

City of Winnsboro, Texas

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

For the year ended September 30, 2007



City of Winnsboro, Texas
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 Year ended September 30, 2007

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City of Winnsboro
OFFICIAL DIRECTORY

Mayor
Carolyn Jones

Council
Pat Patrick
Doug Elliott
David Blair
Jerry Hopper
Lori Whorff

City Personnel
Ronny Knight, City Administrator
Nina E. Browning, City Secretary
Wanda Renshaw, Financial Officer



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MEMBER
American Institute Of
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Texas State Society Of
Certified Public Accountants

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

Independent Auditor's Report

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

We have audited the accompanying financial statements of the government activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Texas as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

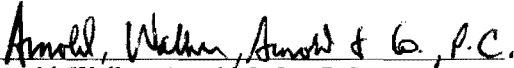
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Texas, as of September 30, 2007, 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 January 4, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. The report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

Respectfully submitted,


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

January 4, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Winnsboro, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2007. 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 \$6.45 million at September 30, 2007. \$3.33 million of the net assets is invested in capital assets, net of related debt. During the year, the City's expenses were \$192 thousand more than the \$3.98 million generated in taxes, charges for services and other revenues.

The total cost of all the City's activities was up about 3% compared to the prior year. Revenue was down about 6.5% compared to the prior year. Water and sewer revenue and water and sewer grants were less than the prior year.

The general fund balance is \$323 thousand at September 30, 2007 which is an increase of \$20 thousand.

During the year, \$257 thousand of fixed assets were added. \$92 thousand of new debt was obtained to purchase new police cars. \$344 thousand of principal on debt was paid.

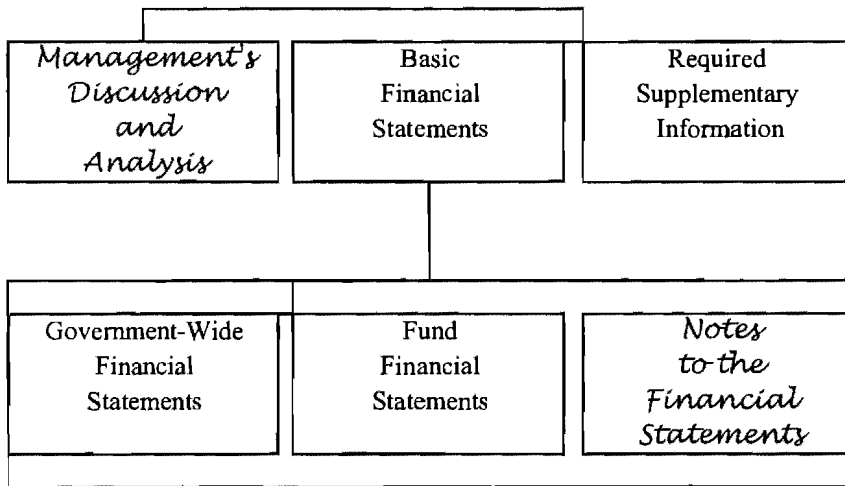
Approximately 98% of the taxes levied for 2006-07 were collected by September 30, 2007.

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
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: self insurance	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	*Statement of net assets	*Balance sheet	*Statement of net assets	*Statement of fiduciary net assets
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net assets *Statement of cash flows	*Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon 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 \$6.45 million at September 30, 2007.

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

	Governmental		Business Type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current and other assets	762	486	2,801	2,977	3,563	3,463
Capital and non-current assets	1,715	1,711	10,732	11,031	12,447	12,742
TOTAL ASSETS	<u>2,477</u>	<u>2,197</u>	<u>13,533</u>	<u>14,008</u>	<u>16,010</u>	<u>16,205</u>
Long-term liabilities	74	51	8,998	9,280	9,072	9,331
Other liabilities	348	74	134	129	482	203
TOTAL LIABILITIES	<u>422</u>	<u>125</u>	<u>9,132</u>	<u>9,409</u>	<u>9,554</u>	<u>9,534</u>
Invested in capital assets						
net of related debt	1,597	1,640	1,735	2,016	3,332	3,656
Restricted	115	109	2,385	2,581	2,500	2,690
Unrestricted	343	323	281	2	624	325
TOTAL NET ASSETS	<u>2,055</u>	<u>2,072</u>	<u>4,401</u>	<u>4,599</u>	<u>6,456</u>	<u>6,671</u>

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 \$624 thousand of unrestricted net assets represents resources available to fund the programs of the City for the next fiscal year.

The \$2.5 million is restricted as follows:

Restricted for debt service	1.48
Restricted for capital projects	<u>1.02</u>
	<u>2.50</u>

Net assets of the City decreased from \$6.67 million to \$6.45 million. The reasons for the decrease were as follows. The governmental funds reflected revenues in excess of expenditures of \$52 thousand. The enterprise fund reflected an excess of expenses over revenues of \$199 thousand. A total of \$224 thousand of depreciation expense was recorded for the governmental funds. \$227 thousand of capital outlay was added to fixed assets in the governmental funds. \$46 thousand of principal was paid on the governmental fund long-term debt. New debt of \$92 thousand was obtained to acquire police cars.

Changes in net assets.

The City's total revenues were \$3.98 million. 15% of this came from property taxes, 15% came from sales taxes and other taxes, and 50% came from charges for services.

