

CITY OF WINNSBORO, TEXAS

FINANCIAL STATEMENTS

September 30, 2011



PRINCIPAL OFFICIALS

September 30, 2011

CITY COUNCIL

CAROLYN JONES, MAYOR

RONNY KNIGHT, MAYOR PRO TEM

BEN AMERSON

BILLIE RUTH SUTHERLAND

LAURA MAURO

LORI WHORFF

CITY ADMINISTRATOR

NINA BROWNING

CITY SECRETARY

VICKIE BRENTON

FINANCIAL OFFICER

BRENDA UHLENHOPP

CITY OF WINNSBORO
SEPTEMBER 30, 2011
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Winnsboro, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Texas, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2012, on our consideration of the City of Winnsboro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Winnsboro, Texas' financial statements as a whole. The supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Karen A. Jacks & Associates, P.C.
Karen A. Jacks & Associates, P.C.

Longview, Texas
January 5, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Winnsboro's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

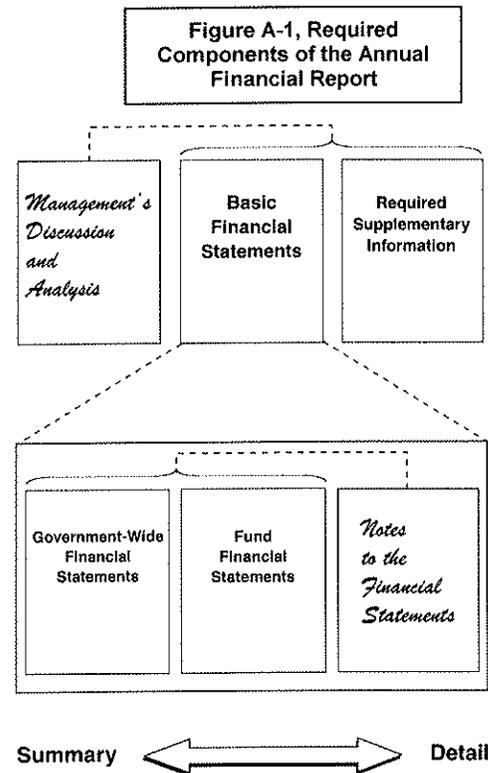
FINANCIAL HIGHLIGHTS

- The City sales tax revenue exceeded budget by 6.95% which reflects the growth in our area.
- We experienced increased revenue in our Sanitation Department with the "roll-off" usage by new construction consisting of the new wing at the Autumn Winds Assisted Living Center, BankTexas new facility, ABC Auto and additions to our Hospital facility.
- A refunding bond issue in the amount of \$8,945,000 retired existing City debt and is expected to save the City over \$600,000 in interest over the bond term.
- Property tax revenue was at 96% of the levied amount.
- Upgrades began on the auditorium and building of restrooms at the City park.

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 both *long-term* and *short-term* information about the City's overall financial status.
- 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.



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

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

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: self insurance	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

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

- 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, one needs to consider additional non-financial factors such as changes in the City's tax base.

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

Fund Financial Statements

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

- 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 two 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets (See Table A-1). The City's Governmental activity net assets were \$2,234,070 at September 30, 2011, an increase of 26% over the prior year.

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

	Governmental Activities		% Change	Business Activities		Total Activities		% Change
	2011	2010		2010-2011	2011	2010	2011	
Assets:								
Current and other assets	2,910,207	277,541	949%	2,603,127	2,341,217	5,513,334	2,618,758	111%
Capital and non-current assets	1,820,706	1,935,445	-6%	9,875,548	10,186,297	11,695,254	12,121,742	-4%
Total assets	4,730,913	2,212,986	114%	12,478,675	12,527,514	17,209,588	14,740,500	17%
Liabilities:								
Current liabilities:	168,357	166,797	1%	250,510	401,673	418,867	568,470	-26%
Long-term liabilities	2,328,486	196,116	1087%	7,904,458	7,735,407	10,232,944	7,931,523	29%
Total Liabilities	2,496,843	362,913	588%	8,154,968	8,137,080	10,651,811	8,499,993	25%
Net Assets:								
Invested in capital assets net of related debt	1,495,036	1,679,648	-11%	1,971,090	2,041,246	3,466,126	3,720,894	-7%
Restricted	601,241	148,363	305%	1,869,289	2,116,696	2,470,530	2,265,059	9%
Unrestricted	137,793	22,062	525%	483,328	232,492	621,121	254,554	144%
Total Net Assets	2,234,070	1,850,073	21%	4,323,707	4,390,434	6,557,777	6,240,507	5%

In November, 2010, the City issued \$2,300,000, City of Winnsboro, Limited Tax Notes, Series 2010. \$2,000,000 of the proceeds will be used to fund street repairs and \$300,000 is reserved for a new clearwell for water system improvement. The majority of the work is scheduled to be completed in the 2012 budget year. Current asset increases reflect the funding held in reserve for the street and water system work.

In September, 2011, the City refunded the Tax Notes, Series 2010, Combined Tax and Revenue Certificates of Obligation, Series 1996 and 2003, and Waterworks and Sewer System Refunding & Improvement Bonds, Series 1999 in order to lower the overall debt service requirements of the City, restructure the annual debt service payments and to pay the costs associated with the issuance of the Bonds.

Long-term liabilities increased to include the new debt of \$2.3 million.

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 \$621,121 of unrestricted net assets represents resources available to fund the programs of the City for the next fiscal year.

Of total net assets, \$2,470,530 is restricted as follows:

Restricted for debt service	\$ 709,270
Restricted for capital projects	1,656,417
Restricted for federal grants	32,162
Other restrictions	72,681

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

Governmental Activities - The City's total revenue for governmental activities was \$2,577,146. 32% of this came from property taxes, 26% came from sales taxes and other taxes, and 35% came from charges for services.

