

City of Winnsboro, Texas
Financial Statements
And Independent Auditor's Report
For the year ended September 30, 2009



City of Winnsboro, Texas
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Year ended September 30, 2009

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City of Winnsboro
OFFICIAL DIRECTORY

Mayor

Carolyn Jones

Council

Pat Patrick
Terry Matthews
Billie Ruth Southerland
Jerry Hopper
Lori Whorff

City Personnel

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



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Certified Public Accountants and Consultants

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MEMBER
American Institute Of
Certified Public Accountants

Texas State Society Of
Certified Public Accountants

INDEPENDENT AUDITOR’S REPORT

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

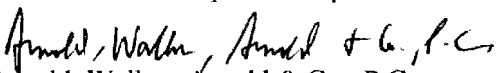
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Winnsboro, Texas (the City) as of and for the year ended September 30, 2009, which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City’s management. Our responsibility is to express 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 the 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2009, and the respective changes in financial position, and, where applicable, cash flows 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 7, 2009, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management’s discussion and analysis on pages 4 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


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

December 7, 2009

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, 2009. 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 \$6.44 million at September 30, 2009. \$3.56 million of the net assets is invested in capital assets, net of related debt. During the year, the City's revenues were \$59 thousand more than the \$3.97 million of expenses.

The total cost of all the City's activities was down about 14% compared to the prior year. Several departmental areas were less than the prior year. Administration costs and intergovernmental expenses were significantly less than the prior year. Police and Fire Department costs were both down slightly. Revenue was down about 10%, or \$413 thousand compared to the prior year.

Grants and contributions were down approximately \$500 thousand. Not as much grant activity took place as the prior year.

The general fund balance is \$188 thousand at September 30, 2009 which is a decrease of \$72 thousand. The utility fund net assets increased \$53 thousand.

During the year, \$108 thousand of fixed assets were added to the general fixed assets. \$114 thousand was added to utility fund fixed assets through grants.

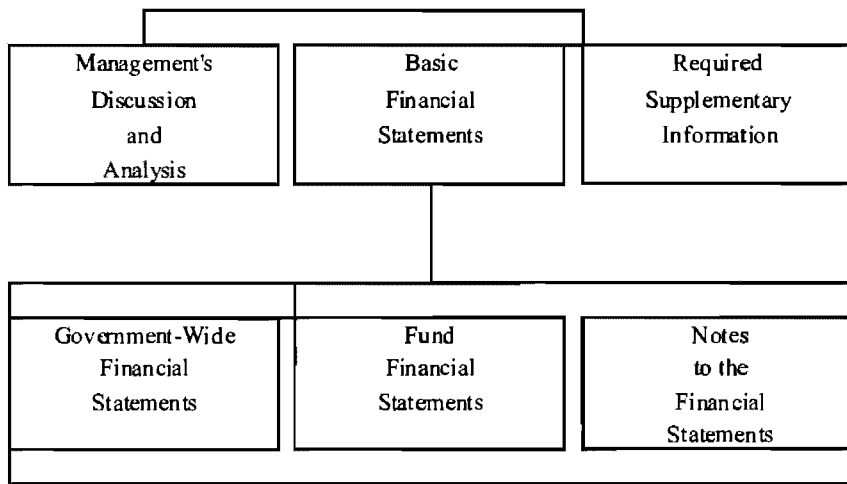
Approximately 97% of the taxes levied for 2008-09 were collected by September 30, 2009.

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 \$6.44 million at September 30, 2009.

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

	Governmental Activities		Business Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	454	573	2,505	2,562	2,959	3,135
Capital and non-current assets	1,721	1,721	10,514	10,732	12,235	12,453
TOTAL ASSETS	2,175	2,294	13,019	13,294	15,194	15,588
Long-term liabilities	161	161	8,328	8,669	8,489	8,830
Other liabilities	112	236	158	146	270	382
TOTAL LIABILITIES	273	397	8,486	8,815	8,759	9,212
Invested in capital assets net of related debt	1,560	1,494	1,995	2,063	3,555	3,557
Restricted	133	124	2,200	2,221	2,333	2,345
Unrestricted	209	279	338	195	547	474
TOTAL NET ASSETS	1,902	1,897	4,533	4,479	6,435	6,376

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 \$547 thousand of unrestricted net assets represents resources available to fund the programs of the City for the next fiscal year.

The \$2.33 million is restricted as follows:

Restricted for debt service	1.27
Restricted for capital projects	1.06
	<u>2.33</u>

Net assets of the City increased from \$6.38 million to \$6.44 million. The reasons for the increase were as follows. The governmental funds reflected expenditures in excess of revenues of \$62 thousand. The enterprise fund reflected an excess of revenues over expenses of \$54 thousand. A total of \$108 thousand of depreciation expense was recorded for the governmental funds. \$108 thousand of capital outlay was added to fixed assets in the governmental funds. \$66 thousand of principal was paid on the governmental fund long-term debt.

Changes in net assets.

The City's total revenues were \$4 million. 17% of this came from property taxes, 13% came from sales taxes and other taxes, and 54% came from charges for services.