The total cost of all programs was \$4.17 million. Approximately 18% of this was for police, 10% was for administration, and 37% 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	
	2007	2006	2007	2006	2007	2006
Revenues						
<u>Program Revenues</u>						
Charges for Services	637	598	1,343	1,437	1,980	2,035
Operating Grants and Contributions	485	292	-	-	485	292
<u>General Revenues</u>						
Property Taxes	600	570	-	-	600	570
Other taxes	572	591	-	-	572	591
Investment earnings	6	3	72	61	78	64
Other	258	459	8	230	266	689
Total Revenues	<u>2,558</u>	<u>2,513</u>	<u>1,423</u>	<u>1,728</u>	<u>3,981</u>	<u>4,241</u>
Expenses						
Administration	428	448	-	-	428	448
EDC coordinator	69	64	-	-	69	64
Police	751	708	-	-	751	708
Municipal court	56	53	-	-	56	53
Animal shelter	51	50	-	-	51	50
Fire/EMS	83	88	-	-	83	88
Maintenance	306	221	-	-	306	221
Airport	49	57	-	-	49	57
Library	124	118	-	-	124	118
Parks and recreation	82	64	-	-	82	64
Sanitation	377	374	-	-	377	374
Intergovernmental	247	186	-	-	247	186
Debt service-interest	3	4	-	-	3	4
Water and sewer	-	-	1,547	1,606	1,547	1,606
Total Expenses	<u>2,626</u>	<u>2,435</u>	<u>1,547</u>	<u>1,606</u>	<u>4,173</u>	<u>4,041</u>
Transfers in (out)	74	53	(74)	(53)	-	-
Increase (Decrease) in Net Assets	6	131	(198)	69	(192)	200
Beginning Net Assets	2,072	1,941	4,599	4,530	6,671	6,471
Prior period adjustment	(23)	-	-	-	(23)	-
Ending Net Assets	<u>2,055</u>	<u>2,072</u>	<u>4,401</u>	<u>4,599</u>	<u>6,456</u>	<u>6,671</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 \$2.6 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$600 thousand.
- Some of the cost was paid by those who directly benefited from the programs (\$637 thousand), or by grants and contributions (\$485 thousand).

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

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Administration	428	448	312	409
Police	750	708	658	650
Maintenance	306	221	306	221
Sanitation	377	374	(59)	(58)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City reported fund balance in its governmental funds of approximately \$441 thousand at September 30, 2007. This balance is composed of the following in thousands

General	323
Debt service	115
Reported in Special Revenue Fund	<u>3</u>
	<u><u>441</u></u>

The general fund fund balance increased \$20 thousand. Revenue increased about \$474 thousand compared to the prior year. Intergovernmental revenue increased \$331 thousand. Expenditures increased \$585 thousand. Intergovernmental expenditures increased \$217 thousand. Capital outlay expenditures were \$179 thousand more than the prior year.

General Fund Budgetary Highlights

Several budget amendments were made during the year. The budget was properly amended so that final budget and actual numbers were very close. No significant amendments were necessary.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Land and construction in progress	338	338	100	100
Buildings and improvements	1,594	1,560	-	-
Machinery and equipment	1,037	1,057	-	-
Water and sewer system	-	-	16,248	16,218
Streets	1,382	1,382	-	-
Totals at historical cost	<u>4,351</u>	<u>4,337</u>	<u>16,348</u>	<u>16,318</u>
Total accumulated depreciation	<u>2,636</u>	<u>2,626</u>	<u>5,615</u>	<u>5,287</u>
Net capital assets	<u>1,715</u>	<u>1,711</u>	<u>10,733</u>	<u>11,031</u>

Long-Term Debt

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

	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Certificates of obligation	-	-	6,036	6,122
Notes payable	14	19	185	217
Bonds payable	-	-	3,000	3,180
Leases payable	104	53	-	-
	<u>118</u>	<u>72</u>	<u>9,221</u>	<u>9,519</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget for 2007 and 2008 was approved by the City Council during its regular September Council meeting held on the 11th of the month. The council approved a budget of \$ 3,837,265.04 an overall increase of less than 1%.

The City had very little turnover in personnel which is an improvement over the prior year. This may be due to your approval of pay raises to remain competitive with other job providers.

The City sales tax collections reflected a much stronger retail market than what was anticipated during the year. The increase may be due to strong marketing efforts by the Mainstreet Board and the Community Development Director. The Economic Development Corporation also provided additional advertising dollars for special events during the year. Vacant buildings in the downtown area remain at an all time low.

Water revenues were less than the budgeted amount due to an unusual amount of rainfall for the year. This also had a negative effect on sewer revenues since they are based on water consumption. Franchise fees were below budgeted amounts in some areas due to receiving the payments after year end closing. The increase cost in electricity and automobile fuel had an impact in various departments.

Mineola Community Bank is in the process of constructing a new banking facility across from City Hall. They will be selling their current building. The old Alco building has been purchased by ABC Automotive Parts and will be subdivided into additional lease space. A new building consisting of three units is being constructed in the downtown area. This space will be leased out. It appears you will see an upward trend in construction during the year.

Winnsboro had ten new homes built during the past year. This far exceeds the last few years. Three new homes are now under construction.

The City boundaries grew due to your annexation of the airport 99 acres, also an additional 24 acres joining the airport.

The police department added an additional dispatcher in their budget in order to keep more patrol officers on the streets. The police chief has made some realignment to his department and has a well qualified staff of professional officers.

Two water line improvement projects will be started this year to help with waterline pressures, also water quality. It is our understanding you will be submitting information for another grant for additional improvements in the following years.

The adopted tax rate remains at \$0.4515 per \$100 valuation, the same tax rate as last year, even after the property tax freeze for those over 65. It is anticipated that the equity position of the City will remain about the same. The financial position of the City is at adequate levels to provide the services the citizens are requiring.

It is our understanding that City Administrator Ronny Knight will be retiring effective February 29th of this year.