The total cost of all programs was \$4,373,661. Approximately 19% of this was for police, 9% was for administration, and 39% was for water and sewer services.

Governmental Activities

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

	Governmental Activities		Business Activities		Total Activities		% Change 2010-2011
	2011	2010	2011	2010	2011	2010	
Revenues:							
Charges for Services	896,954	623,733	1,610,302	1,568,064	2,507,256	2,191,797	14%
Operating Grants and Contributions	37,369	177,022	-	-	37,369	177,022	-79%
Capital Grants	-	179,068	-	8,255	-	187,323	-100%
General Revenues:							
Property Taxes	817,584	733,078	-	-	817,584	733,078	12%
Other Taxes	678,522	478,725	-	-	678,522	478,725	42%
Investment Earnings	10,173	1,162	30,132	40,479	40,305	41,641	-3%
Other	58,739	307,654	70,867	2,565	129,606	310,219	-58%
Total Revenues	2,499,341	2,500,442	1,711,301	1,619,363	4,210,642	4,119,805	2%
Expenditures:							
Administration	413,413	441,820	-	-	413,413	441,820	-6%
Economic Development	92,782	72,051	-	-	92,782	72,051	29%
Police	809,174	821,871	-	-	809,174	821,871	-2%
Municipal court	60,764	58,391	-	-	60,764	58,391	4%
Animal shelter	50,804	52,733	-	-	50,804	52,733	-4%
Fire	75,259	81,995	-	-	75,259	81,995	-8%
Maintenance	297,626	301,853	-	-	297,626	301,853	-1%
Airport	56,724	36,075	-	-	56,724	36,075	57%
Library	147,880	150,270	-	-	147,880	150,270	-2%
Parks and recreation	61,544	58,322	-	-	61,544	58,322	6%
Sanitation	531,259	469,556	-	-	531,259	469,556	13%
Intergovernmental	-	12,127	-	-	-	12,127	-100%
Debt service-interest and fees	56,771	9,043	-	-	56,771	9,043	528%
Water and sewer	-	-	1,719,661	1,744,001	1,719,661	1,744,001	-1%
Total Expenses	2,654,000	2,566,107	1,719,661	1,744,001	4,373,661	4,310,108	1%
Transfers In (Out)	77,805	17,782	(77,805)	(17,782)	-	-	
Net Assets (NA) - Beginning	1,850,073	1,901,809	4,390,434	4,532,854	6,240,507	6,434,663	-3%
Adjustment to NA -Beginning	460,851	(3,853)	19,438	-	480,289	(3,853)	
Change in Net Assets	(76,854)	(47,883)	(86,165)	(142,420)	(163,019)	(190,303)	-14%
Net Assets (NA) - Ending	2,234,070	1,850,073	4,323,707	4,390,434	6,557,777	6,240,507	5%

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

- The cost of all *governmental* activities this year was \$2,654,000,
- The amount that City taxpayers funded for these activities through property taxes was \$817,584. Some of the cost was paid by those who directly benefited from the programs (\$896,954), or by grants and contributions (\$37,369).

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

	Total Cost			Net Cost		
	<u>2011</u>	<u>2010</u>	<u>2011-2010</u>	<u>2011</u>	<u>2010</u>	<u>2011-2010</u>
Administration	413,413	441,820	-6%	400,852	361,251	11%
Police	809,174	821,871	-2%	809,174	775,829	4%
Maintenance	297,626	301,853	-1%	297,626	134,893	121%
Sanitation	531,259	469,556	13%	(85,467)	(77,955)	10%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City reported fund balance in its governmental funds of \$2,558,600 at September 30, 2011. This balance is composed of the following:

General Fund	\$2,062,202
Debt Service	171,100
Special Revenue Funds	325,298

Of the fund balance in the General Fund, \$1,945,115 is restricted for street improvements and \$104,843 is restricted for municipal court, civic center, and library operations.

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

General Operating Fund Budgetary Highlights

Actual expenditures exceeded the final budget by \$2,301,989. However, the primary cause of that result was related to retirement of debt and related costs totaling \$2,239,761 that were not included in the original budget but that were funded by a refunding bond issue.

Total revenues for the year exceeded budget by \$229,627 and, excluding transactions related to debt issuance and repayment, the City's general fund produced a net addition to fund balance in the amount of \$97,993.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Land and construction in progress	\$ 552,536	\$ 552,536	0%	\$ 126,899	\$ 100,000	27%
Buildings and improvements	1,630,950	1,630,950	0%	-	-	
Machinery and equipment	1,340,431	1,316,095	2%	-	-	
Water and sewer system	-	-		16,698,360	16,698,360	0%
Streets	1,490,121	1,490,121	0%	-	-	
Totals at historical cost	<u>5,014,038</u>	<u>4,989,702</u>	0%	<u>16,825,259</u>	<u>16,798,360</u>	0%
Total accumulated depreciation	(3,193,332)	(3,054,257)	5%	(6,949,711)	(6,612,063)	5%
Net capital assets	<u>\$ 1,820,706</u>	<u>\$ 1,935,445</u>	-6%	<u>\$ 9,875,548</u>	<u>\$ 10,186,297</u>	-3%

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

Long Term Debt

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

	Governmental Activities		Total Percentage Change	Business-Type Activities		Total Percentage Change
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
Certificates of obligation	-	-		870,000	5,666,000	-85%
Bonds payable	2,132,387	-		6,994,025	2,400,000	191%
Notes payable	114,657	156,359	-27%	40,433	79,051	-49%
Leases payable	81,442	99,438	-18%	-	-	
Total Debt	<u>2,328,486</u>	<u>255,797</u>	810%	<u>7,904,458</u>	<u>8,145,051</u>	-3%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's 2011-12 budget is expected to raise more total property tax revenues than in the prior year as a result of a tax rate increase from \$.50 to \$.52/\$100 of assessed value. The increased revenue is projected to amount to approximately \$31,000. Sales tax revenues are also expected to continue on an upward trend.