The total cost of all programs was \$3.9 million. Approximately 19% of this was for police, 9% was for administration, and 42% 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	
	2009	2008	2009	2008	2009	2008
Revenues						
<u>Program Revenues</u>						
Charges for Services	613	690	1,573	1,326	2,186	2,016
Operating Grants and Contributions	218	504	-	-	218	504
Capital Grants	-	-	114	328	114	328
<u>General Revenues</u>						
Property Taxes	669	668	-	-	669	668
Other taxes	527	514	-	-	527	514
Investment earnings	1	3	58	73	59	76
Other	244	296	8	36	252	332
Total Revenues	<u>2,272</u>	<u>2,675</u>	<u>1,753</u>	<u>1,763</u>	<u>4,025</u>	<u>4,438</u>
Expenses						
Administration	355	486	-	-	355	486
EDC coordinator	78	71	-	-	78	71
Police	746	780	-	-	746	780
Municipal court	53	58	-	-	53	58
Animal shelter	49	50	-	-	49	50
Fire/EMS	69	104	-	-	69	104
Maintenance	288	319	-	-	288	319
Airport	29	52	-	-	29	52
Library	125	137	-	-	125	137
Parks and recreation	42	68	-	-	42	68
Sanitation	378	405	-	-	378	405
Intergovernmental	88	398	-	-	88	398
Debt service-interest	12	7	-	-	12	7
Water and sewer	-	-	1,654	1,583	1,654	1,583
Total Expenses	<u>2,312</u>	<u>2,935</u>	<u>1,654</u>	<u>1,583</u>	<u>3,966</u>	<u>4,518</u>
Transfers in (out)	45	102	(45)	(102)	-	-
Increase (Decrease) in Net Assets	5	(158)	54	78	59	(80)
Beginning Net Assets	1,897	2,055	4,479	4,401	6,376	6,456
Ending Net Assets	<u>1,902</u>	<u>1,897</u>	<u>4,533</u>	<u>4,479</u>	<u>6,435</u>	<u>6,376</u>

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

- The cost of all *governmental* activities this year was \$3.9 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$669 thousand.
- Some of the cost was paid by those who directly benefited from the programs (\$613 thousand), or by grants and contributions (\$218 thousand).

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

	Total Cost of Services		Net Cost of Services	
	2009	2008	2009	2008
Administration	355	486	314	432
Police	746	780	683	679
Maintenance	288	319	288	319
Sanitation	378	405	(113)	(60)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City reported fund balance in its governmental funds of approximately \$320 thousand at September 30, 2009. This balance is composed of the following in thousands

General	188
Debt service	132
Reported in Special Revenue Fund	-
	<u>320</u>

The general fund balance decreased \$71 thousand. Revenue decreased about \$87 thousand compared to the prior year. Fee revenue decreased \$30 thousand. Expenditures decreased \$310 thousand. Administrative expenditures decreased \$89 thousand. Capital outlay expenditures were \$158 thousand less than the prior year. Maintenance department expenditures decreased \$21 thousand and Police department expenditures decreased \$15 thousand.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Actual expenditures exceeded the final budget by \$28 thousand. Revenues exceeded the final budget by \$40 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Land and construction in progress	386	365	230	428
Buildings and improvements	1,631	1,604	-	-
Machinery and equipment	1,256	1,195	-	-
Water and sewer system	-	-	16,560	16,248
Streets	1,382	1,382	-	-
Totals at historical cost	<u>4,655</u>	<u>4,546</u>	<u>16,790</u>	<u>16,676</u>
Total accumulated depreciation	<u>2,934</u>	<u>2,826</u>	<u>6,276</u>	<u>5,944</u>
Net capital assets	<u>1,721</u>	<u>1,720</u>	<u>10,514</u>	<u>10,732</u>

One of the grants in the utility fund was completed this year.

Long-Term Debt

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

	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Certificates of obligation	-	-	5,793	5,915
Notes payable	21	30	116	151
Bonds payable	-	-	2,610	2,810
Leases payable	140	197	-	-
	<u>161</u>	<u>227</u>	<u>8,519</u>	<u>8,876</u>

No new debt was obtained this year. Principal of \$423 thousand was paid this year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget for 2009 and 2010 was approved by the City Council during its regular September Council meeting held on the 8th of the month. The council approved a budget of \$4,001,942.15 an overall increase of approximately 0.09%.

The City has had no turnovers in employees in our City departments, which is equal to the prior budget year personnel ratio. This was 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 but this was anticipated due to the economical status of the United States, as a whole. The Economic Development Corporation has provided additional advertising dollars for special events during the year. 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 \$26,141.35 more than the budgeted amount for the first time in years. This also had a positive effect on sewer revenues since they are based on water consumption. Franchise fees were right on the budgeted amount

The building of the new Pine Street Baptist church activity building, a \$1M project, has now been completed, the new assisted living facility, a \$3M project, should be opening early in 2010. Keller's is doing a major expansion at their facility located here in Winnsboro and they have also moved their facility from Sulphur Springs. First National bank's new building located at the corner of Hwy. 37 and Coke Rd has opened.

The two water line improvement projects are nearing completion which will help with waterline pressure, water quality and the sewer line flow.

The adopted tax rate is now at \$0.4700 per \$100 valuation, the first tax increase in the city in 5 years. 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, 2009

