526)</u>	<u>799,154</u>
FUND BALANCE, OCTOBER 1, 2011	<u>2,062,202</u>	<u>2,062,202</u>	<u>2,062,202</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2012	<u>\$ 2,162,202</u>	<u>\$ 208,522</u>	<u>\$ 1,007,676</u>	<u>\$ 799,154</u>

CITY OF WINNSBORO, TEXAS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

Actuarial	Actuarial	Actuarial		Unfunded		UAAL as a
Valuation	Value of	Accrued	Funded	AAL	Covered	Percentage of
Date	Assets	Liability (AAL)	Ratio	(UAAL)	Payroll	Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2) - (1)		(4) / (5)
12/31/2009	1,500,963	2,430,995	61.7%	930,032	1,238,299	75.1%
12/31/2010	3,428,557	3,967,886	86.4%	539,329	1,291,439	41.8%
12/31/2011	3,613,219	4,082,562	88.5%	469,343	1,269,403	37.0%

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OTHER SUPPLEMENTAL INFORMATION

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CITY OF WINNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-
BUDGET (NON-GAAP BASIS) AND ACTUAL - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
OPERATING REVENUES:						
Charges for water services	\$ 1,676,737	\$ 1,676,737	\$ 1,742,779	\$ -	\$ 1,742,779	\$ 66,042
Penalties	25,000	25,000	31,149	-	31,149	6,149
Miscellaneous	-	-	67,267	-	67,267	67,267
TOTAL OPERATING REVENUES	1,701,737	1,701,737	1,841,195	-	1,841,195	139,458
OPERATING EXPENSES:						
Salaries and employee benefits	419,381	419,381	422,113	-	422,113	(2,732)
Contractual services	261,295	283,428	255,668	-	255,668	27,760
Supplies and other expenses	325,838	325,838	469,593	-	469,593	(143,755)
Capital	315,850	350,441	-	462,860	462,860	(112,419)
Depreciation	-	-	378,032	(378,032)	-	-
TOTAL OPERATING EXPENSES	1,322,364	1,379,088	1,525,406	84,828	1,610,234	(231,146)
OPERATING INCOME (LOSS)	379,373	322,649	315,789	(84,828)	230,961	(91,688)
NONOPERATING REVENUES (EXPENSES)						
Investment proceeds	1,000	1,000	15,828	-	15,828	14,828
Debt service - principal	(411,487)	(354,763)	-	165,433	165,433	520,196
Debt service - interest	-	-	(253,874)	-	(253,874)	(253,874)
TOTAL NONOPERATING REVENUES (EXPENSES)	(410,487)	(353,763)	(238,046)	165,433	(72,613)	281,150
TRANSFERS IN (OUT)	31,114	(246,036)	(158,749)	-	(158,749)	87,287
NET INCOME (LOSS)	-	(277,150)	(81,006)	80,605	(401)	276,749
NET ASSETS, BEGINNING	4,323,708	4,323,708	4,323,708	-	4,323,708	-
NET ASSETS, ENDING	\$ 4,323,708	\$ 4,046,558	\$ 4,242,702	\$ 80,605	\$ 4,323,307	\$ 276,749

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COMPLIANCE SECTION

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KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Karen A. Jacks, CPA
Peggy J. Lantz, CPA
Sherry Davis, CPA

INDEPENDENT AUDITORS' REPORT

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 City Council
City of Winnsboro, Texas

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Texas, as of and for the year ended September 30, 2012, which collectively comprise the City of Winnsboro, Texas' basic financial statements and have issued our report thereon dated February 7, 2013. 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

Management of City of Winnsboro, Texas, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Winnsboro, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Winnsboro, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Winnsboro, Texas' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Winnsboro, Texas' financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 of Winnsboro, Texas' 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*.

We noted certain matters that we reported to management of the City of Winnsboro, Texas, in a separate letter dated February 7, 2013.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
February 7, 2013

CITY OF WINNSBORO, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

<u>Program</u>	<u>Finding</u>	<u>Questioned Cost</u>
	None	

CITY OF WINNSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified that are not
considered to be material weaknesses?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

B. Financial Statement Findings

None

CITY OF WINNSBORO, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2012

None required.

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