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, 2007

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	502,975	291,136	794,111
Accounts receivable, net of allowances	257,788	124,277	382,065
Due from other funds	-	-	-
Inventory	2,024	-	2,024
Total current assets	<u>762,787</u>	<u>415,413</u>	<u>1,178,200</u>
Restricted assets			
Cash and cash equivalents	-	2,384,876	2,384,876
Total restricted assets	<u>-</u>	<u>2,384,876</u>	<u>2,384,876</u>
Capital assets			
Land and construction in progress	337,623	100,000	437,623
Other capital assets, net of accumulated depreciation	1,377,020	10,632,473	12,009,493
Total capital assets	<u>1,714,643</u>	<u>10,732,473</u>	<u>12,447,116</u>
Total assets	<u>2,477,430</u>	<u>13,532,762</u>	<u>16,010,192</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	302,645	7,003	309,648
Deferred revenues	1,736	-	1,736
Due to other funds	-	-	-
Notes payable, current	43,289	33,647	76,936
Total current liabilities	<u>347,670</u>	<u>40,650</u>	<u>388,320</u>
Liabilities payable from restricted assets			
Bond interest payable, current	-	-	-
Certificates of obligation and bonds payable, current	-	311,000	311,000
Total liabilities payable from restricted assets	<u>-</u>	<u>311,000</u>	<u>311,000</u>
Non-current liabilities			
Meter deposits	-	127,176	127,176
Certificates of obligation and bonds payable, non-current	-	8,725,000	8,725,000
Unamortized bond cost	-	(223,054)	(223,054)
Notes payable, non-current	74,368	151,163	225,531
Total non-current liabilities	<u>74,368</u>	<u>8,780,285</u>	<u>8,854,653</u>
Total liabilities	<u>422,038</u>	<u>9,131,935</u>	<u>9,553,973</u>
NET ASSETS			
Invested in capital assets, net of debt	1,596,986	1,734,717	3,331,703
Restricted for debt service	115,294	1,368,377	1,483,671
Restricted for special revenue funds	45,408	-	45,408
Restricted for capital projects	-	1,016,500	1,016,500
Unrestricted	297,704	281,233	578,937
Total net assets	<u>2,055,392</u>	<u>4,400,827</u>	<u>6,456,219</u>

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas
STATEMENT OF ACTIVITIES
For the year ended September 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
Administration	427,760	28,250	87,400	(312,110)	-	(312,110)
EDC coordinator	68,947	-	70,713	1,766	-	1,766
Police	750,649	91,967	-	(658,682)	-	(658,682)
Municipal court	56,125	6,401	-	(49,724)	-	(49,724)
Animal shelter	50,719	1,462	-	(49,257)	-	(49,257)
Fire/EMS	82,994	-	32,854	(50,140)	-	(50,140)
Maintenance	305,560	-	-	(305,560)	-	(305,560)
Airport	48,882	30,242	-	(18,640)	-	(18,640)
Library	124,226	6,714	15,562	(101,950)	-	(101,950)
Parks and recreation	81,688	35,949	-	(45,739)	-	(45,739)
Sanitation	377,489	436,307	-	58,818	-	58,818
Intergovernmental	246,862	-	278,019	31,157	-	31,157
Debt service-interest	3,097	-	-	(3,097)	-	(3,097)
Total Governmental Activities	2,624,998	637,292	484,548	(1,503,158)	-	(1,503,158)
BUSINESS-TYPE ACTIVITIES						
Water and sewer	1,547,302	1,342,563	-	-	(204,739)	(204,739)
Total Business-Type Activities	1,547,302	1,342,563	-	-	(204,739)	(204,739)
TOTAL PRIMARY GOVERNMENT	4,172,300	1,979,855	484,548	(1,503,158)	(204,739)	(1,707,897)
General Revenues						
Taxes						
Property taxes, levied for general purposes				502,875	-	502,875
Property taxes, levied for debt service				96,644	-	96,644
Other taxes				571,870	-	571,870
Fees				178,972	-	178,972
Investment earnings				6,309	72,413	78,722
Miscellaneous				79,206	7,677	86,883
Total General Revenues				1,435,876	80,090	1,515,966
Other Sources (Uses)						
Transfers in (out)				73,917	(73,917)	-
Changes in Net Assets				6,635	(198,566)	(191,931)
Net Assets -- Beginning				2,071,650	4,599,393	6,671,043
				(22,893)	-	(22,893)
Net Assets -- Ending				2,055,392	4,400,827	6,456,219

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

City of Winnsboro, Texas
BALANCE SHEET
Governmental Funds
as of September 30, 2007

	General	Other Funds	Total Governmental Funds
ASSETS			
Cash	496,262	6,713	502,975
Account Receivable, Net of Allowances	254,529	3,259	257,788
Note Receivable	-	-	-
Inventory	2,024	-	2,024
Prepaid Expenses	-	-	-
Due from other funds	-	111,619	111,619
Total Assets	752,815	121,591	874,406
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable and Accrued Expenses	302,645	-	302,645
Deferred Revenue	15,612	3,259	18,871
Due to other funds	111,619	-	111,619
Total Liabilities	429,876	3,259	433,135
Fund Balances			
Reserved for:			
Improvement	-	-	-
Retirement of Long-Term Debt	-	115,294	115,294
Capital Projects	-	-	-
Library	42,370	-	42,370
Designated			
Reported in Special Revenue Funds	-	3,038	3,038
Unreserved and Undesignated			
Reported in the General Fund	280,569	-	280,569
Total Fund Balances	322,939	118,332	441,271
Total Liabilities and Fund Balances	752,815	121,591	874,406

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 for the year ended September 30, 2007

Total Fund Balances - Governmental Funds	441,271
1. Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$4,336,997 and the accumulated depreciation was \$2,625,905. 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.	1,639,010
2. Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2007 capital outlays and debt principal payments is to increase (decrease) net assets.	273,858
3. The 2007 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(223,824)
4. Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of debt as an increase in notes payable and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	<u>(74,923)</u>
Net Assets, of Governmental Activities	<u><u>2,055,392</u></u>

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES--GOVERNMENTAL FUNDS
 for the year ended September 30, 2007