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	366,216	153,195	519,411
Accounts receivable, net of allowances	85,859	151,852	237,711
Due from other funds	-	-	-
Inventory	2,024	-	2,024
Total current assets	<u>454,099</u>	<u>305,047</u>	<u>759,146</u>
Restricted assets			
Cash and cash equivalents	-	2,200,159	2,200,159
Total restricted assets	<u>-</u>	<u>2,200,159</u>	<u>2,200,159</u>
Capital assets			
Land and construction in progress	385,576	230,432	616,008
Other capital assets, net of accumulated depreciation	1,335,486	10,283,639	11,619,125
Total capital assets	<u>1,721,062</u>	<u>10,514,071</u>	<u>12,235,133</u>
Total assets	<u>2,175,161</u>	<u>13,019,277</u>	<u>15,194,438</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	111,995	9,481	121,476
Deferred revenues	371	-	371
Due to other funds	-	-	-
Notes payable, current	49,735	36,884	86,619
Total current liabilities	<u>162,101</u>	<u>46,365</u>	<u>208,466</u>
Liabilities payable from restricted assets			
Bond interest payable, current	-	-	-
Certificates of obligation and bonds payable, current	-	337,000	337,000
Total liabilities payable from restricted assets	<u>-</u>	<u>337,000</u>	<u>337,000</u>
Non-current liabilities			
Meter deposits	-	148,861	148,861
Certificates of obligation and bonds payable, non-current	-	8,066,000	8,066,000
Unamortized bond cost	-	(190,854)	(190,854)
Notes payable, non-current	111,252	79,051	190,303
Total non-current liabilities	<u>111,252</u>	<u>8,103,058</u>	<u>8,214,310</u>
Total liabilities	<u>273,353</u>	<u>8,486,423</u>	<u>8,759,776</u>
NET ASSETS			
Invested in capital assets, net of debt	1,560,075	1,995,136	3,555,211
Restricted for debt service	132,604	1,137,054	1,269,658
Restricted for capital projects	-	1,063,105	1,063,105
Unrestricted	209,129	337,559	546,688
Total net assets	<u>1,901,808</u>	<u>4,532,854</u>	<u>6,434,662</u>

The accompanying notes are an integral part of this statement.

CITY OF WINNSBORO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Administrative	\$ 354,407	\$ 40,602	\$ -	\$ -
EDC Coordinator	78,475	-	80,582	-
Police	745,411	62,072	-	-
Municipal Court	53,299	-	-	-
Animal Shelter	49,125	-	-	-
Fire/EMS	68,617	-	29,042	-
Maintenance	287,639	-	-	-
Airport	29,181	20,787	-	-
Library	125,305	-	-	-
Parks & Recreation	42,391	-	19,962	-
Sanitation	377,704	490,018	-	-
Bond Interest	12,227	-	-	-
Capital Outlay-Intergovernmental	88,816	-	88,816	-
Total Governmental Activities:	2,312,597	613,479	218,402	-
BUSINESS-TYPE ACTIVITIES:				
Utility Fund	1,653,662	1,572,528	-	114,063
Total Business-Type Activities:	1,653,662	1,572,528	-	114,063
TOTAL PRIMARY GOVERNMENT:	\$ 3,966,259	\$ 2,186,007	\$ 218,402	\$ 114,063

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

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
\$ (313,805)	\$ -	\$ (313,805)
2,107	-	2,107
(683,339)	-	(683,339)
(53,299)	-	(53,299)
(49,125)	-	(49,125)
(39,575)	-	(39,575)
(287,639)	-	(287,639)
(8,394)	-	(8,394)
(125,305)	-	(125,305)
(22,429)	-	(22,429)
112,314	-	112,314
(12,227)	-	(12,227)
-	-	-
(1,480,716)	-	(1,480,716)
-	32,929	32,929
-	32,929	32,929
(1,480,716)	32,929	(1,447,787)
577,559	-	577,559
91,279	-	91,279
526,635	-	526,635
200,939	-	200,939
42,723	7,659	50,382
1,463	58,472	59,935
45,300	(45,300)	-
1,485,898	20,831	1,506,729
5,182	53,760	58,942
1,896,626	4,479,094	6,375,720
\$ 1,901,808	\$ 4,532,854	\$ 6,434,662

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF WINNSBORO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	General Fund	Other Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 349,355	\$ 16,861	\$ 366,216
Taxes Receivable	46,169	7,857	54,026
Allowance for Uncollectible Taxes (credit)	(27,701)	(4,815)	(32,516)
Accounts Receivables (Net)	46,577	-	46,577
Intergovernmental Receivables	-	17,772	17,772
Due from Other Funds	-	111,619	111,619
Inventories	2,024	-	2,024
Total Assets	\$ 416,424	\$ 149,294	\$ 565,718
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 31,007	\$ 13,920	\$ 44,927
Wages and Salaries Payable	26,169	-	26,169
Due to Other Funds	111,619	-	111,619
Deferred Revenues	18,468	3,042	21,510
Other Current Liabilities	40,899	-	40,899
Total Liabilities	228,162	16,962	245,124
Fund Balances:			
Reserved For:			
Debt Service	-	132,604	132,604
Library	59,636	-	59,636
Unreserved and Undesignated:			
Reported in the General Fund	128,626	-	128,626
Reported in the Special Revenue Fund	-	(272)	(272)
Total Fund Balances	188,262	132,332	320,594
Total Liabilities and Fund Balances	\$ 416,424	\$ 149,294	\$ 565,718

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

CITY OF WINNSBORO, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2009

Total Fund Balances - Governmental Funds	\$	320,594
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 \$4,546,499 and the accumulated depreciation was \$2,825,896. 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.		1,493,595
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 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		174,480
The 2009 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(108,000)
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.		21,139
Net Assets of Governmental Activities	\$	1,901,808

