

City of Winnsboro, Texas
Financial Statements
And Independent Auditor's Report
For the year ended September 30, 2010



City of Winnsboro, Texas
TABLE OF CONTENTS
Year ended September 30, 2010

<u>Exhibit</u>		<u>Page</u>
	Official Directory	1
	Independent Auditor's Report	2-3
	Management's Discussion and Analysis	4-12
	<u>BASIC FINANCIAL STATEMENTS</u>	
	Government Wide Statements:	
A-1	Statement of Net Assets	13
B-1	Statement of Activities	14-15
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	16
C-2	Reconciliation for C-1	17
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	18
C-4	Reconciliation for C-3	19
C-5	Budgetary Comparison Schedule - General Fund	20
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Assets	21
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Assets	22
D-3	Statement of Cash Flows	23
	Notes to the Financial Statements	24-36
	<u>COMBINING SCHEDULES</u>	
	Nonmajor Governmental Funds	
E-1	Combining Balance Sheet	37-38
E-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	39-40
	<u>SUPPLEMENTAL INFORMATION</u>	
F-1	Budgetary Comparison Schedule - Debt Service Fund	41
	<u>FEDERAL AWARDS SECTION</u>	
	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	42
	Schedule of Findings and Questioned Costs	43
	Schedule of Status of Prior Findings	44
	Corrective Action Plan	45
G-1	Federal Program Project Schedules	46-47

City of Winnsboro
OFFICIAL DIRECTORY

Mayor

Carolyn Jones

Council

Lori Whorff
Laura Mauro
Ronny Knight
Billie Ruth Sutherland
Bill Griffin

City Personnel

Nina Browning, City Administrator
Vickie Brenton, City Secretary
Brenda Uhlenhopp, Financial Officer



ARNOLD, WALKER, ARNOLD, & Co., P.C.

Certified Public Accountants and Consultants

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

MEMBER
American Institute Of
Certified Public Accountants

Texas State Society Of
Certified Public Accountants

INDEPENDENT AUDITORS 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 City of Winnsboro, Texas as of and for the year ended September 30, 2010, 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 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 City of Winnsboro, Texas, as of September 30, 2010, 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 30, 2010 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 and grants. 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. That report is an integral part of an audit performed in accordance with *Governmental 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 on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements as a whole. The combining financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements as a whole.

Respectfully submitted,

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

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

December 30, 2010

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, 2010. 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 \$6.25 million at September 30, 2010. \$3.72 million of the net assets is invested in capital assets, net of related debt. During the year, the City's expenses were \$190 thousand more than the \$4.1 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 2% compared to the prior year.

Administration costs increased \$87 thousand. An Art Director position was funded for \$18 thousand. Other administrative salaries and benefits increased \$25 thousand. Police costs were up \$76 thousand. A good portion of this increase was funded through an ARRA stimulus grant. Sanitation costs were up \$92 thousand. The refuse collection contract accounted for most of this increase. Water and sewer fund costs were up about \$90 thousand.

The general fund balance is \$1 thousand at September 30, 2010 which is a decrease of \$188 thousand. The utility fund net assets decreased \$142 thousand, leaving \$4.4 million in net assets.

During the year, \$335 thousand of fixed assets were added to the general fixed assets. \$158 thousand of these were added through obtaining new debt.

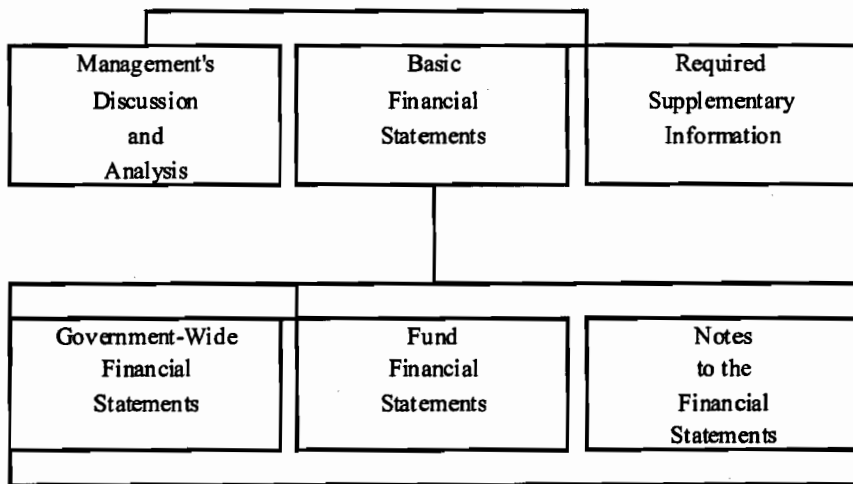
Approximately 98% of the taxes levied for 2009-10 were collected by September 30, 2010.

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 \$6.24 million at September 30, 2010.

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

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	278	454	2,342	2,505	2,620	2,959
Capital and non-current assets	1,935	1,721	10,186	10,514	12,121	12,235
TOTAL ASSETS	2,213	2,175	12,528	13,019	14,741	15,194
Long-term liabilities	256	161	7,970	8,328	8,226	8,489
Other liabilities	107	112	167	158	274	270
TOTAL LIABILITIES	363	273	8,137	8,486	8,500	8,759
Invested in capital assets net of related debt	1,680	1,560	2,041	1,995	3,721	3,555
Restricted	148	133	2,117	2,200	2,265	2,333
Unrestricted	22	209	233	338	255	547
TOTAL NET ASSETS	1,850	1,902	4,391	4,533	6,241	6,435

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 \$255 thousand of unrestricted net assets represents resources available to fund the programs of the City for the next fiscal year.