	General	Other Funds	Total Governmental Funds
REVENUES			
Taxes	1,074,075	100,233	1,174,308
Intergovernmental	383,835	30,000	413,835
Charges for services	438,318	-	438,318
Sale of supplies	27,334	-	27,334
Rentals	40,814	-	40,814
EDC coordinator	70,713	-	70,713
Fees	321,465	-	321,465
Interest	6,190	119	6,309
Miscellaneous	67,539	-	67,539
Total Revenues	<u>2,430,283</u>	<u>130,352</u>	<u>2,560,635</u>
EXPENDITURES			
Operating			
Administration	396,910	-	396,910
EDC coordinator	68,947	297	69,244
Police	706,225	-	706,225
Municipal court	51,967	-	51,967
Animal shelter	44,601	-	44,601
Fire/EMS	57,758	-	57,758
Maintenance	288,662	-	288,662
Airport	40,584	-	40,584
Library	111,185	-	111,185
Parks and recreation	67,578	-	67,578
Sanitation	316,501	-	316,501
Intergovernmental	216,862	-	216,862
	<u>2,367,780</u>	<u>297</u>	<u>2,368,077</u>
Capital outlay			
Administration	99,530	-	99,530
Police	92,058	-	92,058
Library	12,617	-	12,617
Fire/EMS	23,170	-	23,170
Maintenance	-	-	-
Airport	-	-	-
Intergovernmental	-	30,000	30,000
	<u>227,375</u>	<u>30,000</u>	<u>257,375</u>
Debt service			
Principal	46,483	-	46,483
Interest	3,097	-	3,097
	<u>49,580</u>	<u>-</u>	<u>49,580</u>
Total Expenditures	<u>2,644,735</u>	<u>30,297</u>	<u>2,675,032</u>
Excess (deficiency) of revenues over expenditures	<u>(214,452)</u>	<u>100,055</u>	<u>(114,397)</u>
OTHER FINANCING SOURCES (USES)			
Lease proceeds	92,058	-	92,058
Operating transfers in	165,000	-	165,000
Operating transfers out	-	(91,083)	(91,083)
Total Other Financing Sources (Uses)	<u>257,058</u>	<u>(91,083)</u>	<u>165,975</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	42,606	8,972	51,578
Fund balance, beginning of year	303,226	109,360	412,586
Prior period adjustment	(22,893)	-	(22,893)
Fund balance, end of year	<u>322,939</u>	<u>118,332</u>	<u>441,271</u>

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 for the year ended September 30, 2007

Total Net Change in Fund Balances - Governmental Funds	51,578
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 2007 capital outlays and debt principal payments is to increase (decrease) net assets.	273,858
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.	(223,824)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of new debt, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	<u>(94,977)</u>
Change in Net Assets of Governmental Activities	<u><u>6,635</u></u>

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas
BUDGETARY COMPARISON SCHEDULE
 General Fund
 for the year ended September 30, 2007

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	880,583	1,064,693	1,074,075	9,382
Intergovernmental	2,400	347,855	383,835	35,980
Charges for services	445,500	438,318	438,318	-
Sale supplies	23,000	27,334	27,334	-
Rentals	33,350	32,394	40,814	8,420
EDC coordinator	70,812	70,713	70,713	-
Fees	279,300	319,618	321,465	1,847
Interest	1,500	3,237	6,190	2,953
Miscellaneous	12,900	47,442	67,539	20,097
Total Revenues	<u>1,749,345</u>	<u>2,351,604</u>	<u>2,430,283</u>	<u>78,679</u>
EXPENDITURES				
Operating				
Administration	430,569	386,575	396,910	(10,335)
EDC coordinator	70,541	69,425	68,947	478
Police	610,539	666,081	706,225	(40,144)
Municipal court	29,804	51,880	51,967	(87)
Animal shelter	43,097	44,508	44,601	(93)
Fire/EMS	54,602	40,214	57,758	(17,544)
Maintenance	242,189	286,341	288,662	(2,321)
Airport	38,553	31,652	40,584	(8,932)
Library	90,500	100,495	111,185	(10,690)
Parks and recreation	50,680	67,578	67,578	-
Sanitation	283,600	317,408	316,501	907
Intergovernmental	-	196,123	216,862	(20,739)
	<u>1,944,674</u>	<u>2,258,280</u>	<u>2,367,780</u>	<u>(109,500)</u>
Capital outlay				
Administration	4,000	100,489	99,530	959
Police	17,450	114,543	92,058	22,485
EDC Coordinator	250	1,175	-	1,175
Municipal court	1,000	-	-	-
Library	1,500	-	12,617	(12,617)
Parks and recreation	16,000	-	-	-
Fire/EMS	25,000	43,177	23,170	20,007
Maintenance	11,500	36,646	-	36,646
Airport	10,000	8,908	-	8,908
	<u>86,700</u>	<u>304,938</u>	<u>227,375</u>	<u>77,563</u>
Debt service				
Principal	-	42,028	46,483	(4,455)
Interest	-	2,241	3,097	(856)
	<u>-</u>	<u>44,269</u>	<u>49,580</u>	<u>(5,311)</u>
Total Expenditures	<u>2,031,374</u>	<u>2,607,487</u>	<u>2,644,735</u>	<u>(37,248)</u>
Excess (deficiency) of revenues over expenditures	<u>(282,029)</u>	<u>(255,883)</u>	<u>(214,452)</u>	<u>41,431</u>
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	92,058	92,058	-
Operating transfers in	150,000	165,000	165,000	-
Operating transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>257,058</u>	<u>257,058</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(132,029)</u>	<u>1,175</u>	<u>42,606</u>	<u>41,431</u>
Fund balance, beginning of year	303,226	303,226	303,226	-
Prior period adjustment	-	-	(22,893)	(22,893)
Fund balance, end of year	<u>171,197</u>	<u>304,401</u>	<u>322,939</u>	<u>18,538</u>

The accompanying notes are an integral part of this statement.