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes:			
Taxes	\$ 1,117,947	\$ 90,781	\$ 1,208,728
Penalty and Interest on Taxes	-	1,420	1,420
Intergovernmental Revenue and Grants	132,938	51,995	184,933
Charges for Services	492,317	-	492,317
Investment Earnings	1,366	97	1,463
Rents and Royalties	49,490	-	49,490
Fees	295,259	-	295,259
Other Revenue	24,165	-	24,165
Total Revenues	2,113,482	144,293	2,257,775
EXPENDITURES:			
Current:			
Administrative	340,173	-	340,173
EDC Coordinator	78,475	-	78,475
Police	720,149	-	720,149
Municipal Court	51,426	-	51,426
Animal Shelter	46,900	-	46,900
Fire/EMS	58,891	-	58,891
Maintenance	280,783	-	280,783
Airport	25,457	-	25,457
Library	120,292	-	120,292
Parks & Recreation	36,418	-	36,418
Sanitation	344,590	-	344,590
Debt Service:			
Debt Principal	66,021	-	66,021
Debt Interest	12,227	-	12,227
Capital Outlay:			
Capital Outlay-Intergovernmental	-	88,816	88,816
Capital Outlay-Administration	31,515	-	31,515
Capital Outlay-Police	25,232	-	25,232
Capital Outlay-Fire/EMS	32,792	-	32,792
Capital Outlay-Maintenance	3,420	-	3,420
Capital Outlay-Parks & Recreation	15,500	-	15,500
Total Expenditures	2,290,261	88,816	2,379,077
Excess (Deficiency) of Revenues Over (Under) Expenditures	(176,779)	55,477	(121,302)
OTHER FINANCING SOURCES (USES):			
Insurance proceeds	13,650	-	13,650
Transfers In	91,667	36,821	128,488
Transfers Out (Use)	-	(83,188)	(83,188)
Total Other Financing Sources (Uses)	105,317	(46,367)	58,950

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Other Funds	Total Governmental Funds
Net Change in Fund Balances	(71,462)	9,110	(62,352)
Fund Balance - October 1 (Beginning)	259,724	123,222	382,946
Fund Balance - September 30 (Ending)	\$ 188,262	\$ 132,332	\$ 320,594

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

CITY OF WINNSBORO, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

Total Net Change in Fund Balances - Governmental Funds	\$	(62,352)
 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 2009 capital outlays and debt principal payments is to increase (decrease) net assets.		174,480
 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.		(108,000)
 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.		1,054
 Change in Net Assets of Governmental Activities	\$	5,182

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

CITY OF WINNSBORO, TEXAS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

EXHIBIT C-5

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Taxes	\$ 1,135,437	\$ 1,108,175	\$ 1,117,947	\$ 9,772
Intergovernmental Revenue and Grants	144,582	124,421	132,938	8,517
Charges for Services	445,000	486,511	492,317	5,806
Investment Earnings	2,000	1,190	1,366	176
Rents and Royalties	43,700	49,553	49,490	(63)
Fees	315,650	276,883	295,259	18,376
Other Revenue	31,400	26,614	24,165	(2,449)
Total Revenues	2,117,769	2,073,347	2,113,482	40,135
EXPENDITURES:				
Current:				
Administrative	362,155	348,267	340,173	8,094
EDC Coordinator	80,582	78,302	78,475	(173)
Police	744,191	743,233	720,149	23,084
Municipal Court	57,907	51,234	51,426	(192)
Animal Shelter	47,695	46,570	46,900	(330)
Fire/EMS	70,062	59,729	58,891	838
Maintenance	302,395	254,657	280,783	(26,126)
Airport	42,748	25,454	25,457	(3)
Library	111,016	108,171	120,292	(12,121)
Parks & Recreation	63,424	51,919	36,418	15,501
Sanitation	283,600	344,692	344,590	102
Debt Service:				
Debt Principal	66,021	66,021	66,021	-
Debt Interest	12,227	12,227	12,227	-
Capital Outlay:				
Capital Outlay-Administration	24,827	11,198	31,515	(20,317)
Capital Outlay-Police	8,450	4,033	25,232	(21,199)
Capital Outlay-Library	1,000	-	-	-
Capital Outlay-Fire/EMS	29,443	32,792	32,792	-
Capital Outlay-Maintenance	12,700	8,615	3,420	5,195
Capital Outlay-Parks & Recreation	83,000	15,500	15,500	-
Total Expenditures	2,403,443	2,262,614	2,290,261	(27,647)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(285,674)	(189,267)	(176,779)	12,488
OTHER FINANCING SOURCES (USES):				
Insurance proceeds	-	13,650	13,650	-
Transfers In	100,000	91,667	91,667	-
Total Other Financing Sources (Uses)	100,000	105,317	105,317	-
Net Change in Fund Balances	(185,674)	(83,950)	(71,462)	12,488
Fund Balance - October 1 (Beginning)	259,724	259,724	259,724	-
Fund Balance - September 30 (Ending)	\$ 74,050	\$ 175,774	\$ 188,262	\$ 12,488

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, 2009

	<u>Enterprise Fund</u>	<u>Total Proprietary Funds</u>
ASSETS		
Current assets		
Cash and cash equivalents	153,195	153,195
Accounts receivable, net of allowances	151,852	151,852
Total current assets	<u>305,047</u>	<u>305,047</u>
RESTRICTED ASSETS		
Cash and cash equivalents	<u>2,200,159</u>	<u>2,200,159</u>
CAPITAL ASSETS		
Land and construction in progress	230,432	230,432
Other capital assets, net of accumulated depreciation	10,283,639	10,283,639
Total capital assets	<u>10,514,071</u>	<u>10,514,071</u>
Total assets	<u>13,019,277</u>	<u>13,019,277</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	9,481	9,481
Note payable, current	36,884	36,884
Total current liabilities	<u>46,365</u>	<u>46,365</u>
Liabilities payable from restricted assets		
Bonds payable and Certificates of Obligation, current	337,000	337,000
Total liabilities payable from restricted assets	<u>337,000</u>	<u>337,000</u>
Non-current liabilities		
Customer deposits	148,861	148,861
Note payable, non-current	79,051	79,051
Certificates of obligation and bonds payable, non-current	8,066,000	8,066,000
Unamortized bond cost/discount (net)	(190,854)	(190,854)
Total non-current liabilities	<u>8,103,058</u>	<u>8,103,058</u>
Total liabilities	<u>8,486,423</u>	<u>8,486,423</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,995,136	1,995,136
Restricted for debt service	1,137,054	1,137,054
Restricted for capital projects	1,063,105	1,063,105
Unrestricted	337,559	337,559
Total net assets	<u>4,532,854</u>	<u>4,532,854</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, 2009

