

CITY OF WINNSBORO, TEXAS

FINANCIAL STATEMENTS

September 30, 2013

PRINCIPAL OFFICIALS

September 30, 2013

CITY COUNCIL

TOM HOWARD, MAYOR

RONNY KNIGHT, MAYOR PRO TEM

BEN AMERSON

JOHN PFLUG

BRENDA SHIRLEY

LORI WHORFF

CITY ADMINISTRATOR

NINA BROWNING

CITY SECRETARY

VICKIE BRENTON

FINANCIAL OFFICER

BRENDA UHLENHOPP

**CITY OF WINNSBORO, TEXAS
 SEPTEMBER 30, 2013
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Winnsboro, Texas

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2014, on our consideration of the City of Winnsboro, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Winnsboro, Texas' internal control over financial reporting and compliance.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
March 13, 2014

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, 2013. Please read it in conjunction with the City's financial statements, which follow this section.

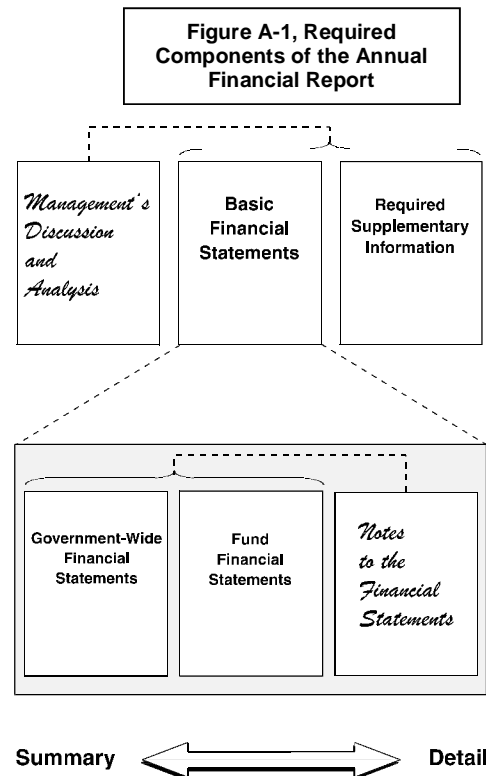
FINANCIAL HIGHLIGHTS

- i The City sales tax revenue exceeded budget by 13.98% which reflects the growth in our area.
- i The City anticipates continued growth of our area as demonstrated by the construction of McDonald's, and Trinity Mother Frances Hospital's commitment to our area has added stability and additional services within our City.
- i Property tax revenue was at 97.6% of the levied amount, which shows stability for our City.
- i Applied for Texas Aviation Division grant for airport improvements and received a 90/10 grant. The Texas Aviation grant for the airport improvements will allow for rehabilitation of hangar access taxi lane on the west side of the hangars; a new lighted wind cone and segmented circle; a security gate at the entrance of the property by the hangars; and drainage dirt work on the taxiway. Other work performed at the airport, but not funded by the grant, has been the renovation of the Pilot's Lounge and restrooms.
- i The City saw continued growth and renovations in our downtown area with our continued Revolving Loan funds and our National Recognized Main Street City designation.
- i The City purchased a 2013 Ford patrol car for the Police Dept., a new 2013 F350 Ford dump truck for the Maintenance Dept., a new pickup and sewer jetter and trailer for the Utility Dept., and the new Pierce Saber pumper for the VFD.
- i Installation of the new Clearwell at the water plant has given the City the ability to have more water storage in case of an emergency and allowed the shutdown of the old clearwell for repairs, which were also completed in this year.
- i The \$2,000,000 street project, which was a goal of the city's administration, has been completed with some funding left over for future minor repairs. This project was made possible by the refunding of bonds from a previous year.
- i Hwy. 11 expansions into Winnsboro were performed by TxDOT, but the City was responsible for moving all the water and sewer lines and the City took this opportunity for our Utility Dept. crew to move and upsize the lines. We had a contractor for some of the work, but again I must recognize the utility employees for the extra work they did, thereby saving the City a lot of money and allowing the City to do more upgrading on our sewer mains.
- i The wastewater collection system improvements project was a \$1,050,000 grant project for replacing sewer lines and sewer mains throughout the City. This wastewater project was funded by a grant the City received in 2005 for system improvements, and with the City utility crew helping and saving the City funds on this project, the City was able to do other improvements, including a lift station that was in need of updating.
- i Continued upgrades to the Winnsboro Civic Center with the parking area, sidewalks and landscaping.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- i The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- i The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- i *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- i *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer operations.
- i *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.



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

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

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City’s government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: self insurance	Instances in which the City is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> ♦ Statement of net position ♦ 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 position ♦ Statement of revenues, expenses and changes in fund net position ♦ Statement of cash flows 	<ul style="list-style-type: none"> ♦ Statement of fiduciary net position ♦ Statement of changes in fiduciary net position
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 position 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 position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

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

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as public safety, highways, streets and bridges, judicial and general administration. Property taxes and charges for services finance most of these activities. The government-wide financial statements also include Business-type activities to report the operations of the City's water and sewer systems which are funded primarily by user fees.