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Winnsboro, Texas
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
as of September 30, 2007

	Enterprise Fund	Total Proprietary Funds
ASSETS		
Current assets		
Cash and cash equivalents	291,136	291,136
Accounts receivable, net of allowances	124,277	124,277
Total current assets	415,413	415,413
RESTRICTED ASSETS		
Cash and cash equivalents	2,384,876	2,384,876
CAPITAL ASSETS		
Land and construction in progress	100,000	100,000
Other capital assets, net of accumulated depreciation	10,632,473	10,632,473
Total capital assets	10,732,473	10,732,473
Total assets	13,532,762	13,532,762
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	7,003	7,003
Note payable, current	33,647	33,647
Total current liabilities	40,650	40,650
Liabilities payable from restricted assets		
Bond interest payable, current	-	-
Certificates of obligation and bonds payable, current	311,000	311,000
Total liabilities payable from restricted assets	311,000	311,000
Non-current liabilities		
Customer deposits	127,176	127,176
Note payable, non-current	151,163	151,163
Certificates of obligation and bonds payable, non-current	8,725,000	8,725,000
Unamortized bond cost/discount (net)	(223,054)	(223,054)
Total non-current liabilities	8,780,285	8,780,285
Total liabilities	9,131,935	9,131,935
NET ASSETS		
Invested in capital assets, net of related debt	1,734,717	1,734,717
Restricted for debt service	1,368,377	1,368,377
Restricted for capital projects	1,016,500	1,016,500
Unrestricted	281,233	281,233
Total net assets	4,400,827	4,400,827

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, 2007

	Enterprise Fund	Total Proprietary Funds
OPERATING REVENUES		
Charges for sales and services	1,342,563	1,342,563
Other	7,677	7,677
Total Operating Revenues	<u>1,350,240</u>	<u>1,350,240</u>
OPERATING EXPENSES		
Personnel costs	372,042	372,042
Contractual expenses	195,473	195,473
Supplies	205,897	205,897
Depreciation and amortization	344,733	344,733
Total Operating Expenses	<u>1,118,145</u>	<u>1,118,145</u>
Net operating income (loss)	<u>232,095</u>	<u>232,095</u>
NONOPERATING REVENUES (EXPENSES)		
Interest revenue	72,413	72,413
Interest expense	<u>(429,157)</u>	<u>(429,157)</u>
Total nonoperating revenues (expenses)	<u>(356,744)</u>	<u>(356,744)</u>
Net income (loss) before contributions and transfers	(124,649)	(124,649)
Capital contributions, grants	-	-
Transfers from other funds	91,083	91,083
Transfers to other funds	<u>(165,000)</u>	<u>(165,000)</u>
Changes in net assets	(198,566)	(198,566)
Net assets, beginning of year	4,599,393	4,599,393
Net assets, end of year	<u><u>4,400,827</u></u>	<u><u>4,400,827</u></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, 2007

	Enterprise Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	1,363,174	1,363,174
Cash payments to suppliers for goods and services	(369,831)	(369,831)
Cash payments to employees for services and benefits	(401,370)	(401,370)
Net cash provided by operating activities	591,973	591,973
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	91,083	91,083
Transfers to other funds	(165,000)	(165,000)
Capital contributions, grants	-	-
Net cash provided by noncapital financing activities	(73,917)	(73,917)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition or construction of capital assets	(29,962)	(29,962)
Note proceeds	-	-
Principal paid on debt	(298,137)	(298,137)
Interest paid on debt (net)	(429,157)	(429,157)
Net cash (used in) capital and related financing activities	(757,256)	(757,256)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	72,413	72,413
Net cash provided by investing activities	72,413	72,413
Net (decrease) in cash and cash equivalents	(166,787)	(166,787)
Cash and cash equivalents, beginning of year	2,842,799	2,842,799
Cash and cash equivalents, end of year	2,676,012	2,676,012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	232,095	232,095
Adjustment to reconcile operating (loss) to net cash provided by operating activities		
Depreciation and amortization	344,733	344,733
Decrease in accounts receivable	9,967	9,967
Increase in accounts payable and accrued expenses	2,211	2,211
Increase in customer deposits	2,967	2,967
Net cash provided by operating activities	591,973	591,973

The accompanying notes are an integral part of this statement.

City of Winnsboro, Texas
NOTES TO THE FINANCIAL STATEMENTS
At September 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

D. FUND ACCOUNTING

The City reports the following major governmental funds:

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

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

Governmental Funds:

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

Additionally, the City reports the following major proprietary fund:

Proprietary Funds:

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

E. OTHER ACCOUNTING POLICIES

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

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

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

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

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	337,623	-	337,623	
Buildings & improvements	1,559,896	-	1,559,896	
Machinery & equipment	1,057,357	-	1,057,357	
Streets	1,382,121	-	1,382,121	
Accumulated depreciation	-	(2,625,905)	(2,625,905)	
Change in Net Assets	4,336,997	(2,625,905)	1,711,092	<u>1,711,092</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			72,082	
Change in Net Assets				<u>72,082</u>
Net Adjustment to Net Assets				<u>1,639,010</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>			
Building & improvement	99,530	99,530	99,530
Machinery & equipment	127,845	127,845	127,845
Total Capital Outlay	<u>227,375</u>	<u>227,375</u>	<u>227,375</u>
<u>Debt Principal Payments</u>			
Note principal	46,483	46,483	46,483
Total Principal Payments	<u>46,483</u>	<u>46,483</u>	<u>46,483</u>
Total Adjustment to Net Assets		<u><u>273,858</u></u>	<u><u>273,858</u></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	23,306	(23,306)	-
Uncollected taxes (assumed collectible) from Current Year Levy	14,225	14,225	14,225
Uncollected Taxes (assumed collectible) from Prior Year Levy	2,910	-	2,910
Effect of prior year tax entry	6,162	6,162	-
Issuance of new debt --			
Capital lease proceeds	92,058	(92,058)	(92,058)
Total		<u><u>(94,977)</u></u>	<u><u>(74,923)</u></u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

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

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

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

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

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

Policies Governing Deposits and Investments

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

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

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

At September 30, 2007, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,172,067 and the bank balance was \$3,311,409. The City's cash deposits at September 30, 2007 and during the year ended September 30, 2007 were not 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, 2007:

- a. **Depository:** First National Bank of Winnsboro

b. The market value of securities pledged as of September 30, 2007 was \$2,773,266.

c. Total amount of FDIC coverage as of September 30, 2007 was \$300,000.