In response to economic strains in the City's local and regional area, significant cost-cutting measures were implemented with the 2011-12 budget, including the elimination of four staff positions, no salary increases for the remainder of City staff, and reduction of the City's retirement contribution ratio. In spite of those changes, city services were maintained at the same level for the benefit of the citizens of Winnsboro.

The 2011-12 budget also provides for the accumulation of a \$100,000 reserve in the general fund. Capital outlay in the amount of \$2,445,788 in the general fund and \$293,000 in the utility fund includes a \$2,000,000 street improvement project funded by the proceeds of a tax maintenance note in FY2011.

The budget for FY 2012 was approved by the City Council during its regular September Council meeting held on the 14th day of the month.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF WINNSBORO, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	WEDC
ASSETS				
Cash and cash equivalents	\$ 370,496	\$ 23,535	\$ 394,031	\$ 74,314
Temporary investments	1,896	180,037	181,933	330,886
Receivables (net of allowance for uncollectibles):				
Taxes	27,680	-	27,680	-
Accounts, net	34,687	206,838	241,525	-
Notes	275,917	-	275,917	-
Other	64,378	-	64,378	-
Due from other governments	39,095	-	39,095	18,268
Due from other funds	-	19,730	19,730	-
Restricted cash and temporary investments	1,945,115	1,900,023	3,845,138	-
Inventory	11,994	-	11,994	31,670
Debt issuance costs, net of amortization	138,949	272,964	411,913	-
Capital assets (net of accumulated depreciation):				
Land	552,536	100,000	652,536	-
Streets	609,183	-	609,183	-
Water and sewer system	-	9,748,649	9,748,649	-
Buildings and improvements	408,481	-	408,481	-
Machinery and equipment	250,506	-	250,506	-
Construction in progress	-	26,899	26,899	-
Total assets	<u>4,730,913</u>	<u>12,478,675</u>	<u>17,209,588</u>	<u>455,138</u>
LIABILITIES				
Accounts payable	91,503	24,462	115,965	8,829
Accrued expenses	216	-	216	-
Accrued wages	38,547	27,605	66,152	-
Payable to other government	1,754	-	1,754	-
Accrued interest payable	16,607	32,572	49,179	-
Due to other funds	19,730	-	19,730	-
Customer deposits	-	165,871	165,871	-
Noncurrent liabilities:				
Due within one year	86,736	165,433	252,169	-
Due in more than one year	2,241,750	7,739,025	9,980,775	-
Total liabilities	<u>2,496,843</u>	<u>8,154,968</u>	<u>10,651,811</u>	<u>8,829</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,495,036	1,971,090	3,466,126	-
Restricted for:				
Debt service	171,100	538,170	709,270	-
Other purposes	430,141	1,331,119	1,761,260	-
Unrestricted	137,793	483,328	621,121	446,309
Total net assets	<u>\$ 2,234,070</u>	<u>\$ 4,323,707</u>	<u>\$ 6,557,777</u>	<u>\$ 446,309</u>

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Component Unit	
				Governmental Activities	Business-type Activities	Total	WEDC
Primary government:							
Governmental activities:							
Administration	\$ 413,413	\$ 12,561	\$ -	\$ (400,852)	\$ -	\$ (400,852)	\$ -
Economic development	92,782	74,693	37,369	19,280	-	19,280	269,385
Fire	75,259	-	-	(75,259)	-	(75,259)	-
Police	809,174	-	-	(809,174)	-	(809,174)	-
Animal shelter	50,804	-	-	(50,804)	-	(50,804)	-
Municipal court	60,764	112,824	-	52,060	-	52,060	-
Maintenance	297,626	-	-	(297,626)	-	(297,626)	-
Sanitation	531,259	616,726	-	85,467	-	85,467	-
Parks and recreation	61,544	45,465	-	(16,079)	-	(16,079)	-
Airport	56,724	34,665	-	(22,039)	-	(22,039)	-
Library	147,880	-	-	(147,880)	-	(147,880)	-
Debt service	56,771	-	-	(56,771)	-	(56,771)	-
Total governmental activities	2,654,000	896,954	37,369	(1,719,677)	-	(1,719,677)	-
Business-type activities:							
Utility Fund	1,719,661	1,610,302	-	-	(109,359)	(109,359)	-
Total primary government	\$ 4,373,661	\$ 2,507,256	\$ 37,369	\$ (1,719,677)	\$ (109,359)	\$ (1,829,036)	\$ -
Component unit:							
WEDC	\$ 269,385	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (269,385)
General revenues							
Property taxes				817,584	-	817,584	-
Sales taxes				494,621	-	494,621	246,058
Franchise taxes				177,664	-	177,664	-
Other taxes				6,237	-	6,237	-
Unrestricted investment earnings				10,173	30,132	40,305	3,440
Contributions and donations				31,764	-	31,764	24,689
Miscellaneous				26,975	70,867	97,842	1,426
Transfers				77,805	(77,805)	-	-
Total general revenues and transfers				1,642,823	23,194	1,666,017	275,613
Change in net assets				(76,854)	(86,165)	(163,019)	6,228
Net assets - beginning				1,850,073	4,390,434	6,240,507	742,705
Prior period adjustment				460,851	19,438	480,289	(302,624)
				2,310,924	4,409,872	6,720,796	440,081
Net assets - ending				\$ 2,234,070	\$ 4,323,707	\$ 6,557,777	\$ 446,309