The \$2.26 million is restricted as follows:

Restricted for debt service	1.19
Restricted for capital projects	<u>1.07</u>
	<u>2.26</u>

Net assets of the City decreased from \$6.43 million to \$6.24 million. The reasons for the decrease were as follows. The governmental funds reflected expenditures in excess of revenues of \$167 thousand. The enterprise fund reflected an excess of expenses over revenues of \$142 thousand. A total of \$120 thousand of depreciation expense was recorded for the governmental funds. \$339 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.

Changes in net assets.

The City's total revenues were \$4.1 million. 18% of this came from property taxes, 12% came from sales taxes and other taxes, and 53% came from charges for services.

The total cost of all programs was \$4.3 million. Approximately 19% of this was for police, 10% was for administration, and 40% 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	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues						
Charges for Services	624	613	1,568	1,573	2,192	2,186
Operating Grants and Contributions	177	218	-	-	177	218
Capital Grants	179	-	8	114	187	114
General Revenues						
Property Taxes	733	669	-	-	733	669
Other taxes	479	527	-	-	479	527
Investment earnings	1	1	41	58	42	59
Other	307	244	3	8	310	252
Total Revenues	2,500	2,272	1,620	1,753	4,120	4,025
Expenses						
Administration	442	355	-	-	442	355
EDC coordinator	72	78	-	-	72	78
Police	822	746	-	-	822	746
Municipal court	58	53	-	-	58	53
Animal shelter	53	49	-	-	53	49
Fire/EMS	82	69	-	-	82	69
Maintenance	302	288	-	-	302	288
Airport	36	29	-	-	36	29
Library	150	125	-	-	150	125
Parks and recreation	58	42	-	-	58	42
Sanitation	470	378	-	-	470	378
Intergovernmental	12	88	-	-	12	88
Debt service-interest	9	12	-	-	9	12
Water and sewer	-	-	1,744	1,654	1,744	1,654
Total Expenses	2,566	2,312	1,744	1,654	4,310	3,966
Transfers in (out)	18	45	(18)	(45)	-	-
Increase (Decrease) in Net Assets	(48)	5	(142)	54	(190)	59
Beginning Net Assets	1,902	1,897	4,533	4,479	6,435	6,376
Prior Period Adjustment	(4)	-	-	-	(4)	-
Ending Net Assets	1,850	1,902	4,391	4,533	6,241	6,435

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 \$2.5 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$733 thousand.
- Some of the cost was paid by those who directly benefited from the programs (\$624 thousand), or by grants and contributions (\$356 thousand).

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

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Administration	442	355	360	314
Police	822	746	776	683
Maintenance	302	288	135	288
Sanitation	470	378	78	(113)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City reported fund balance in its governmental funds of approximately \$149 thousand at September 30, 2010. This balance is composed of the following in thousands

General	1
Debt service	148
Reported in Special Revenue Fund	-
	<u>149</u>

The general fund balance decreased \$187 thousand. Revenue increased about \$97 thousand compared to the prior year. Charges for services revenue increased \$84 thousand. Expenditures increased \$374 thousand. Administrative expenditures increased \$85 thousand. A new Art District Director was added which cost \$18 thousand. Payroll and payroll costs were up \$25 thousand. Police expenditures increased \$74 thousand. \$46 thousand of this increase was funded by ARRA grant proceeds. Sanitation costs increased \$86 thousand due to increases on the refuse collection costs. In the prior year, the fund balance decreased \$71 thousand in the general fund.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Actual expenditures exceeded the final budget by 3.7% or \$96 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Land and construction in progress	553	386	100	230
Buildings and improvements	1,631	1,631	-	-
Machinery and equipment	1,316	1,256	-	-
Water and sewer system	-	-	16,698	16,560
Streets	1,490	1,382	-	-
Totals at historical cost	<u>4,990</u>	<u>4,655</u>	<u>16,798</u>	<u>16,790</u>
Total accumulated depreciation	<u>3,054</u>	<u>2,934</u>	<u>6,612</u>	<u>6,276</u>
Net capital assets	<u>1,936</u>	<u>1,721</u>	<u>10,186</u>	<u>10,514</u>

Long-Term Debt

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

	Governmental Activities		Business-Type Activities	
	2010	2009	2010	2009
Certificates of obligation	-	-	5,666	5,793
Notes payable	156	21	79	116
Bonds payable	-	-	2,400	2,610
Leases payable	99	140	-	-
	<u>255</u>	<u>161</u>	<u>8,145</u>	<u>8,519</u>

New debt of \$158 thousand was obtained this year. Principal of \$437 thousand was paid this year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget for 2010 and 2011 was approved by the City Council during its regular September Council meeting held on the 14th of the month. The council approved a budget of \$4,184,676.50 an overall increase of approximately 0.01%.

The City has had no turnovers in employees in our City departments, which is equal to the prior budget year personnel ratio, but we did have a retirement in our Finance Department and we now have a new Finance Officer, Brenda Uhlenhopp. Ur no turnover rate is due to your continued support with providing insurance, retirement benefits and a pleasant working environment.

The City sales tax collections reflected for this fiscal year has shown a weaker retail market up until the last few months, but now seems to be on the incline again even with the anticipated economical status of the United States, as a whole. The Economic Development Corporation has provided additional advertising dollars for special events during the year and a couple of grants for Airport improvements that have been required by new State laws. New businesses and up-grades on buildings have made the downtown area a good shopping environment, with restaurants, specialty stores and music/arts events.

Water revenues were \$245.00 more than the budgeted amount, which shows the City that water rate are right in line with usage. This also had an effect on sewer revenues since they are based on water consumption. Franchise fees were right on the budgeted amount.

The building of the new Autumn Winds Assisted Living Complex, a \$3M project, has now been completed and is reaching full capacity, Keller's continues to do major expansion at their facility located here in Winnsboro. Texas Bank's renovation of their building located at the corner of Hwy. 37 (S Main Street) and Myrtle has begun and they hope to open early spring.