	Enterprise Fund	Total Proprietary Funds
OPERATING REVENUES		
Charges for sales and services	1,572,528	1,572,528
Other	7,659	7,659
Total Operating Revenues	1,580,187	1,580,187
OPERATING EXPENSES		
Personnel costs	399,724	399,724
Contractual expenses	225,258	225,258
Supplies	279,066	279,066
Depreciation and amortization	348,372	348,372
Total Operating Expenses	1,252,420	1,252,420
Net operating income (loss)	327,767	327,767
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	58,472	58,472
Interest expense and fees	(401,242)	(401,242)
Total nonoperating revenues (expenses)	(342,770)	(342,770)
Net income (loss) before contributions and transfers	(15,003)	(15,003)
Capital contributions, grants	114,063	114,063
Transfers from other funds	83,188	83,188
Transfers to other funds	(128,488)	(128,488)
Changes in net assets	53,760	53,760
Net assets, beginning of year	4,479,094	4,479,094
Net assets, end of year	4,532,854	4,532,854

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, 2009

	Enterprise Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	1,566,026	1,566,026
Cash payments to suppliers for goods and services	(510,224)	(510,224)
Cash payments to employees for services and benefits	(398,796)	(398,796)
Net cash provided by operating activities	657,006	657,006
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	83,188	83,188
Transfers to other funds	(128,488)	(128,488)
Capital contributions, grants	114,063	114,063
Net cash provided by noncapital financing activities	68,763	68,763
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(114,067)	(114,067)
Principal paid on debt	(357,228)	(357,228)
Interest paid on debt	(401,242)	(401,242)
Net cash (used in) capital and related financing activities	(872,537)	(872,537)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	58,472	58,472
Net cash provided by investing activities	58,472	58,472
Net (decrease) in cash and cash equivalents	(88,296)	(88,296)
Cash and cash equivalents, beginning of year	2,441,650	2,441,650
Cash and cash equivalents, end of year	2,353,354	2,353,354
RECONCILIATION OF OPERATING INCOME		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	327,765	327,765
Adjustment to reconcile operating (loss) to net cash provided by operating activities		
Depreciation and amortization	348,372	348,372
Increase in accounts receivable	(31,785)	(31,785)
Decrease in accounts payable and accrued expenses	(4,970)	(4,970)
Increase in customer deposits	17,624	17,624
Net cash provided by operating activities	657,006	657,006

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2009

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 Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	365,259	-	365,259	
Buildings & improvements	1,604,252	-	1,604,252	
Machinery & equipment	1,194,867	-	1,194,867	
Streets	1,382,121	-	1,382,121	
Accumulated depreciation	-	(2,825,896)	(2,825,896)	
Change in Net Assets	<u>4,546,499</u>	<u>(2,825,896)</u>	<u>1,720,603</u>	<u>1,720,603</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>227,008</u>	
Change in Net Assets				<u>227,008</u>
Net Adjustment to Net Assets				<u>1,493,595</u>

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

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

	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Current year Capital Outlay</u>			
Land	20,317	20,317	20,317
Building & improvement	26,698	26,698	26,698
Machinery & equipment	61,444	61,444	61,444
Total Capital Outlay	<u>108,459</u>	<u>108,459</u>	<u>108,459</u>
Book value of dispositions	<u>-</u>	<u>-</u>	<u>-</u>
<u>Debt Principal Payments</u>			
Note principal	66,021	66,021	66,021
Total Principal Payments	<u>66,021</u>	<u>66,021</u>	<u>66,021</u>
Total Adjustment to Net Assets		<u>174,480</u>	<u>174,480</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	14,014	(14,014)	-
Uncollected taxes (assumed collectible) from Current Year Levy	19,359	19,359	19,359
Uncollected Taxes (assumed collectible) from Prior Year Levy	1,780	-	1,780
Effect of prior year tax entry			
Issuance of new debt --	4,291	(4,291)	-
Note lease proceeds	<u>-</u>	<u>-</u>	<u>-</u>
Total		<u>1,054</u>	<u>21,139</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

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

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

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

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

Policies Governing Deposits and Investments

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

- I. **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, 2009, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,721,831 and the bank balance was \$2,762,704. The City's cash deposits at September 30, 2009 and during the year ended September 30, 2009 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, 2009:

- a. **Depository:** First National Bank of Winnsboro
- b. **The market value of securities pledged as of September 30, 2009 was \$2,769,990.**
- c. **Total amount of FDIC coverage as of September 30, 2009 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 2008 assessed valuation (net of exemptions) was approximately \$151 million levied as a rate of \$0.4515 per hundred dollar valuation. Property tax revenues of \$681 thousand was available.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND TRANSFERS AND BALANCES

Transfers between funds were as follows:

Transfers to General Fund from:	
Major Enterprise Fund	<u>91,667</u>
Total Transferred to General Fund	<u><u>91,667</u></u>
Transfers to Major Enterprise Fund from:	
Nonmajor Governmental Funds	<u>83,188</u>
Total Transferred to Major Enterprise Fund	<u><u>83,188</u></u>
Transfers to Nonmajor Governmental Fund from:	
Major Enterprise Fund	<u>36,821</u>
Total Transferred to Nonmajor Governmental Fund	<u><u>36,821</u></u>

Interfund balances are as follows:

Due to General Fund from:	
Debt Service Fund	<u><u>111,619</u></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, 2009, were as follows:

	Property Taxes	Charges for Services	Intergovern- mental	Other	Total Receivables
Governmental Activities:					
General Fund	46,169	46,577	-	-	92,746
Nonmajor Governmental Funds	7,857	-	17,772	-	25,629
Total - Governmental Activities	<u>54,026</u>	<u>46,577</u>	<u>17,772</u>	<u>-</u>	<u>118,375</u>
Amounts not scheduled for collection during the subsequent year	<u>(32,516)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,516)</u>
Business Type Activities:					
Major Enterprise Fund	-	151,852	-	-	151,852
Total-Business Type Activities	<u>-</u>	<u>151,852</u>	<u>-</u>	<u>-</u>	<u>151,852</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payables at September 30, 2009, were as follows:

	Accounts	Salaries & Benefits	Due to Other Governments	Other	Total Payables
Governmental Activities:					
General Fund	31,007	26,169	-	40,899	98,075
Nonmajor Governmental Funds	13,920	-	-	-	13,920
Total - Governmental Activities	<u>44,927</u>	<u>26,169</u>	<u>-</u>	<u>40,899</u>	<u>111,995</u>
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business Type Activities:					
Major Enterprise Fund	-	9,345	-	135	9,480
Total-Business Type Activities	<u>-</u>	<u>9,345</u>	<u>-</u>	<u>135</u>	<u>9,480</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, 2009, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Land and construction in progress	365,259	20,317	-	385,576
Streets	1,382,121	-	-	1,382,121
Buildings and improvements	1,604,252	26,698	-	1,630,950
Machinery and equipment	1,194,867	61,444	-	1,256,311
Totals at historic cost	<u>4,546,499</u>	<u>108,459</u>	<u>-</u>	<u>4,654,958</u>
Less accumulated depreciation for:				
Buildings, improvements, machinery and equipment	<u>(2,825,896)</u>	<u>(108,000)</u>	<u>-</u>	<u>(2,933,896)</u>
Total accumulated depreciation	<u>(2,825,896)</u>	<u>(108,000)</u>	<u>-</u>	<u>(2,933,896)</u>
Governmental activities capital, assets net	<u>1,720,603</u>	<u>459</u>	<u>-</u>	<u>1,721,062</u>
Business-Type Activities:				
Land and construction in progress	428,437	36,518	(234,523)	230,432
Water and sewer system	16,247,601	312,072	-	16,559,673
Totals at historic cost	<u>16,676,038</u>	<u>348,590</u>	<u>(234,523)</u>	<u>16,790,105</u>
Less accumulated depreciation for:				
Water and sewer system	<u>(5,943,762)</u>	<u>(332,272)</u>	<u>-</u>	<u>(6,276,034)</u>
Total accumulated depreciation	<u>(5,943,762)</u>	<u>(332,272)</u>	<u>-</u>	<u>(6,276,034)</u>
Business-Type Activities Capital assets, net	<u>10,732,276</u>	<u>16,318</u>	<u>(234,523)</u>	<u>10,514,071</u>
Primary Government Capital assets, net	<u>12,452,879</u>	<u>16,777</u>	<u>(234,523)</u>	<u>12,235,133</u>

Depreciation expense was charged to governmental functions as follows:

	Governmental Activities	Business-Type Activities
Administration	14,234	-
Police	25,262	-
Municipal court	1,873	-
Animal shelter	2,225	-
Fire/EMS	9,726	-
Maintenance	6,856	-
Airport	3,724	-
Library	5,013	-
Parks and recreation	5,973	-
Sanitation	33,114	-
Water and sewer	-	332,272
	<u>108,000</u>	<u>332,272</u>

G. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2009.

	Balance at 10/01/08	Issued	Retired	Balance at 9/30/09	Due Within One Year
Primary Government					
Governmental Activities:					
Notes payable	29,450	-	(8,733)	20,717	8,904
Leases payable	197,558	-	(57,289)	140,269	40,831
Total Governmental Activities	227,008	-	(66,022)	160,986	49,735
Business-Type Activities:					
Certificates of obligation	5,915,000	-	(122,000)	5,793,000	127,000
Bonds payable	2,810,000	-	(200,000)	2,610,000	210,000
Loans payable	151,163	-	(35,228)	115,935	36,884
Total Business-Type Activities	8,876,163	-	(357,228)	8,518,935	373,884
Total Primary Government Long-Term Debt	9,103,171	-	(423,250)	8,679,921	423,619

The changes in the general long-term debt as of September 30, 2009, follows:

	Original Amount	Terms of Maturity	Payable at 10/1/2008	Additions (Reductions)	Payable at 9/30/2009
E-One Lease	139,745	5.57%	18,720	(18,720)	-
		annually			
Ford Motor Credit Company	92,058	6.50%	45,938	(22,246)	23,692
		annually			
First National Bank	35,000	4.75%	9,710	(4,893)	4,817
Mineola Community Bank	150,900	5.00%	132,900	(16,323)	116,577
First National Bank	21,270	6.25%	19,740	(3,840)	15,900
			<u>227,008</u>	<u>(66,022)</u>	<u>160,986</u>