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

CITY OF WINNSBORO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND OTHER DEBITS:			
Cash and cash equivalents	\$ 269,043	\$ 101,453	\$ 370,496
Temporary investments	1,896	-	1,896
Receivables:			
Taxes, net	22,621	5,059	27,680
Notes	-	275,917	275,917
Due from other governments	39,095	-	39,095
Due from other funds		117,569	117,569
Other	64,378	-	64,378
Restricted cash and temporary investments	1,945,115	-	1,945,115
Inventory	<u>11,994</u>	<u>-</u>	<u>11,994</u>
TOTAL ASSETS	<u>\$ 2,354,142</u>	<u>\$ 499,998</u>	<u>\$ 2,854,140</u>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 91,503	\$ -	\$ 91,503
Accrued wages	38,547	-	38,547
Accrued expenses	216	-	216
Due to other funds	137,299	-	137,299
Due to other governments	1,754	-	1,754
Unearned revenues	<u>22,621</u>	<u>3,600</u>	<u>26,221</u>
TOTAL LIABILITIES	<u>291,940</u>	<u>3,600</u>	<u>295,540</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
Inventory	11,994	-	11,994
Long-term notes receivable	-	275,917	275,917
Restricted Fund Balances:			
Capital acquisitions & contractual obligations	1,945,115	-	1,945,115
Debt service	-	171,100	171,100
Other restrictions of fund balance	104,843	49,381	154,224
Unassigned	<u>250</u>	<u>-</u>	<u>250</u>
TOTAL FUND BALANCES	<u>2,062,202</u>	<u>496,398</u>	<u>2,558,600</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,354,142</u>	<u>\$ 499,998</u>	<u>\$ 2,854,140</u>

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

CITY OF WINNSBORO, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

Total fund balances - governmental funds balance sheet	\$ 2,558,600
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds	1,820,706
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	26,221
Payables for bond principal which are not due in the current period are not reported in the funds.	(2,328,486)
Payables for bond interest which are not due in the current period are not reported in the funds.	(16,607)
Court fines receivable unavailable to pay for current period expenditures are not reported in the funds.	34,687
Debt issuance costs are amortized in the statement of net assets but not in the funds.	<u>138,949</u>
Net assets of governmental activities - statement of net assets	<u><u>\$ 2,234,070</u></u>

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 699,438	\$ 98,928	\$ 798,366
Penalty and interest	15,088	1,547	16,635
Sales tax	494,621	-	494,621
Franchise taxes	177,664	-	177,664
Other taxes	-	6,237	6,237
Fines and forfeitures	123,982	-	123,982
Licenses and permits	12,561	-	12,561
Sanitation fees, net	616,725	-	616,725
Investment income	6,028	4,145	10,173
Airport revenues	34,684	-	34,684
Rents	45,465	-	45,465
Donations	31,764	-	31,764
Services to other governments	112,062	-	112,062
Miscellaneous	26,682	294	26,976
TOTAL REVENUES	2,396,764	111,151	2,507,915
EXPENDITURES:			
Administration	400,421	-	400,421
Economic development	70,564	22,218	92,782
Fire	63,578	-	63,578
Police	779,292	-	779,292
Animal shelter	48,019	-	48,019
Municipal court	58,380	-	58,380
Maintenance	296,271	-	296,271
Sanitation	486,069	-	486,069
Parks and recreation	54,770	-	54,770
Airport	62,334	-	62,334
Library	140,574	-	140,574
Debt service -principal	2,054,699	-	2,054,699
-interest	46,114	-	46,114
-fees and issuance costs	138,948	-	138,948
TOTAL EXPENDITURES	4,700,033	22,218	4,722,251
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	(2,303,269)	88,933	(2,214,336)
OTHER FINANCING SOURCES (USES):			
Loan proceeds	1,995,001	-	1,995,001
Bond proceeds	2,090,000	-	2,090,000
Premium on issuance of bonds	42,387	-	42,387
Prepaid interest	-	5,950	5,950
Transfers in (out)-net	161,501	(83,696)	77,805
TOTAL OTHER FINANCING SOURCES (USES)	4,288,889	(77,746)	4,211,143
NET CHANGE IN FUND BALANCES	1,985,620	11,187	1,996,807
FUND BALANCE, OCTOBER 1, 2010	699	148,363	149,062
PRIOR PERIOD ADJUSTMENT	75,883	336,848	412,731
RESTATED FUND BALANCE, OCTOBER 1, 2010	76,582	485,211	561,793
FUND BALANCE, SEPTEMBER 30, 2011	\$ 2,062,202	\$ 496,398	\$ 2,558,600

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

CITY OF WINNSBORO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds	\$ 1,996,807
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	24,336
The depreciation of capital assets used in governmental activities is not reported in the funds.	(139,076)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	2,584
Increase (decrease) in court fines receivable.	(11,158)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,054,699
(Increase) decrease in accrued interest from beginning of period to end of period.	(16,607)
Long-term debt proceeds are reported as revenues in the funds but not in the SOA.	(4,127,388)
Loss on defeasance of debt is amortized in the SOA but not in the funds.	35,001
Debt issuance costs are amortized in the SOA but not in the funds.	<u>103,948</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ (76,854)</u></u>

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2011

	Utilities Fund
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 23,535
Temporary investments	180,037
Receivables:	
Accounts	206,838
Due from other funds	19,730
Restricted assets:	
Cash and temporary investments	1,900,023
Noncurrent assets:	
Capital assets, net	9,875,548
Debt issuance costs, net	272,964
TOTAL ASSETS	12,478,675
LIABILITIES:	
Current liabilities:	
Accounts payable	24,462
Accrued wages	27,605
Accrued interest payable	32,572
Customer deposits	165,871
Noncurrent liabilities:	
Due within one year	165,433
Due in more than one year	7,739,025
TOTAL LIABILITIES	8,154,968
NET ASSETS	
Invested in capital assets, net of related debt	1,971,090
Restricted for debt service	538,170
Restricted for capital projects	1,331,119
Unrestricted	483,328
TOTAL NET ASSETS	\$ 4,323,707