The refunding of existing bonds and the Tax Note Bond has afforded the City with \$2,300,000 for work at the water plant and major street improvements to begin this year (2011).

The adopted tax rate is now at \$0.5000 per \$100 valuation approved by the City Council. 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.

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, 2010

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	194,425	94,117	288,542
Accounts receivable, net of allowances	81,092	130,404	211,496
Due from other funds	-	-	-
Inventory	2,024	-	2,024
Total current assets	<u>277,541</u>	<u>224,521</u>	<u>502,062</u>
Restricted assets			
Cash and cash equivalents	-	2,116,696	2,116,696
Total restricted assets	<u>-</u>	<u>2,116,696</u>	<u>2,116,696</u>
Capital assets			
Land and construction in progress	552,536	3,607,745	4,160,281
Other capital assets, net of accumulated depreciation	1,382,909	6,578,552	7,961,461
Total capital assets	<u>1,935,445</u>	<u>10,186,297</u>	<u>12,121,742</u>
Total assets	<u>2,212,986</u>	<u>12,527,514</u>	<u>14,740,500</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	104,842	10,055	114,897
Deferred revenues	2,274	-	2,274
Due to other funds	-	-	-
Notes payable, current	59,681	38,618	98,299
Total current liabilities	<u>166,797</u>	<u>48,673</u>	<u>215,470</u>
Liabilities payable from restricted assets			
Bond interest payable, current	-	-	-
Certificates of obligation and bonds payable, current	-	353,000	353,000
Total liabilities payable from restricted assets	<u>-</u>	<u>353,000</u>	<u>353,000</u>
Non-current liabilities			
Meter deposits	-	156,728	156,728
Certificates of obligation and bonds payable, non-current	-	7,713,000	7,713,000
Unamortized bond cost	-	(174,754)	(174,754)
Notes payable, non-current	196,116	40,433	236,549
Total non-current liabilities	<u>196,116</u>	<u>7,735,407</u>	<u>7,931,523</u>
Total liabilities	<u>362,913</u>	<u>8,137,080</u>	<u>8,499,993</u>
NET ASSETS			
Invested in capital assets, net of debt	1,679,648	2,041,246	3,720,894
Restricted for debt service	148,363	1,044,134	1,192,497
Restricted for capital projects	-	1,072,562	1,072,562
Unrestricted	22,062	232,492	254,554
Total net assets	<u>1,850,073</u>	<u>4,390,434</u>	<u>6,240,507</u>

The accompanying notes are an integral part of this statement.

CITY OF WINNSBORO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Administrative	\$ 441,820	\$ 40,110	\$ 40,459	\$ -
EDC Coordinator	72,051	-	72,324	-
Police	821,871	-	46,042	-
Municipal Court	58,391	-	-	-
Animal Shelter	52,733	-	-	-
Fire/EMS	81,995	-	-	-
Maintenance	301,853	-	-	166,960
Airport	36,075	28,212	-	-
Library	150,270	-	18,197	-
Parks & Recreation	58,322	7,900	-	-
Sanitation	469,556	547,511	-	-
Debt Service Interest	9,043	-	-	-
Capital Outlay-Intergovernmental	12,127	-	-	12,108
Total Governmental Activities:	2,566,107	623,733	177,022	179,068
BUSINESS-TYPE ACTIVITIES:				
Utility Fund	1,744,001	1,568,064	-	8,255
Total Business-Type Activities:	1,744,001	1,568,064	-	8,255
TOTAL PRIMARY GOVERNMENT:	\$ 4,310,108	\$ 2,191,797	\$ 177,022	\$ 187,323

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Other Taxes

Fees

Miscellaneous Revenue

Investment Earnings

Transfers In (Out)

Total General Revenues and Transfers

Change in Net Assets

Net Assets--Beginning

Prior Period Adjustment

Net Assets--Ending

The notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (361,251)	\$ -	\$ (361,251)
273	-	273
(775,829)	-	(775,829)
(58,391)	-	(58,391)
(52,733)	-	(52,733)
(81,995)	-	(81,995)
(134,893)	-	(134,893)
(7,863)	-	(7,863)
(132,073)	-	(132,073)
(50,422)	-	(50,422)
77,955	-	77,955
(9,043)	-	(9,043)
(19)	-	(19)
<u>(1,586,284)</u>	<u>-</u>	<u>(1,586,284)</u>
-	(167,682)	(167,682)
-	(167,682)	(167,682)
<u>(1,586,284)</u>	<u>(167,682)</u>	<u>(1,753,966)</u>
634,632	-	634,632
98,446	-	98,446
478,725	-	478,725
258,568	-	258,568
49,086	2,565	51,651
1,162	40,479	41,641
17,782	(17,782)	-
<u>1,538,401</u>	<u>25,262</u>	<u>1,563,663</u>
(47,883)	(142,420)	(190,303)
1,901,809	4,532,854	6,434,663
(3,853)	-	(3,853)
<u>\$ 1,850,073</u>	<u>\$ 4,390,434</u>	<u>\$ 6,240,507</u>

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF WINNSBORO
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 157,681	\$ 36,744	\$ 194,425
Taxes Receivable	50,697	8,395	59,092
Allowance for Uncollectible Taxes (credit)	(30,418)	(5,037)	(35,455)
Accounts Receivable (Net)	54,895	-	54,895
Intergovernmental Receivables	2,560	-	2,560
Due from Other Funds	-	111,619	111,619
Inventories	2,024	-	2,024
Total Assets	\$ 237,439	\$ 151,721	\$ 389,160
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 37,149	\$ -	\$ 37,149
Wages and Salaries Payable	27,389	-	27,389
Intergovernmental Payable	3,738	-	3,738
Due to Other Funds	111,619	-	111,619
Deferred Revenues	20,279	3,358	23,637
Other Current Liabilities	36,566	-	36,566
Total Liabilities	236,740	3,358	240,098
Fund Balances:			
Reserved For:			
Debt Service	-	148,363	148,363
Unreserved and Undesignated:			
Reported in the General Fund	699	-	699
Total Fund Balances	699	148,363	149,062
Total Liabilities and Fund Balances	\$ 237,439	\$ 151,721	\$ 389,160

The notes to the Financial Statements are an integral part of this statement.