The annual requirements to amortize general long-term debt as of September 30, 2009, follows:

Years ended	Principal	Interest	Total
9/30			
2010	49,735	8,441	58,176
2011	22,345	5,598	27,943
2012	23,525	4,418	27,943
2013	22,676	3,177	25,853
2014	20,832	2,135	22,967
2015	21,873	1,094	22,967
	<u>160,986</u>	<u>24,863</u>	<u>185,849</u>

The City entered into a capital lease purchase agreement during May, 2009 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, 2009 with First National Bank of Winnsboro for the purpose of acquiring a Kubota tractor. The amount capitalized was \$21,270. The minimum annual payments of principal and interest are \$4,975 and the interest rate is approximately 6.25%. The loan will be paid off in April, 2013.

G. CHANGES IN LONG-TERM DEBT (continued)

The following is a summary of long-term debt transactions in the business-type activities for the year ended September 30, 2009.

	<u>Original Amount</u>	<u>Interest Rate & Terms</u>	<u>Payable at 10/1/2008</u>	<u>Additions (Reductions)</u>	<u>Payable at 9/30/2009</u>
Certificates of Obligation, Series 2005	1,050,000	serially -	990,000	(35,000)	955,000
Certificates of Obligation, Series 1996	750,000	serially 4.50%	650,000	(12,000)	638,000
Refunding Revenue Bonds Series 1999	4,060,000	serially 4.50-5.75%	2,810,000	(200,000)	2,610,000 -
Tx DOT Loan	331,700	4.70%	151,163	(35,228)	115,935
Combination Tax and Revenue Certificates of Obligation, Series 2003	4,500,000	serially 4.51-5.35%	<u>4,275,000</u>	<u>(75,000)</u>	<u>4,200,000</u>
			<u>8,876,163</u>	<u>(357,228)</u>	<u>8,518,935</u>

The annual requirements to amortize debt as of September 30, 2009, follows:

Years Ended 9/30	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	373,884	382,870	756,754
2011	391,618	366,371	757,989
2012	409,433	348,775	758,208
2013	429,000	329,108	758,108
2014	450,000	309,636	759,636
2015-2018	2,591,000	1,199,483	3,790,483
2019-2023	3,295,000	487,221	3,782,221
2024-2028	333,000	70,899	403,899
2029-2033	168,000	37,127	205,127
2034-2036	78,000	3,555	81,555
	<u>8,518,935</u>	<u>3,535,045</u>	<u>12,053,980</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 \$1,137,054 at September 30, 2009, and is reflected as restricted for debt service.

On September 22, 2004, a loan for \$1,050,000 from the Texas Water Development Board was approved. Bond proceeds were received in August, 2005 and were used to improve and extend the sewer collection system and professional fees in connection with the system and in connection with the issuance of the bonds.

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, 2008 valuation is effective for rates beginning in January 2009)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2008
Actuarial Value of Assets	\$1,354,121
Actuarial Accrued Liability	\$2,272,361
Percentage Funded	59.6%
Unfunded (Over-Funded) Actuarial Accrued Liability (UAAL)	\$918,240
Annual Covered Payroll	\$1,233,745
UAAL as a Percentage of Covered Payroll	74.4%
Net Pension Obligation (NPO) at the Beginning of Period	-
Annual Pension Cost:	
Annual required contribution (ARC)	96,371
Contributions Made	
Increase in NPO	(96,371)
NPO at the end of the period	-

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 12/31/2008 valuations are contained in the 2008 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 2009, 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	10-1-09/10	Workers' Compensation	1,217,409
			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)	10,769,108
			Mobile Equipment	177,331
			Electronic Data Proc. Eqmt.	Incl.
			Auto Physical Damage	Actual cash value

B. Customers at September 30, 2009

Water	1,616
Sewer	1,470
Sanitation	1,496

N. HEALTH CARE COVERAGE

During the year ended September 30, 2009, employees of the City of Winnsboro were covered by a health insurance plan with the Texas Municipal League. The City pays \$433 monthly for each employee. The contract is renewable October 1, 2010 and terms of coverage and premium costs are included in the contractual provisions.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

CITY OF WINNSBORO, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2009

	ORCA Step Grant #727510	ORCA Step Grant #726146	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and Cash Equivalents	\$ -	\$ (4,124)	\$ (4,124)
Taxes Receivable	-	-	-
Allowance for Uncollectible Taxes (credit)	-	-	-
Intergovernmental Receivables	-	17,772	17,772
Due from Other Funds	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 13,648</u>	<u>\$ 13,648</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ -	\$ 13,920	\$ 13,920
Deferred Revenues	-	-	-
Total Liabilities	<u>-</u>	<u>13,920</u>	<u>13,920</u>
Fund Balances:			
Reserved For:			
Debt Service	-	-	-
Unreserved and Undesignated:			
Reported in the Special Revenue Fund	-	(272)	(272)
Total Fund Balances	<u>-</u>	<u>(272)</u>	<u>(272)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 13,648</u>	<u>\$ 13,648</u>

I&S Tax Revenues	Total Nonmajor Governmental Funds
\$ 20,985	\$ 16,861
7,857	7,857
(4,815)	(4,815)
-	17,772
111,619	111,619
\$ 135,646	\$ 149,294