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Utilities Fund
OPERATING REVENUES:	
Charges for services	\$ 1,579,988
Penalties	30,314
Miscellaneous	70,867
TOTAL OPERATING REVENUES	1,681,169
OPERATING EXPENSES:	
Personnel costs	434,366
Contractual services	213,040
Supplies and other expenses	328,469
Depreciation	337,648
TOTAL OPERATING EXPENSES	1,313,523
OPERATING INCOME	367,646
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	30,132
Interest expense and fees	(406,138)
TOTAL NONOPERATING REVENUES (EXPENSES)	(376,006)
TRANSFERS IN (OUT)	(77,805)
CHANGE IN NET ASSETS	(86,165)
TOTAL NET ASSETS - BEGINNING	4,390,434
PRIOR PERIOD ADJUSTMENT	19,438
RESTATED TOTAL NET ASSETS - BEGINNING	4,409,872
TOTAL NET ASSETS - ENDING	\$ 4,323,707

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers for water sales and sewer service	\$ 1,638,418
Cash receipts (payments) from (to) customers for deposits	9,143
Cash payments to employees	(430,946)
Cash payments for goods and services	(517,163)
	699,452
NET CASH PROVIDED BY OPERATING ACTIVITIES	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	(77,805)
Advances to other funds	(19,730)
	(97,535)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on debt	(7,539,617)
Interest paid on debt	(373,566)
Debt issuance costs	(98,210)
Loan proceeds	7,299,025
	(712,368)
NET CASH USED BY FINANCING ACTIVITIES	
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment earnings	30,132
Purchase of certificates of deposit	(2,080,060)
Purchase of assets	(26,899)
	(2,076,827)
NET CASH USED BY INVESTING ACTIVITIES	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,187,278)
CASH AND CASH EQUIVALENTS - OCTOBER 1, 2010	2,210,813
CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2011	\$ 23,535
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 367,646
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	337,648
(Increase) decrease in accounts receivable	(42,751)
Increase (decrease) in customer deposits	9,143
Increase (decrease) in accounts payable	24,346
Increase (decrease) in accrued wages	3,420
Total adjustments	331,806
Net cash provided by operating activities	\$ 699,452

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

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. FINANCIAL REPORTING ENTITY

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

COMPONENT UNIT

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

DISCRETELY PRESENTED COMPONENT UNITS

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental fund:

General Fund

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

The City reports the following major proprietary fund:

Utility Fund

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

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

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

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

D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

E. INTERFUND RECEIVABLES AND PAYABLES

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

F. ESTIMATES

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

G. CASH EQUIVALENTS

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

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. RISK MANAGEMENT

The city is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2011, the City purchased insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding liability insurance coverage for each of the past three fiscal years.

I. CAPITAL ASSETS

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

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

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

J. FUND BALANCES - GOVERNMENTAL FUNDS

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

CITY OF WINNSBORO, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Finance-Related Legal and Contractual Provisions

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

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

Deficit Fund Balances or Fund Net Assets of Individual Funds

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

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

NOTE 3 - PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of the previous January 1 for all real and personal property located in the City. The assessment ratio of the City is 100 percent of market value. The assessed value for the roll as of January 1, 2010 upon which the 2011 fiscal-year levy was based, was \$ 161,055,762 and the tax levy was set at \$.50 per \$100 of assessed valuation.

Taxes were due in January following the October 1 statement date. Tax collections during the fiscal year ended September 30, 2011, for the fiscal 2011 tax levy were 97.24 percent of the total tax levy for that year.

Delinquent taxes as of September 30, 2011, were \$65,552.

Allowances for uncollectible tax receivables within the General and Interest & Sinking Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible taxes at September 30, 2011 is \$39,331.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2011 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 552,536	\$ -	\$ -	\$ 552,536
Total capital assets not being depreciated	<u>552,536</u>	<u>-</u>	<u>-</u>	<u>552,536</u>
Capital assets being depreciated:				
Buildings	1,630,950	-	-	1,630,950
Streets	1,490,121	-	-	1,490,121
Machinery and equipment	1,316,095	24,336	-	1,340,431
Total capital assets being depreciated	<u>4,437,166</u>	<u>24,336</u>	<u>-</u>	<u>4,461,502</u>
Less accumulated depreciation for:				
Buildings	(1,174,318)	(48,151)	-	(1,222,469)
Streets	(847,715)	(33,223)	-	(880,938)
Machinery and equipment	(1,032,223)	(57,702)	-	(1,089,925)
Total accumulated depreciation	<u>(3,054,256)</u>	<u>(139,076)</u>	<u>-</u>	<u>(3,193,332)</u>
Total capital assets being depreciated, net	<u>1,382,910</u>	<u>(114,740)</u>	<u>-</u>	<u>1,268,170</u>
Governmental activities capital assets, net	<u>\$ 1,935,446</u>	<u>\$ (114,740)</u>	<u>\$ -</u>	<u>\$ 1,820,706</u>

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in progress	-	26,899	-	26,899
Total capital assets, not being depreciated	<u>100,000</u>	<u>26,899</u>	<u>-</u>	<u>126,899</u>
Capital assets being depreciated:				
Water and sewer system	16,698,360	-	-	16,698,360
Total capital assets being depreciated	<u>16,698,360</u>	<u>-</u>	<u>-</u>	<u>16,698,360</u>
Less accumulated depreciation for:				
Water and sewer system	(6,612,063)	(337,648)	-	(6,949,711)
Total accumulated depreciation	<u>(6,612,063)</u>	<u>(337,648)</u>	<u>-</u>	<u>(6,949,711)</u>
Total capital assets being depreciated, net	<u>10,086,297</u>	<u>(337,648)</u>	<u>-</u>	<u>9,748,649</u>
Business-type activities capital assets, net	<u>\$ 10,186,297</u>	<u>\$ (310,749)</u>	<u>\$ -</u>	<u>\$ 9,875,548</u>

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

Governmental activities:	
Administrative	\$ 20,292
Police	29,882
Municipal court	2,384
Animal shelter	2,785
Fire	11,681
Maintenance	7,440
Airport	5,342
Library	7,306
Parks and recreation	6,774
Sanitation	45,190
Total depreciation expense - governmental activities	<u>139,076</u>
Business-type activities:	
Water and sewer	337,648
Total depreciation expense - business-type activities	<u>337,648</u>