CITY OF WINNSBORO
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2010

Total Fund Balances - Governmental Funds	\$	149,062
<p>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 \$4,654,958 and the accumulated depreciation was \$2,933,896. 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.</p>		
		1,560,076
<p>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 2010 capital outlays and debt principal payments is to increase (decrease) net assets.</p>		
		397,932
<p>The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.</p>		
		(120,361)
<p>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 bond sales as an increase in bonds 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.</p>		
		(136,636)
Net Assets of Governmental Activities	\$	1,850,073

The notes to the Financial Statements are an integral part of this statement.

CITY OF WINNSBORO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Taxes	\$ 1,112,430	\$ 99,149	\$ 1,211,579
Intergovernmental Revenue and Grants	177,022	12,108	189,130
Charges for Services	576,391	-	576,391
Investment Earnings	1,023	139	1,162
Rents and Royalties	47,342	-	47,342
Fees	258,568	-	258,568
Other Revenue	37,749	-	37,749
Total Revenues	2,210,525	111,396	2,321,921
EXPENDITURES:			
Current:			
Administrative	425,095	500	425,595
EDC Coordinator	72,051	-	72,051
Police	794,670	-	794,670
Municipal Court	56,486	-	56,486
Animal Shelter	50,508	-	50,508
Fire/EMS	71,085	-	71,085
Maintenance	295,048	-	295,048
Airport	32,222	-	32,222
Library	144,426	-	144,426
Parks & Recreation	52,084	-	52,084
Sanitation	430,401	-	430,401
Debt Service:			
Principal	63,188	-	63,188
Interest	9,043	-	9,043
Capital Outlay:			
Capital Outlay-Intergovernmental	-	12,127	12,127
Capital Outlay-Police	9,785	-	9,785
Capital Outlay-Maintenance	157,999	-	157,999
Total Expenditures	2,664,091	12,627	2,676,718
Excess (Deficiency) of Revenues Over (Under) Expenditures	(453,566)	98,769	(354,797)
OTHER FINANCING SOURCES (USES):			
Proceeds from Loans	157,999	-	157,999
Transfers In	96,667	4,644	101,311
Other Resources	11,337	-	11,337
Transfers Out (Use)	-	(83,529)	(83,529)
Total Other Financing Sources (Uses)	266,003	(78,885)	187,118
Net Change in Fund Balances	(187,563)	19,884	(167,679)
Fund Balance - October 1 (Beginning)	188,262	132,332	320,594
Prior Period Adjustment	-	(3,853)	(3,853)
Fund Balance - September 30 (Ending)	\$ 699	\$ 148,363	\$ 149,062

The notes to the Financial Statements are an integral part of this statement.

CITY OF WINNSBORO
 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, 2010

Total Net Change in Fund Balances - Governmental Funds	\$	(167,679)
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 2010 capital outlays and debt principal payments is to increase (decrease) net assets.		397,932
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.		(120,361)
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 bond sales, 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.		(157,775)
Change in Net Assets of Governmental Activities	\$	(47,883)

The notes to the Financial Statements are an integral part of this statement.

CITY OF WINNSBORO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Taxes	\$ 1,165,517	\$ 1,105,934	\$ 1,112,430	\$ 6,496
Intergovernmental Revenue and Grants	117,988	120,590	177,022	56,432
Charges for Services	522,000	582,358	576,391	(5,967)
Investment Earnings	2,000	863	1,023	160
Rents and Royalties	37,500	38,042	47,342	9,300
Fees	320,650	258,569	258,568	(1)
Other Revenue	18,310	41,858	37,749	(4,109)
Total Revenues	2,183,965	2,148,214	2,210,525	62,311
EXPENDITURES:				
Current:				
Administrative	371,245	416,415	425,095	(8,680)
EDC Coordinator	74,709	72,051	72,051	-
Police	802,623	785,312	794,670	(9,358)
Municipal Court	57,913	56,485	56,486	(1)
Animal Shelter	51,516	50,508	50,508	-
Fire/EMS	64,493	71,085	71,085	-
Maintenance	311,021	283,549	295,048	(11,499)
Airport	30,447	32,222	32,222	-
Library	122,831	124,841	144,426	(19,585)
Parks & Recreation	62,193	52,083	52,084	(1)
Sanitation	295,600	420,621	430,401	(9,780)
Debt Service:				
Principal	63,129	66,073	63,188	2,885
Interest	9,035	9,456	9,043	413
Capital Outlay:				
Capital Outlay-Administration	14,554	-	-	-
Capital Outlay-Police	-	9,785	9,785	-
Capital Outlay-Parks and recreation	1,000	-	-	-
Capital Outlay-Fire/EMS	8,731	-	-	-
Capital Outlay-Maintenance	111,700	117,300	157,999	(40,699)
Capital Outlay-Animal shelter	300	-	-	-
Total Expenditures	2,453,040	2,567,786	2,664,091	(96,305)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(269,075)	(419,572)	(453,566)	(33,994)
OTHER FINANCING SOURCES (USES):				
Sale of assets	-	7,000	-	(7,000)
Proceeds from Loans	108,000	117,300	157,999	40,699
Transfers In	100,000	101,667	96,667	(5,000)
Other Resources	-	10,640	11,337	697
Total Other Financing Sources (Uses)	208,000	236,607	266,003	29,396
Net Change in Fund Balances	(61,075)	(182,965)	(187,563)	(4,598)
Fund Balance - October 1 (Beginning)	188,262	188,262	188,262	-
Fund Balance - September 30 (Ending)	\$ 127,187	\$ 5,297	\$ 699	\$ (4,598)