2. **Custodial Credit Risk-Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The City has no investments exposed to custodial credit risk at the end of the period.
3. **Interest-rate Risk –** Interest-rate risk occurs when potential 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.

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 2006 assessed valuation (net of exemptions) was approximately \$137 million levied as a rate of \$0.4515 per hundred dollar valuation. Property tax revenues of \$619 thousand was available.

C. DELINQUENT TAXES RECEIVABLE

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

D. INTERFUND TRANSFERS AND BALANCES

Transfers between funds were as follows:

Transfers to General Fund from:	
Major Enterprise Fund	<u>165,000</u>
Total Transferred to Genral Fund	<u><u>165,000</u></u>
Transfers to Major Enterprise Fund from:	
Nonmajor Governmental Fund	<u>91,083</u>
Total Transferred to Major Enterprise Fund	<u><u>91,083</u></u>

Interfund balances are as follows:

One 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, 2007, were as follows:

	<u>Property Taxes</u>	<u>Charges for Services</u>	<u>Intergovern- mental</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	39,030	41,993	196,924	-	277,947
Nonmajor Governmental Funds	8,147	-	-	-	8,147
Total - Governmental Activities	<u>47,177</u>	<u>41,993</u>	<u>196,924</u>	<u>-</u>	<u>286,094</u>
Amounts not scheduled for collection during the subsequent year	<u>28,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,306</u>
Business Type Activities:					
Major Enterprise Fund	-	124,277	-	-	124,277
Total-Business Type Activities	<u>-</u>	<u>124,277</u>	<u>-</u>	<u>-</u>	<u>124,277</u>
Amounts not scheduled for collection during the subsequent year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Payables at September 30, 2007, were as follows:

	<u>Accounts</u>	<u>Salaries & Benefits</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	255,606	18,594	-	28,445	302,645
Total - Governmental Activities	<u>255,606</u>	<u>18,594</u>	<u>-</u>	<u>28,445</u>	<u>302,645</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	-	7,003	-	-	7,003
Total-Business Type Activities	<u>-</u>	<u>7,003</u>	<u>-</u>	<u>-</u>	<u>7,003</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, 2007, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Land	337,623	-	-	337,623
Streets	1,382,121	-	-	1,382,121
Buildings and improvements	1,559,896	99,530	(65,110)	1,594,316
Machinery and equipment	1,057,357	127,845	(148,259)	1,036,943
Totals at historic cost	<u>4,336,997</u>	<u>227,375</u>	<u>(213,369)</u>	<u>4,351,003</u>
Less accumulated depreciation for:				
Buildings, improvements, machinery and equipment	(2,625,905)	(223,824)	213,369	(2,636,360)
Total accumulated depreciation	<u>(2,625,905)</u>	<u>(223,824)</u>	<u>213,369</u>	<u>(2,636,360)</u>
Governmental activities capital, assets net	<u>1,711,092</u>	<u>3,551</u>	<u>-</u>	<u>1,714,643</u>
Business-Type Activities:				
Land	100,000	-	-	100,000
Water and sewer system	16,217,640	29,961	-	16,247,601
Totals at historic cost	<u>16,317,640</u>	<u>29,961</u>	<u>-</u>	<u>16,347,601</u>
Less accumulated depreciation for:				
Water and sewer system	(5,286,496)	(328,633)	-	(5,615,129)
Total accumulated depreciation	<u>(5,286,496)</u>	<u>(328,633)</u>	<u>-</u>	<u>(5,615,129)</u>
Business-Type Activities Capital assets, net	<u>11,031,144</u>	<u>(298,672)</u>	<u>-</u>	<u>10,732,472</u>
Primary Government Capital assets, net	<u>12,742,236</u>	<u>(295,121)</u>	<u>-</u>	<u>12,447,115</u>

Depreciation expense was charged to governmental functions as follows:

	Governmental Activities	Business-Type Activities
Administration	30,553	-
Police	44,424	-
Municipal court	4,158	-
Animal shelter	6,118	-
Fire/EMS	25,236	-
Maintenance	16,898	-
Airport	8,298	-
Library	13,041	-
Parks and recreation	14,110	-
Sanitation	60,988	-
Water and sewer	-	328,633
	<u>223,824</u>	<u>328,633</u>

G. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2007.

	Balance at 10/01/06	Issued	Retired	Balance at 9/30/07	Due Within One Year
Primary Government					
Governmental Activities:					
Notes payable	18,834	-	(4,455)	14,379	4,874
Leases payable	53,248	92,058	(42,028)	103,278	38,415
Total Governmental Activities	<u>72,082</u>	<u>92,058</u>	<u>(46,483)</u>	<u>117,657</u>	<u>43,289</u>
Business-Type Activities:					
Certificates of obligation	6,122,000	-	(86,000)	6,036,000	121,000
Bonds payable	3,180,000	-	(180,000)	3,000,000	190,000
Loans payable	216,947	-	(32,137)	184,810	33,647
Total Business-Type Activities	<u>9,518,947</u>	<u>-</u>	<u>(298,137)</u>	<u>9,220,810</u>	<u>344,647</u>
Total Primary Government Long-Term Debt	<u>9,591,029</u>	<u>92,058</u>	<u>(344,620)</u>	<u>9,338,467</u>	<u>387,936</u>

The changes in the general long-term debt as of September 30, 2007, follows:

	Original Amount	Terms of Maturity	Payable at 10/1/2006	Additions (Reductions)	Payable at 9/30/2007
E-One Lease	139,745	5.57%	53,248	(16,796)	36,452
		annually			
Ford Motor Credit Company	92,058	6.50%	-	92,058 (25,232)	66,826
		annually			
First National Bank	35,000	4.75%	18,834	(4,455)	14,379
			<u>72,082</u>	<u>45,575</u>	<u>117,657</u>

The annual requirements to amortize general long-term debt as of September 30, 2007, follows:

Years ended 9/30	Principal	Interest	Total
2008	43,289	7,016	50,305
2009	45,858	4,447	50,305
2010	28,510	1,723	30,233
2011	-	-	-
2012	-	-	-
	<u>117,657</u>	<u>13,186</u>	<u>130,843</u>

The City entered into a capital lease purchase agreement during October, 2006 with Ford Motor Credit Company for the purpose of acquiring four vehicles. The amount capitalized was \$92,058, the minimum annual payments of principal and interest are \$25,231 and the interest rate is approximately 6.5%. The lease will be paid off in October, 2009.