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 5 - LONG-TERM DEBT

Long-term debt transactions for the year ended September 30, 2011, are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
<u>Notes Payable:</u>					
First Financial Bank, interest at 7.61%, maturing 10/2012	\$ 36,545	\$ -	\$ 11,291	\$ 25,254	\$ 12,135
First Financial Bank, interest at 5.5%, maturing 10/2013	108,000	-	26,051	81,949	26,064
First National Bank Winnsboro, interest at 6.25%, maturing 4/2013	11,814	-	4,360	7,454	4,641
<u>Bonds Payable:</u>					
Series 2010, interest at 2.5% - 5.0%, maturing 11/1/2017	-	1,995,001	1,995,001	-	-
Series 2011, interest at 2.0 - 4.25%, maturing 3/15/2031	-	2,090,000	-	2,090,000	25,000
Premium on Series 2011	-	42,387	-	42,387	-
<u>Leases Payable:</u>					
Mineola Community Bank, interest at 5.0%, maturing 5/2015	99,438	-	17,996	81,442	18,896
Total Governmental Activities	<u>\$ 255,797</u>	<u>\$ 4,127,388</u>	<u>\$ 2,054,699</u>	<u>\$ 2,328,486</u>	<u>\$ 86,736</u>

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type Activities:					
<u>Certificates of Obligation:</u>					
Series, 1996, interest at 4.5%, maturing 2/15/2036	\$ 626,000	\$ -	\$ 626,000	\$ -	\$ -
Series 2003, interest at 2.0 - 5.0%, maturing 2/15/2024	4,125,000	-	4,125,000	-	-
Series 2005, interest at 0.0%, maturing 2/15/2026	915,000	-	45,000	870,000	45,000
<u>Loans Payable:</u>					
TWDB, interest at 4.7%, maturing 1/2012	79,051	-	38,618	40,433	40,433
<u>Bonds Payable:</u>					
Series 1999, interest at 4.05 - 5.75%, maturing 3/15/2020	2,400,000	-	2,400,000	-	-
Series 2010, interest at 2.5% - 5.0%, maturing 11/1/2017	-	304,999	304,999	-	-
Series 2011, interest at 2.0 - 4.25%, maturing 3/15/2031	-	6,855,000	-	6,855,000	80,000
Premium on Series 2011	-	139,025	-	139,025	-
Total Business-Type Activities	<u>\$ 8,145,051</u>	<u>\$ 7,299,024</u>	<u>\$ 7,539,617</u>	<u>\$ 7,904,458</u>	<u>\$ 165,433</u>
Total Long-term Debt	<u>\$ 8,400,848</u>	<u>\$ 11,426,412</u>	<u>\$ 9,594,316</u>	<u>\$ 10,232,944</u>	<u>\$ 252,169</u>

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

The City entered into a loan agreement during April, 2008 with First National Bank of Winnsboro for the purpose of acquiring a Kubota tractor. The amount capitalized was \$21,720. The minimum annual payments of principal and interest are \$4,975 and the interest rate is approximately 6.25%. The loan will be paid off in April, 2013.

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

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

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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.

In November, 2010, the City issued \$2,300,000 in tax maintenance notes with interest rates ranging between 2.5% and 5.0%. Proceeds of the debt are restricted to capital projects in the General Fund and Utilities Fund.

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

Aggregate maturities of long-term debt subsequent to September 30, 2011 are as follows:

Governmental activities:

Year Ending September 30	Principal	Interest	Total
2012	\$ 86,736	\$ 93,266	\$ 180,002
2013	143,206	83,275	226,481
2014	129,283	76,834	206,117
2015	101,874	71,896	173,770
2016	85,000	68,327	153,327
2017-2021	470,000	297,650	767,650
2022-2026	575,000	197,834	772,834
2027-2031	695,000	74,144	769,144
	<u>\$ 2,286,099</u>	<u>\$ 963,226</u>	<u>\$ 3,249,325</u>

Business-type activities:

Year Ending September 30	Principal	Interest	Total
2012	\$ 165,433	\$ 275,914	\$ 441,347
2013	155,000	250,974	405,974
2014	315,000	245,974	560,974
2015	325,000	237,724	562,724
2016	335,000	229,023	564,023
2017-2021	1,810,000	993,556	2,803,556
2022-2026	2,125,000	679,311	2,804,311
2027-2031	2,535,000	269,691	2,804,691
	<u>\$ 7,765,433</u>	<u>\$ 3,182,167</u>	<u>\$ 10,947,600</u>

CITY OF WINNSBORO, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 6 - EMPLOYEE BENEFITS

A. PLAN DESCRIPTION

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www. TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows for the Plan years 2010 and 2011:

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

B. CONTRIBUTIONS

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

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

Annual required contribution (ARC)	\$ 114,106
Interest on net pension obligation	-
Adjustment to the ARC	-
Annual pension cost (APC)	114,106
Contributions made	114,106
Increase (decrease) in net pension	-
Net pension obligation/asset, beginning of year	-
Net pension obligation/asset, end of year	\$ -

Fiscal Year Ended	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
9/30/2009	96,373	100%	-
9/30/2010	111,936	100%	-
9/30/2011	114,106	100%	-

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 6 - EMPLOYEE BENEFITS (CONTINUED)

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/2008	12/31/2009	12/31/2010 - Prior to Restructuring	12/31/2010 - Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	29.0 years; closed period	28.1 years; closed period	27.2 years; closed period	27.3 years; closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:				
Investment Rate of Return	7.5%	7.5%	7.5%	7.5%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at	3.0%	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%	2.1%

Funded Status and Funding Progress - In June, 2011, SB350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009.) For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2010, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	12/31/2010 (1)	12/31/2010(2)
Actuarial Valuation of Assets	1,567,358	3,428,557
Actuarial Accrued Liability (AAL)	2,573,011	4,213,447
Funded Ratio	60.9%	81.4%
Unfunded AAL (UAAL)	1,005,653	784,890
Covered Payroll	1,291,439	1,291,439
UAAL as a Percentage of Covered Payroll	77.9%	60.8%

(1) Actuarial valuation performed under the original fund structure.