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, 2010

	<u>Enterprise Fund</u>	<u>Total Proprietary Funds</u>
ASSETS		
Current assets		
Cash and cash equivalents	94,117	94,117
Accounts receivable, net of allowances	130,404	130,404
Total current assets	<u>224,521</u>	<u>224,521</u>
RESTRICTED ASSETS		
Cash and cash equivalents	<u>2,116,696</u>	<u>2,116,696</u>
CAPITAL ASSETS		
Land and construction in progress	3,607,745	3,607,745
Other capital assets, net of accumulated depreciation	6,578,552	6,578,552
Total capital assets	<u>10,186,297</u>	<u>10,186,297</u>
Total assets	<u>12,527,514</u>	<u>12,527,514</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	10,055	10,055
Note payable, current	38,618	38,618
Total current liabilities	<u>48,673</u>	<u>48,673</u>
Liabilities payable from restricted assets		
Certificates of obligation and bonds payable, current	<u>353,000</u>	<u>353,000</u>
Total liabilities payable from restricted assets	<u>353,000</u>	<u>353,000</u>
Non-current liabilities		
Customer deposits	156,728	156,728
Note payable, non-current	40,433	40,433
Certificates of obligation and bonds payable, non-current	7,713,000	7,713,000
Unamortized bond cost/discount (net)	<u>(174,754)</u>	<u>(174,754)</u>
Total non-current liabilities	<u>7,735,407</u>	<u>7,735,407</u>
Total liabilities	<u>8,137,080</u>	<u>8,137,080</u>
NET ASSETS		
Invested in capital assets, net of related debt	2,041,246	2,041,246
Restricted for debt service	1,044,134	1,044,134
Restricted for capital projects	1,072,562	1,072,562
Unrestricted	232,492	232,492
Total net assets	<u>4,390,434</u>	<u>4,390,434</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, 2010

	Enterprise Fund	Total Proprietary Funds
OPERATING REVENUES		
Charges for sales and services	1,568,064	1,568,064
Other	2,565	2,565
Total Operating Revenues	<u>1,570,629</u>	<u>1,570,629</u>
OPERATING EXPENSES		
Personnel costs	415,438	415,438
Contractual expenses	239,347	239,347
Supplies	345,276	345,276
Depreciation and amortization	352,129	352,129
Total Operating Expenses	<u>1,352,190</u>	<u>1,352,190</u>
Net operating income (loss)	<u>218,439</u>	<u>218,439</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	40,479	40,479
Interest expense and fees	(391,811)	(391,811)
Total nonoperating revenues (expenses)	<u>(351,332)</u>	<u>(351,332)</u>
Net income (loss) before contributions and transfers	<u>(132,893)</u>	<u>(132,893)</u>
Capital contributions, grants	8,255	8,255
Transfers from other funds	83,529	83,529
Transfers to other funds	(101,311)	(101,311)
Changes in net assets	<u>(142,420)</u>	<u>(142,420)</u>
Net assets, beginning of year	<u>4,532,854</u>	<u>4,532,854</u>
Net assets, end of year	<u>4,390,434</u>	<u>4,390,434</u>

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, 2010

	Enterprise Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	1,599,944	1,599,944
Cash payments to suppliers for goods and services	(584,623)	(584,623)
Cash payments to employees for services and benefits	(414,864)	(414,864)
Net cash provided by operating activities	600,457	600,457
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	83,529	83,529
Transfers to other funds	(101,311)	(101,311)
Capital contributions, grants	8,255	8,255
Net cash provided by noncapital financing activities	(9,527)	(9,527)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(8,255)	(8,255)
Principal paid on debt	(373,884)	(373,884)
Interest paid on debt	(391,811)	(391,811)
Net cash (used in) capital and related financing activities	(773,950)	(773,950)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	40,479	40,479
Net cash provided by investing activities	40,479	40,479
Net (decrease) in cash and cash equivalents	(142,541)	(142,541)
Cash and cash equivalents, beginning of year	2,353,354	2,353,354
Cash and cash equivalents, end of year	2,210,813	2,210,813
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	218,439	218,439
Adjustment to reconcile operating (loss) to net cash provided by operating activities		
Depreciation and amortization	352,129	352,129
Decrease in accounts receivable	21,448	21,448
Increase in accounts payable and accrued expenses	574	574
Increase in customer deposits	7,867	7,867
Net cash provided by operating activities	600,457	600,457

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2010

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	385,576	-	385,576	
Buildings & improvements	1,630,950	-	1,630,950	
Machinery & equipment	1,256,311	-	1,256,311	
Streets	1,382,121	-	1,382,121	
Accumulated depreciation	-	<u>(2,933,896)</u>	<u>(2,933,896)</u>	
Change in Net Assets	<u>4,654,958</u>	<u>(2,933,896)</u>	<u>1,721,062</u>	<u>1,721,062</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>160,986</u>	
Change in Net Assets				<u>160,986</u>
Net Adjustment to Net Assets				<u>1,560,076</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 the 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>			
Construction in progress	166,960	166,960	166,960
Streets	108,000	108,000	108,000
Machinery & equipment	59,784	59,784	59,784
Total Capital Outlay	<u>334,744</u>	<u>334,744</u>	<u>334,744</u>
Book value of dispositions	<u>-</u>	<u>-</u>	<u>-</u>
<u>Debt Principal Payments</u>			
Note principal	63,188	63,188	63,188
Total Principal Payments	<u>63,188</u>	<u>63,188</u>	<u>63,188</u>
Total Adjustment to Net Assets		<u>397,932</u>	<u>397,932</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	13,820	(13,820)	-
Uncollected taxes (assumed collectible) from Current Year Levy	19,483	19,483	19,483
Uncollected Taxes (assumed collectible) from Prior Year Levy	1,880	-	1,880
Effect of prior year tax entry	5,439	(5,439)	-
Issuance of new debt --			
Note lease proceeds	157,999	<u>(157,999)</u>	<u>(157,999)</u>
Total		<u>(157,775)</u>	<u>(136,636)</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 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, (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, 2010, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,403,805 and the bank balance was \$2,481,035. The City's cash deposits at September 30, 2010 and during the year ended September 30, 2010 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, 2010:

- a. **Depository:** First National Bank of Winnsboro
- b. **The market value of securities pledged as of September 30, 2010 was \$2,636,073.**
- c. **Total amount of FDIC coverage as of September 30, 2010 was \$500,000.**

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 purchasers 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 2009 assessed valuation (net of exemptions) was approximately \$156 million levied as a rate of \$0.4700 per hundred dollar valuation. Property tax revenues of \$733 thousand were 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>96,667</u>
Total Transferred to General Fund	<u>96,667</u>
Transfers to Major Enterprise Fund from:	
Nonmajor Governmental Funds	<u>83,529</u>
Total Transferred to Major Enterprise Fund	<u>83,529</u>
Transfers to Nonmajor Governmental Fund from:	
Major Enterprise Fund	<u>4,644</u>
Total Transferred to Nonmajor Governmental Fund	<u>4,644</u>

Interfund balances are as follows:

Due to General Fund from:	
Debt Service Fund	<u>111,619</u>

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, 2010, were as follows:

	Property Taxes	Charges for Services	Intergovern- mental	Other	Total Receivables
Governmental Activities:					
General Fund	50,697	54,895	-	-	105,592
Nonmajor Governmental Funds	8,395	-	2,560	-	10,955
Total - Governmental Activities	<u>59,092</u>	<u>54,895</u>	<u>2,560</u>	<u>-</u>	<u>116,547</u>
Amounts not scheduled for collection during the subsequent year	<u>(35,455)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,455)</u>
Business Type Activities:					
Major Enterprise Fund	-	130,404	-	-	130,404
Total-Business Type Activities	<u>-</u>	<u>130,404</u>	<u>-</u>	<u>-</u>	<u>130,404</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payables at September 30, 2010, were as follows:

	Accounts	Salaries & Benefits	Due to Other Governments	Other	Total Payables
Governmental Activities:					
General Fund	37,149	27,389	-	40,304	104,842
Nonmajor Governmental Funds	-	-	-	-	-
Total - Governmental Activities	<u>37,149</u>	<u>27,389</u>	<u>-</u>	<u>40,304</u>	<u>104,842</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business Type Activities:					
Major Enterprise Fund	-	9,939	-	116	10,055
Total-Business Type Activities	<u>-</u>	<u>9,939</u>	<u>-</u>	<u>116</u>	<u>10,055</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, 2010, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Land and construction in progress	385,576	166,960	-	552,536
Streets	1,382,121	108,000	-	1,490,121
Buildings and improvements	1,630,950	-	-	1,630,950
Machinery and equipment	1,256,311	59,784	-	1,316,095
Totals at historic cost	<u>4,654,958</u>	<u>334,744</u>	<u>-</u>	<u>4,989,702</u>
Less accumulated depreciation for:				
Buildings, improvements, machinery and equipment	(2,933,896)	(120,361)	-	(3,054,257)
Total accumulated depreciation	<u>(2,933,896)</u>	<u>(120,361)</u>	<u>-</u>	<u>(3,054,257)</u>
Governmental activities capital, assets net	<u>1,721,062</u>	<u>214,383</u>	<u>-</u>	<u>1,935,445</u>
Business-Type Activities:				
Land and construction in progress	230,432	-	(130,432)	100,000
Water and sewer system	16,559,673	138,687	-	16,698,360
Totals at historic cost	<u>16,790,105</u>	<u>138,687</u>	<u>(130,432)</u>	<u>16,798,360</u>
Less accumulated depreciation for:				
Water and sewer system	(6,276,034)	(336,029)	-	(6,612,063)
Total accumulated depreciation	<u>(6,276,034)</u>	<u>(336,029)</u>	<u>-</u>	<u>(6,612,063)</u>
Business-Type Activities Capital assets, net	<u>10,514,071</u>	<u>(197,342)</u>	<u>(130,432)</u>	<u>10,186,297</u>
Primary Government Capital assets, net	<u>12,235,133</u>	<u>17,041</u>	<u>(130,432)</u>	<u>12,121,742</u>

Depreciation expense was charged to governmental functions as follows:

	Governmental Activities	Business-Type Activities
Administration	16,225	-
Police	27,201	-
Municipal court	1,905	-
Animal shelter	2,225	-
Fire/EMS	10,910	-
Maintenance	6,805	-
Airport	3,853	-
Library	5,844	-
Parks and recreation	6,238	-
Sanitation	39,155	-
Water and sewer	-	336,029
	<u>120,361</u>	<u>336,029</u>

G. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2010.