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, 2007.

	Original Amount	Interest Rate & Terms	Payable at 10/1/2006	Additions (Reductions)	Payable at 9/30/2007
Certificates of Obligation, Series 2005	1,060,000	serially -	1,050,000	(25,000)	1,025,000
Certificates of Obligation, Series 1996	750,000	serially 4.50%	672,000	(11,000)	661,000
Refunding Revenue Bonds Series 1999	4,060,000	serially 4.50-5.75%	3,180,000	(180,000)	3,000,000
Tx DOT Loan	331,700	4.70%	216,947	(32,137)	184,810
Combination Tax and Revenue Certificates of Obligation, Series 2003	4,500,000	serially 4.51-5.35%	4,400,000	(50,000)	4,350,000
			<u>9,518,947</u>	<u>(298,137)</u>	<u>9,220,810</u>

The annual requirements to amortize debt as of September 30, 2007, follows:

Years Ended 9/30	Principal	Interest	Total
2008	344,647	413,182	757,829
2009	357,228	398,510	755,738
2010	373,884	382,870	756,754
2011	391,618	366,371	757,989
2012	409,433	348,775	758,208
2013-2017	2,358,000	1,435,239	3,793,239
2018-2022	2,997,000	787,994	3,784,994
2023-2027	1,686,000	148,386	1,834,386
2028-2032	153,000	51,549	204,549
2033-2036	150,000	13,861	163,861
	<u>9,220,810</u>	<u>4,346,737</u>	<u>13,567,547</u>

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

The City is in compliance with all bond ordinance requirements. All required monthly transfers to reserve funds are being made. The reserve fund has a balance of \$1,368,377 at September 30, 2007, and is reflected as restricted for debt service.

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

H. RETIREMENT PLAN

Plan Description

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

Benefits

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

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

Contributions

The contribution rate for the employees is 5%, and the City's matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City's matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases its annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2006 valuation is effective for rates beginning in January 2008)

H. RETIREMENT PLAN (continued)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2006
Actuarial Value of Assets	\$1,065,896
Actuarial Accrued Liability	\$1,363,843
Percentage Funded	78.15%
Unfunded (Over-Funded) Actuarial Accrued Liability (UAAL)	\$297,947
Annual Covered Payroll	\$1,004,208
UAAL as a Percentage of Covered Payroll	29.67%
Net Pension Obligation (NPO) at the Beginning of Period	-
Annual Pension Cost:	
Annual required contribution (ARC)	85,096
	<hr/>
Contributions Made	
Increase in NPO	(85,096)
	<hr/>
NPO at the end of the period	-

The City of Winnsboro is one of 821 municipalities having the benefit plan administered by TMRS. Each of the 821 municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12/31/2006 valuations are contained in the 2006 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 2007, 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. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$22,893 was made to the general fund beginning fund balance to correct for municipal court fees from prior years that was incorrectly reflected as revenue that should have been classified as a liability account that reflects amounts available for use by the municipal court for future purchases.

N. COMPLIANCE WITH BOND ORDINANCES

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

A. Insurance

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

B. Customers at September 30, 2007

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

O. HEALTH CARE COVERAGE

During the year ended September 30, 2007, 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, 2007 and terms of coverage and premium costs are included in the contractual provisions.

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

City of Winnsboro, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
 for the year ended September 30, 2007

	TCDP Grant #724831	ORCA Step Grant #726146	ORCA Step Grant #727510	Rural Entrepreneurship Grant	Total Nonmajor Special Revenue Funds	I&S Tax Revenues	Total Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS								
Cash	3,335	-	(198)	(99)	3,038	3,675	3,675	6,713
Account receivable, net of allowance	-	-	-	-	-	3,259	3,259	3,259
Due from other funds	-	-	-	-	-	111,619	111,619	111,619
Prepaid expenses	-	-	-	-	-	-	-	-
Total Assets	<u>3,335</u>	<u>-</u>	<u>(198)</u>	<u>(99)</u>	<u>3,038</u>	<u>118,553</u>	<u>118,553</u>	<u>121,591</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accrued expenses	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	3,259	3,259	3,259
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,259</u>	<u>3,259</u>	<u>3,259</u>
Fund Balances								
Reserved for:								
Retirement of long-term debt	-	-	-	-	-	115,294	115,294	115,294
Capital projects	-	-	-	-	-	-	-	-
Designated for:								
Reported in special revenue funds	3,335	-	(198)	(99)	3,038	-	-	3,038
Total fund balances	<u>3,335</u>	<u>-</u>	<u>(198)</u>	<u>(99)</u>	<u>3,038</u>	<u>115,294</u>	<u>115,294</u>	<u>118,332</u>
Total liabilities and fund balances	<u>3,335</u>	<u>-</u>	<u>(198)</u>	<u>(99)</u>	<u>3,038</u>	<u>118,553</u>	<u>118,553</u>	<u>121,591</u>

City of Winnsboro, Texas
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES--NONMAJOR GOVERNMENTAL FUNDS**
 for the year ended September 30, 2007