(2) Actuarial valuation performed under the new fund structure.

CITY OF WINNSBORO, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 6 - EMPLOYEE BENEFITS (CONTINUED)

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

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

C. SUPPLEMENTAL DEATH BENEFITS FUND

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 were \$3,744, \$3,617, and \$4,451, respectively, which equaled the required contributions each year.

NOTE 7 - INTERFUND BALANCES AND ACTIVITIES

1. Due To and From Other Funds

Balances due to and from other funds at September 30, 2011, consisted of the following:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>	<u>Purpose</u>
Other Governmental Funds	General Fund	\$ 117,569	Prior year tax collections deposited in the General Fund in error
Utilities Fund	General Fund	19,730	Prepaid interest on refunding bond issue, Utilities Fund portion

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2011, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Utilities Fund	General Fund	\$ 100,000	Budgetary transfer to cover admin costs
Utilities Fund	General Fund	61,501	One-time transfer to correct prior year shortfall in the General Fund
Other Governmental Funds	Utilities Fund	83,696	To fund debt service requirements

CITY OF WINNSBORO, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 8 - RESTRICTED FUND BALANCES AND NET ASSETS

As of September 30, 2011, fund balances restricted for specific purposes were as follows:

General Fund:	
Municipal court technology and security	\$ 24,469
Civic center	3,500
Library	76,874
	\$ 104,843
Other Governmental Funds:	
Tourism	\$ 17,219
Federal grants	32,162
	\$ 49,381

At September 30, 2011, restricted net assets were comprised of the following:

	Governmental Activities	Business-type Activities
Municipal court technology and security	\$ 24,469	\$ -
Civic Center	3,500	-
Library	76,874	-
Tourism	17,219	-
Federal grants	308,079	-
Capital projects	-	1,331,119
	\$ 430,141	\$ 1,331,119

NOTE 9 - DEPOSITS AND INVESTMENTS

Cash Deposits

Deposits - At September 30, 2011, the carrying amounts of the City's bank balances were \$4,421,102. The City's cash deposits at September 30, 2011 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act.

Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposits, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

CITY OF WINNSBORO, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

NOTE 9 - DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investments at September 30, 2011, are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of deposit	5/10/2012	\$ 51,596
Certificate of deposit	12/11/2011	364,607
Certificate of deposit	2/6/2012	128,441
Certificate of deposit	1/18/2012	1,896
Certificate of deposit	10/16/2011	1,967,815
Certificate of deposit	10/16/2011	300,843
Total Investments		<u>\$ 2,815,198</u>

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

NOTE 9 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investment Accounting Policy

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Contingencies

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

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 5, 2012, the date on which the financial statements were available to be issued.

On December 13, 2011, the City's governing body approved a transfer from the Utilities Fund to the General Fund in the amount of \$61,501 with an effective date of September 30, 2011. The transfer was authorized to eliminate a prior year shortfall in the unassigned portion of the City's General Fund fund balance.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were required to correct prior reporting errors:

<u>Governmental Funds</u>	General Fund	Other Governmental Funds	Total Governmental Activities
Recognize sales tax revenues when earned	\$ 38,112	\$ -	\$ 38,112
Recognize grant revenues when earned	12,555	-	12,555
Record liabilities for accrued vacation and comp time	(2,993)	-	(2,993)
Recognize sanitation revenues when earned	13,871	-	13,871
Recognize municipal court fees restricted for court security and technology	26,109	-	26,109
Properly report City-owned grant for revolving loan activity as a fund of the City, previously reported by Winnsboro Economic Development Corp.	-	321,680	321,680
Properly report Hotel/Motel Tax fund as a special revenue fund type and recognize tax revenues when earned	(11,771)	15,168	3,397
Prior period adjustments per Statement of Revenues, Expenditures & Fund Balances - Governmental Funds	<u>\$ 75,883</u>	<u>\$ 336,848</u>	412,731
Recognize municipal court fines and fees receivable			45,845
Other corrections			<u>2,275</u>
			<u>\$ 460,851</u>
			<u>Business-Type Activities</u>
<u>Proprietary Fund</u>			\$ (14,245)
Record liabilities for accrued vacation and comp time			33,683
Recognize utility fund revenues when earned			<u>19,438</u>
Prior period adjustments per Statement of Revenues, Expenses & Net Assets - Proprietary Fund and Statement of Activities - Business-Type Activities			<u>\$ 19,438</u>