	Balance at 10/01/09	Issued	Retired	Balance at 9/30/10	Due Within One Year
Primary Government Governmental Activities:					
Notes payable	20,717	157,999	(22,357)	156,359	41,685
Leases payable	140,269	-	(40,831)	99,438	17,996
Total Governmental Activities	160,986	157,999	(63,188)	255,797	59,681
Business-Type Activities:					
Certificates of obligation	5,793,000	-	(127,000)	5,666,000	133,000
Bonds payable	2,610,000	-	(210,000)	2,400,000	220,000
Loans payable	115,935	-	(36,884)	79,051	38,618
Total Business-Type Activities	8,518,935	-	(373,884)	8,145,051	391,618
Total Primary Government Long-Term Debt	8,679,921	157,999	(437,072)	8,400,848	451,299

The changes in the general long-term debt as of September 30, 2010, follows:

	Original Amount	Terms of Maturity	Payable at 10/1/2009	Additions (Reductions)	Payable at 9/30/2010
First Financial Bank-Southlake	49,999	7.61%	-	49,999 (13,454)	36,545
Ford Motor Credit Company	92,058	annually 6.50%	23,692	(23,692)	-
First National Bank	35,000	annually 4.75%	4,817	(4,817)	-
Mineola Community Bank	150,900	5.00%	116,577	(17,139)	99,438
First National Bank	21,270	6.25%	15,900	(4,086)	11,814
Government Capital Corporation	108,000	5.50%	-	108,000	108,000
			<u>160,986</u>	<u>94,811</u>	<u>255,797</u>

The annual requirements to amortize general long-term debt as of September 30, 2010, follows:

Years ended	Principal	Interest	Total
9/30			
2011	59,681	12,693	72,374
2012	62,023	10,350	72,373
2013	62,596	7,687	70,283
2014	49,623	3,718	53,341
2015	21,874	1,094	22,968
	<u>255,797</u>	<u>35,542</u>	<u>291,339</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 \$21,720. 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.

The City entered into a loan agreement during December, 2009 with Government Capital Corporation 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 5.50%. 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 \$ and the 14,056 interest rate is approximately 7.61%. The loan will be paid off in October, 2012.

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, 2010.

	<u>Original Amount</u>	<u>Interest Rate & Terms</u>	<u>Payable at 10/1/2009</u>	<u>Additions (Reductions)</u>	<u>Payable at 9/30/2010</u>
Certificates of Obligation, Series 2005	1,050,000	serially -	955,000	(40,000)	915,000
Certificates of Obligation, Series 1996	750,000	serially 4.50%	638,000	(12,000)	626,000
Refunding Revenue Bonds Series 1999	4,060,000	serially 4.50-5.75%	2,610,000	(210,000)	2,400,000
Tx DOT Loan	331,700	4.70%	115,935	(36,884)	79,051
Combination Tax and Revenue Certificates of Obligation, Series 2003	4,500,000	serially 4.51-5.35%	<u>4,200,000</u>	<u>(75,000)</u>	<u>4,125,000</u>
			<u>8,518,935</u>	<u>(373,884)</u>	<u>8,145,051</u>

The annual requirements to amortize debt as of September 30, 2010, follows:

Years Ended <u>9/30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	391,618	366,371	757,989
2012	409,433	348,775	758,208
2013	429,000	329,108	758,108
2014	450,000	309,636	759,636
2015-2019	2,591,000	1,199,483	3,790,483
2020-2024	3,295,000	487,221	3,782,221
2025-2029	333,000	70,899	403,899
2030-2034	168,000	37,127	205,127
2035-2036	78,000	3,555	81,555
	<u>8,145,051</u>	<u>3,152,175</u>	<u>11,297,226</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 was 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 \$1,044,134 at September 30, 2010, 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 833 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, 2009 valuation is effective for rates beginning in January 2011)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2009
Actuarial Value of Assets	\$1,500,963
Actuarial Accrued Liability	\$2,430,995
Percentage Funded	61.7%
Unfunded (Over-Funded) Actuarial Accrued Liability (UAAL)	\$930,032
Annual Covered Payroll	\$1,324,765
UAAL as a Percentage of Covered Payroll	75.1%
Net Pension Obligation (NPO) at the Beginning of Period	-
Annual Pension Cost:	
Annual required contribution (ARC)	111,936
	<hr/>
Contributions Made	
Increase in NPO	<hr/> (111,936)
NPO at the end of the period	<hr/> -

The City of Winnsboro is one of 833 municipalities having the benefit plan administered by TMRS. Each of the 833 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/2009 valuations are contained in the 2009 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 2010, 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	10-1-10/11	Workers' Compensation	1,312,732
			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 & Confs)	10,712,408
			Mobile Equipment	177,331
			Electronic Data Proc. Eqmt.	Incl.
			Auto Physical Damage	Actual cash value

B. Customers at September 30, 2010

Water	1,618
Sewer	1,480
Sanitation	1,496

N. HEALTH CARE COVERAGE

During the year ended September 30, 2010, employees of the City of Winnsboro were covered by a health insurance plan with the Texas Municipal League. The City pays \$459 monthly for each employee. The contract is renewable October 1, 2010 and terms of coverage and premium costs are included in the contractual provisions.

O. SUBSEQUENT EVENT

On November, 2010 bond proceeds for \$2,300,000 from the Texas TIB- The Independent Bankers Bank were received. Bond proceeds from the City of Winnsboro Limited Tax Notes, Series 2010 will be used to improve, construct and repair streets, bridges, sidewalks, water and wastewater utility systems and professional fees in connection with the improvements and construction and fees in connection with the issuance of the bonds.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

CITY OF WINNSBORO
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	ORCA STEP Grant #727510	ORCA STEP Grant #726146	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ -	\$ -
Taxes Receivable	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-
Due from Other Funds	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES			
Deferred Revenues	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved For:			
Debt Service	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

I&S Tax Revenues Fund	Total Nonmajor Governmental Funds
\$ 36,744	\$ 36,744
8,395	8,395
(5,037)	(5,037)
111,619	111,619
<u>\$ 151,721</u>	<u>\$ 151,721</u>
\$ 3,358	\$ 3,358
3,358	3,358
148,363	148,363
148,363	148,363
<u>\$ 151,721</u>	<u>\$ 151,721</u>