\$ -	\$ 13,920
3,042	3,042
3,042	16,962

132,604	132,604
-	(272)
132,604	132,332
\$ 135,646	\$ 149,294

CITY OF WINNSBORO, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	ORCA Step Grant #727510	ORCA Step Grant #726146	Total Nonmajor Special Revenue Funds
REVENUES:			
Taxes:			
Taxes	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	-	-	-
Intergovernmental Revenue and Grants	15,477	36,518	51,995
Investment Earnings	-	25	25
Total Revenues	<u>15,477</u>	<u>36,543</u>	<u>52,020</u>
EXPENDITURES:			
Current:			
Capital Outlay:			
Capital Outlay-Intergovernmental	52,298	36,518	88,816
Total Expenditures	<u>52,298</u>	<u>36,518</u>	<u>88,816</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(36,821)</u>	<u>25</u>	<u>(36,796)</u>
OTHER FINANCING SOURCES (USES):			
Transfers In	36,821	-	36,821
Transfers Out (Use)	-	-	-
Total Other Financing Sources (Uses)	<u>36,821</u>	<u>-</u>	<u>36,821</u>
Net Change in Fund Balance	-	25	25
Fund Balance - October 1 (Beginning)	-	(297)	(297)
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ (272)</u>	<u>\$ (272)</u>

		Total Nonmajor Governmental Funds	
I&S Tax Revenues			
\$ 90,781	\$ 90,781		
1,420	1,420		
-	51,995		
72	97		
92,273	144,293		
-	88,816		
-	88,816		
92,273	55,477		
-	36,821		
(83,188)	(83,188)		
(83,188)	(46,367)		
9,085	9,110		
123,519	123,222		
\$ 132,604	\$ 132,332		

SUPPLEMENTARY INFORMATION

City of Winnsboro, Texas
 BUDGETARY COMPARISON SCHEDULE
 Debt Service Fund
 for the year ended September 30, 2009

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Property Taxes	90,955	90,781	90,781	-
Penalty and Interest on Taxes	1,421	1,421	1,420	(1)
Interest	-	72	72	-
Total revenues	<u>92,376</u>	<u>92,274</u>	<u>92,273</u>	<u>(1)</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>92,376</u>	<u>92,274</u>	<u>92,273</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(92,376)</u>	<u>(92,274)</u>	<u>(83,188)</u>	<u>9,086</u>
Total other financing sources (uses)	<u>(92,376)</u>	<u>(92,274)</u>	<u>(83,188)</u>	<u>9,086</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>-</u>	<u>9,085</u>	<u>9,085</u>
Fund balance, beginning of year	123,519	123,519	123,519	-
Fund balance, end of year	<u>123,519</u>	<u>123,519</u>	<u>132,604</u>	<u>9,085</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***

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

Members of the Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Winnsboro, Texas as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 7, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

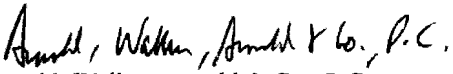
A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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


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

December 7, 2009

City of Winnsboro, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

- 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, 2009

None

City of Winnsboro, Texas
CORRECTIVE ACTION PLAN
For the year ended September 30, 2009

<u>ITEM #</u>	<u>CORRECTIVE ACTION PLAN</u>
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	N/A
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City of Winnsboro, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2009

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	56,030	56,629	112,659
Local	-	-	-	-
Total	<u>154,509</u>	<u>56,030</u>	<u>56,629</u>	<u>112,659</u>
EXPENSES				
Federal				
Water Facilities	85,509	46,614	17,773	64,387
Engineering	44,000	34,400	9,145	43,545
Administration	<u>25,000</u>	<u>12,900</u>	<u>9,600</u>	<u>22,500</u>
Total	<u>154,509</u>	<u>93,914</u>	<u>36,518</u>	<u>130,432</u>
EXCESS (DEFICIT) REVENUE OVER EXPENSES	<u>-</u>	<u>(37,884)</u>	<u>20,111</u>	<u>(17,773)</u>

City of Winnsboro, Texas
FEDERAL PROGRAM PROJECT SCHEDULE
PROJECTS THAT ENDED OR WERE IN OPERATION DURING
the year ended September 30, 2009

Federal Grantor: U.S. Department of HUD
 Pass Through Grantor: Office of Rural Community Affairs
 CFDA # 14.228
 Project # 727510
 Contract Period 7/4/08-7/3/09

	<u>Budget</u>	<u>Federal Prior Years</u>	<u>Federal Current Year</u>	<u>Local Prior Years</u>	<u>Local Current Year</u>	<u>Total</u>
REVENUE						
Federal	250,000	158,144	91,856	-	-	250,000
Local	<u>50,400</u>	<u>-</u>	<u>-</u>	<u>25,251</u>	<u>36,821</u>	<u>62,072</u>
Total	<u>300,400</u>	<u>158,144</u>	<u>91,856</u>	<u>25,251</u>	<u>36,821</u>	<u>312,072</u>
EXPENSES						
Federal						
Water Facilities	220,400	211,861	8,539	-	-	220,400
Engineer/Architecture	29,600	22,662	6,938	-	-	29,600
Local						
Administration	27,320	-	-	14,820	12,500	27,320
Water Facilities	23,080	-	-	-	24,321	24,321
Acquisition	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,431</u>	<u>-</u>	<u>10,431</u>
Total	<u>300,400</u>	<u>234,523</u>	<u>15,477</u>	<u>25,251</u>	<u>36,821</u>	<u>312,072</u>
EXCESS (DEFICIT) REVENUE OVER EXPENSES						
	<u>-</u>	<u>(76,379)</u>	<u>76,379</u>	<u>-</u>	<u>-</u>	<u>-</u>