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF WINNSBORO, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		Positive (Negative)
REVENUES:				
Property taxes	\$ 716,000	\$ 716,000	\$ 699,438	\$ (16,562)
Penalty and interest	12,000	12,000	15,088	3,088
Sales tax	462,500	462,500	494,621	32,121
Franchise taxes	182,000	182,000	177,664	(4,336)
Fines and forfeitures	95,400	95,400	123,982	28,582
Licenses and permits	21,200	21,200	12,561	(8,639)
Sanitation and landfill fees, net	504,000	504,000	616,725	112,725
Investment income	1,000	1,000	6,028	5,028
Airport revenues	24,000	24,000	34,684	10,684
Rents	45,900	45,900	45,465	(435)
Donations	11,000	11,000	31,764	20,764
Services to other governments	74,537	74,537	112,062	37,525
Miscellaneous	17,600	17,600	26,682	9,082
TOTAL REVENUES	<u>2,167,137</u>	<u>2,167,137</u>	<u>2,396,764</u>	<u>229,627</u>
EXPENDITURES:				
Administration	374,212	374,212	400,421	(26,209)
Economic development	72,837	72,837	70,564	2,273
Fire	91,537	91,537	63,578	27,959
Police	778,171	778,171	779,292	(1,121)
Animal control	48,824	48,824	48,019	805
Court	60,645	60,645	58,380	2,265
Maintenance	385,256	385,256	296,271	88,985
Sanitation	350,600	350,600	486,069	(135,469)
Parks and recreation	58,477	58,477	54,770	3,707
Airport	44,922	44,922	62,334	(17,412)
Library	132,563	132,563	140,574	(8,011)
Debt service - principal	-	-	2,054,699	(2,054,699)
- interest	-	-	46,114	(46,114)
- fees and issuance costs	-	-	138,948	(138,948)
TOTAL EXPENDITURES	<u>2,398,044</u>	<u>2,398,044</u>	<u>4,700,033</u>	<u>(2,301,989)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(230,907)</u>	<u>(230,907)</u>	<u>(2,303,269)</u>	<u>(2,072,362)</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	1,995,001	1,995,001
Bond proceeds	-	-	2,090,000	2,090,000
Premium on issuance of bonds	-	-	42,387	42,387
Transfers in (out)-net	100,000	100,000	161,501	61,501
TOTAL OTHER FINANCING SOURCES (USES)	<u>100,000</u>	<u>100,000</u>	<u>4,288,889</u>	<u>4,188,889</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(130,907)</u>	<u>(130,907)</u>	<u>1,985,620</u>	<u>2,116,527</u>
FUND BALANCE, OCTOBER 1, 2010	699	699	699	-
PRIOR PERIOD ADJUSTMENT	-	-	75,883	75,883
RESTATED FUND BALANCE, OCTOBER 1, 2010	<u>699</u>	<u>699</u>	<u>76,582</u>	<u>75,883</u>
FUND BALANCE, SEPTEMBER 30, 2011	<u>\$ (130,208)</u>	<u>\$ (130,208)</u>	<u>\$ 2,062,202</u>	<u>\$ 2,192,410</u>

CITY OF WINNSBORO, TEXAS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Actuarial	Actuarial	Actuarial		Unfunded		UAAL as a
Valuation	Value of	Accrued	Funded	AAL	Covered	Percentage of
Date	Assets	Liability (AAL)	Ratio	(UAAL)	Payroll	Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2) - (1)		(4) / (5)
12/31/2008	1,354,121	2,272,361	59.6%	918,240	1,233,745	74.4%
12/31/2009	1,500,963	2,430,995	61.7%	930,032	1,238,299	75.1%
12/31/2010 (1)	1,567,358	2,573,011	60.9%	1,005,653	1,291,439	77.9%
12/31/2010(2)	3,428,557	4,213,447	81.4%	784,890	1,291,439	60.8%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

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OTHER SUPPLEMENTAL INFORMATION

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CITY OF WINNSBORO, TEXAS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-
 BUDGET (NON-GAAP BASIS) AND ACTUAL - PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
OPERATING REVENUES:						
Charges for water services	\$ 1,503,694	\$ 1,503,694	\$ 1,579,988	\$ -	\$ 1,579,988	\$ 76,294
Penalties	25,000	25,000	30,314	-	30,314	5,314
Miscellaneous	45,400	45,400	70,867	-	70,867	25,467
TOTAL OPERATING REVENUES	1,574,094	1,574,094	1,681,169	-	1,681,169	107,075
OPERATING EXPENSES:						
Salaries and employee benefits	444,393	444,393	434,366	-	434,366	10,027
Contractual services	250,040	250,040	213,040	-	213,040	37,000
Supplies and other expenses	413,581	413,581	328,469	26,899	355,368	58,213
Depreciation	-	-	337,648	(337,648)	-	-
TOTAL OPERATING EXPENSES	1,108,014	1,108,014	1,313,523	(310,749)	1,002,774	105,240
OPERATING INCOME (LOSS)	466,080	466,080	367,646	310,749	678,395	212,315
NONOPERATING REVENUES (EXPENSES)						
Investment proceeds	6,000	6,000	30,132	-	30,132	24,132
Debt service - principal	(391,618)	(391,618)	-	(391,618)	(391,618)	-
Debt service - interest	(373,120)	(373,120)	(406,138)	-	(406,138)	(33,018)
TOTAL NONOPERATING REVENUES (EXPENSES)	(758,738)	(758,738)	(376,006)	(391,618)	(767,624)	(8,886)
TRANSFERS IN (OUT)	(16,289)	(16,289)	(77,805)	-	(77,805)	(61,516)
NET INCOME (LOSS)	(308,947)	(308,947)	(86,165)	(80,869)	(167,034)	141,913
NET ASSETS, BEGINNING	4,390,434	4,390,434	4,390,434	-	4,390,434	-
PRIOR PERIOD ADJUSTMENT	-	-	19,438	-	19,438	19,438
RESTATEMENT NET ASSETS, BEGINNING	4,390,434	4,390,434	4,409,872	-	4,409,872	19,438
NET ASSETS, ENDING	\$ 4,081,487	\$ 4,081,487	\$ 4,323,707	\$ (80,869)	\$ 4,242,838	\$ 161,351

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COMPLIANCE SECTION

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KAREN A. JACKS & ASSOCIATES, P.C.

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INDEPENDENT AUDITORS' REPORT

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

Honorable Mayor and City Council
City of Winnsboro, Texas

We have audited the financial statements of the governmental activities, the business-type activity, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City of Winnsboro, Texas' basic financial statements and have issued our report thereon dated January 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Winnsboro, Texas, in a separate letter dated January 5, 2012.

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

Karen A. Jacks & Associates, P.C.
Karen A. Jacks & Associates, P.C.

Longview, Texas
January 5, 2012

CITY OF WINNSBORO, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

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

CITY OF WINNSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

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

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

B. Financial Statement Findings

None

CITY OF WINNSBORO, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2011

None required.

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