CITY OF WINNSBORO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	ORCA STEP Grant #727510	ORCA STEP Grant #726146	Total Nonmajor Special Revenue Funds
REVENUES:			
Taxes:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue and Grants	-	12,108	12,108
Investment Earnings	-	-	-
Total Revenues	<u>-</u>	<u>12,108</u>	<u>12,108</u>
EXPENDITURES:			
Current:			
Administrative	500	-	500
Capital Outlay:			
Capital Outlay-Intergovernmental	-	12,127	12,127
Total Expenditures	<u>500</u>	<u>12,127</u>	<u>12,627</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(500)</u>	<u>(19)</u>	<u>(519)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	500	4,144	4,644
Transfers Out (Use)	-	-	-
Total Other Financing Sources (Uses)	<u>500</u>	<u>4,144</u>	<u>4,644</u>
Net Change in Fund Balance	-	4,125	4,125
Fund Balance - October 1 (Beginning)	-	(272)	(272)
Prior Period Adjustment	-	(3,853)	(3,853)
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

I&S Tax Revenues Fund	Total Nonmajor Governmental Funds
\$ 99,149	\$ 99,149
-	12,108
139	139
<u>99,288</u>	<u>111,396</u>
-	500
-	12,127
-	12,627
<u>99,288</u>	<u>98,769</u>
-	4,644
<u>(83,529)</u>	<u>(83,529)</u>
<u>(83,529)</u>	<u>(78,885)</u>
15,759	19,884
132,604	132,332
-	(3,853)
<u>\$ 148,363</u>	<u>\$ 148,363</u>

SUPPLEMENTARY INFORMATION

City of Winnsboro, Texas
 BUDGETARY COMPARISON SCHEDULE
 Debt Service Fund
 for the year ended September 30, 2010

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	86,745	99,149	99,149	-
Interest	-	138	139	1
Total revenues	<u>86,745</u>	<u>99,287</u>	<u>99,288</u>	<u>1</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>86,745</u>	<u>99,287</u>	<u>99,288</u>	<u>1</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	(86,745)	(99,287)	(83,529)	15,758
Total other financing sources (uses)	<u>(86,745)</u>	<u>(99,287)</u>	<u>(83,529)</u>	<u>15,758</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	15,759	15,759
Fund balance, beginning of year	132,604	132,604	132,604	-
Fund balance, end of year	<u>132,604</u>	<u>132,604</u>	<u>148,363</u>	<u>15,759</u>

FEDERAL AWARDS SECTION



ARNOLD, WALKER, ARNOLD, & Co., P.C.
Certified Public Accountants and Consultants

Bob J. Arnold, C.P.A.
Lanny G. Walker, C.P.A.
Kris Arnold, C.P.A.
Andrew T. Arnold, C.P.A.
Melissa J. Godfrey, 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*

Mayor and City Council
City of Winnsboro
Winnsboro, Texas

Mayor and City Council:

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the City of Winnsboro as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 30, 2010. 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 of Winnsboro 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 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's 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 would not necessarily identify all deficiencies in internal control 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'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 Board, 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.

Respectfully Submitted,

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

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

December 30, 2010

City of Winnsboro, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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, 2010

N/A

City of Winnsboro, Texas
CORRECTIVE ACTION PLAN
For the year ended September 30, 2010

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, 2010

Federal Grantor: U.S. Department of HUD
Pass Through Grantor: Office of Rural Community Affairs
CFDA # 14.228
Project # 726146
Contract Period 1/7/08-10/6/09

	<u>Budget</u>	<u>Federal Prior Year</u>	<u>Federal Current Year</u>	<u>Total</u>
REVENUE				
Federal	154,509	112,659	26,028	138,687
Local	-	-	-	-
Total	<u>154,509</u>	<u>112,659</u>	<u>26,028</u>	<u>138,687</u>
EXPENSES				
Federal				
Water Facilities	81,964	60,534 (A)	5,608	66,142
Engineering	47,545	43,545	4,000	47,545
Administration	<u>25,000</u>	<u>22,500</u>	<u>2,500</u>	<u>25,000</u>
Total	<u>154,509</u>	<u>126,579</u>	<u>12,108</u>	<u>138,687</u>
EXCESS (DEFICIT) REVENUE OVER EXPENSES	<u>-</u>	<u>(13,920)</u>	<u>13,920</u>	<u>-</u>

(A) error on prior year, reflected 3,853 in water facilities not actually charged to grant.

City of Winnsboro, Texas
FEDERAL PROGRAM PROJECT SCHEDULE
PROJECTS THAT ENDED OR WERE IN OPERATION DURING
the year ended September 30, 2010

Federal Grantor: U.S. Department of HUD
Pass Through Grantor: Texas Department of Agriculture
CFDA # 14.228
Project # 728292
Contract Period 2/2/09-2/1/11

	<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>
REVENUE						
Federal	150,000	3,000	116,307	-	-	119,307
Local	<u>39,300</u>	<u>-</u>	<u>-</u>	<u>7,855</u>	<u>31,945</u>	<u>39,800</u>
Total	<u>189,300</u>	<u>3,000</u>	<u>116,307</u>	<u>7,855</u>	<u>31,945</u>	<u>159,107</u>
EXPENSES						
Federal						
Sidewalk Activities	128,100	-	105,927	-	-	105,927
Other Public Utilities	6,900	-	5,130	-	-	5,130
General Administration	15,000	3,000	5,250	-	-	8,250
Local						
Engineering	<u>39,300</u>	<u>-</u>	<u>-</u>	<u>7,855</u>	<u>31,945</u>	<u>39,800</u>
Total	<u>189,300</u>	<u>3,000</u>	<u>116,307</u>	<u>7,855</u>	<u>31,945</u>	<u>159,107</u>
EXCESS (DEFICIT) REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>