	TCDP Grant #724831	ORCA Step Grant #726146	ORCA Step Grant #727510	Rural Entrepreneurship Grant	Total Nonmajor Special Revenue Funds	I&S Tax Revenues	Total Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES								
Taxes	-	-	-	-	-	100,233	100,233	100,233
Intergovernmental	-	30,000	-	-	30,000	-	-	30,000
Interest	-	-	-	-	-	119	119	119
Total Revenues	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>100,352</u>	<u>100,352</u>	<u>130,352</u>
EXPENDITURES								
Operating	-	-	198	99	297	-	-	297
Capital outlay								
Intergovernmental	-	30,000	-	-	30,000	-	-	30,000
Total Expenditures	<u>-</u>	<u>30,000</u>	<u>198</u>	<u>99</u>	<u>30,297</u>	<u>-</u>	<u>-</u>	<u>30,297</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(198)</u>	<u>(99)</u>	<u>(297)</u>	<u>100,352</u>	<u>100,352</u>	<u>100,055</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	(91,083)	(91,083)	(91,083)
Total Other Financing sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,083)</u>	<u>(91,083)</u>	<u>(91,083)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>-</u>	<u>(198)</u>	<u>(99)</u>	<u>(297)</u>	<u>9,269</u>	<u>9,269</u>	<u>8,972</u>
Fund balance, beginning of year	<u>3,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,335</u>	<u>106,025</u>	<u>106,025</u>	<u>109,360</u>
Fund balance, end of year	<u>3,335</u>	<u>-</u>	<u>(198)</u>	<u>(99)</u>	<u>3,038</u>	<u>115,294</u>	<u>115,294</u>	<u>118,332</u>

SUPPLEMENTARY INFORMATION

City of Winnsboro, Texas
 BUDGETARY COMPARISON SCHEDULE
 Debt Service Fund
 for the year ended September 30, 2007

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Taxes	96,283	96,803	100,233	3,430
Interest	500	95	119	24
Total revenues	<u>96,783</u>	<u>96,898</u>	<u>100,352</u>	<u>3,454</u>
EXPENDITURES				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>96,783</u>	<u>96,898</u>	<u>100,352</u>	<u>3,454</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(96,783)</u>	<u>(96,898)</u>	<u>(91,083)</u>	<u>5,815</u>
Total other financing sources (uses)	<u>(96,783)</u>	<u>(96,898)</u>	<u>(91,083)</u>	<u>5,815</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	-	9,269	9,269
Fund balance, beginning of year	106,025	106,025	106,025	-
Fund balance, end of year	<u>106,025</u>	<u>106,025</u>	<u>115,294</u>	<u>9,269</u>

FEDERAL AWARDS SECTION



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

Certified Public Accountants And Consultants

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

MEMBER

American Institute Of
Certified Public Accountants

Texas State Society Of
Certified Public Accountants

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

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

Members of the Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The City of Winnsboro, Texas as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and is reflected as item 07-1 in the accompanying schedule of findings and questioned costs.

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.

January 4, 2008

City of Winnsboro, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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*.

07-1 Depository coverage provided by the depository bank was insufficient to cover the City's deposits at September 30, 2007

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, 2007

N/A

City of Winnsboro, Texas
CORRECTIVE ACTION PLAN
For the year ended September 30, 2007

ITEM # CORRECTIVE ACTION PLAN

07-1 The City will check the coverage now as compared to deposits and ask the bank to increase if needed. The City will notify the bank in the future when deposits are going to increase significantly.

City of Winnsboro, Texas
FEDERAL PROGRAM PROJECT SCHEDULE
PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2007

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

	<u>Budget</u>	<u>Federal Current Year</u>	<u>Local Current Year</u>	<u>Total</u>
REVENUE				
Federal	154,509	30,000	-	30,000
Local	-	-	-	-
Total	<u>154,509</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
EXPENSES				
Federal				
Water Facilities	85,509	-	-	-
Engineering	44,000	26,500	-	26,500
Administration	<u>25,000</u>	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Total	<u>154,509</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
EXCESS (DEFICIT) REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

City of Winnsboro, Texas
 FEDERAL PROGRAM PROJECT SCHEDULE
 PROJECTS THAT ENDED OR WERE IN OPERATION DURING
 the year ended September 30, 2007

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

	<u>Budget</u>	<u>Federal Current Year</u>	<u>Local Current Year</u>	<u>Total</u>
REVENUE				
Federal	250,000	-	-	-
Local	<u>50,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>300,400</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES				
Federal				
Water Facilities	220,400	-	-	-
Engineer / Architecture	29,600	-	-	-
Local				
Administration	27,320	-	198	198
Water Facilities	23,080	-	-	-
Engineer / Architecture	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>300,400</u>	<u>-</u>	<u>198</u>	<u>198</u>
EXCESS REVENUE OVER (EXPENSES)	<u>-</u>	<u>-</u>	<u>(198)</u>	<u>(198)</u>

City of Winnsboro, Texas
FEDERAL PROGRAM PROJECT SCHEDULE
PROJECTS THAT ENDED OR WERE IN OPERATION DURING
the year ended September 30, 2007

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

	<u>Budget</u>	<u>Federal</u> <u>Prior</u> <u>Year</u>	<u>Federal</u> <u>Current</u> <u>Year</u>	<u>Local</u> <u>Prior</u> <u>Year</u>	<u>Local</u> <u>Current</u> <u>Year</u>	<u>Total</u>
REVENUE						
Federal	249,600	-		-	-	-
Local	-	-		-	19,934	19,934
Total	<u>249,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,934</u>	<u>19,934</u>
EXPENSES						
Federal						
Housing	240,000	-	189,350	-	-	189,350
Administration	9,600	-	7,574	-	-	7,574
Local						
Housing	-	-	-	-	700	700
Administration	-	-	-	-	19,234	19,234
Total	<u>249,600</u>	<u>-</u>	<u>196,924</u>	<u>-</u>	<u>19,934</u>	<u>216,858</u>
EXCESS REVENUE OVER EXPENSES	<u>-</u>	<u>-</u>	<u>(196,924)</u>	<u>-</u>	<u>-</u>	<u>(196,924)</u>