Fund Financial Statements

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

- i Some funds are required by State law and by bond covenants.
- i The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has two kinds of funds:

- i *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- i *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position (See Table A-1). The City's Governmental activity net position was \$915,843 at September 30, 2013, a decrease of 12% over the prior year.

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

	Governmental Activities		% Change	Business Activities		Total Activities		% Change
	2013	2012	2012- 2013	2013	2012	2013	2012	2012- 2013
Assets:								
Current and other assets	\$ 1,428,035	\$ 1,672,485	-15%	\$ 1,787,501	\$ 2,460,184	\$ 3,215,536	\$ 4,132,669	-22%
Capital and non-current assets	1,981,914	1,879,810	5%	10,663,796	10,233,340	12,645,710	12,113,150	4%
Total Assets	<u>3,409,949</u>	<u>3,552,295</u>	-4%	<u>12,451,297</u>	<u>12,693,524</u>	<u>15,861,246</u>	<u>16,245,819</u>	-2%
Liabilities:								
Current liabilities	278,455	260,610	7%	705,412	319,114	983,867	579,724	70%
Long-term liabilities	2,215,651	2,248,567	-1%	7,411,206	8,131,708	9,626,857	10,380,275	-7%
Total Liabilities	<u>2,494,106</u>	<u>2,509,177</u>	-1%	<u>8,116,618</u>	<u>8,450,822</u>	<u>10,610,724</u>	<u>10,959,999</u>	-3%
Net Position:								
Net investment in capital assets	1,595,643	1,607,657	-1%	2,698,566	2,893,679	4,294,209	4,501,336	-5%
Restricted	629,139	1,018,562	-38%	829,260	866,877	1,458,399	1,885,439	-23%
Unrestricted	(1,308,939)	(1,583,101)	-17%	806,853	482,146	(502,086)	(1,100,955)	-54%
Total Net Position	<u>\$ 915,843</u>	<u>\$ 1,043,118</u>	-12%	<u>\$ 4,334,679</u>	<u>\$ 4,242,702</u>	<u>\$ 5,250,522</u>	<u>\$ 5,285,820</u>	-1%

In February, 2013, the City obtained a loan to purchase a police car. During that month, the City also entered into a capital lease agreement to purchase a 2013 Pierce Saber Pumper. The loan was in the amount of \$34,000 and the lease agreement totaled \$315,761.

In August, 2013, the City obtained a loan to purchase a sewer jetter-trailer. The loan was in the amount of \$31,172.

Net investment in capital assets reflects the book value of the City's capital assets in excess of the debt which financed those assets. The decrease of unrestricted net position reflects the use of prior year resources (bond proceeds) for the City's street maintenance and improvement program.

Of total net position, \$1,458,399 is restricted as follows:

	Governmental Activities	Business Activities	Total Activities
Restricted for debt service	\$ 60,194	\$ 508,986	\$ 569,180
Restricted for capital projects	265,887	320,274	586,161
Restricted for municipal court technology and security	27,719	-	27,719
Restricted for library	60,672	-	60,672
Restricted for Federal programs	197,100	-	197,100
Other restrictions, total	17,567	-	17,567
	<u>\$ 629,139</u>	<u>\$ 829,260</u>	<u>\$ 1,458,399</u>

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

Governmental Activities - The City's total revenue for governmental activities was \$2,874,071. 30% of this came from property taxes, 26% came from sales taxes and other taxes, and 30% came from charges for services.

The total cost of all programs was \$4,584,799. Approximately 17% of this was for police, 8% was for administration, 8% was for street improvement, and 35% was for water and sewer services.

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

	Governmental Activities		Business Activities		Total Activities		% Change 2012-2013
	2013	2012	2013	2012	2013	2012	
Revenues:							
Charges for Services	\$ 868,223	\$ 916,087	\$ 1,834,741	\$ 1,773,928	\$ 2,702,964	\$ 2,690,015	0%
Operating Grants and Contributions	36,508	88,444	-	-	36,508	88,444	-59%
General Revenues:							
Property Taxes	855,980	842,673	-	-	855,980	842,673	2%
Other Taxes	759,514	706,317	-	-	759,514	706,317	8%
Investment Earnings	2,868	7,863	5,754	15,828	8,622	23,691	-64%
Other	183,292	119,219	2,621	67,267	185,913	186,486	0%
Total Revenues	2,706,385	2,680,603	1,843,116	1,857,023	4,549,501	4,537,626	0%
Expenditures:							
Administration	352,481	350,393	-	-	352,481	350,393	1%
Economic Development	113,288	133,892	-	-	113,288	133,892	-15%
Police	789,277	787,905	-	-	789,277	787,905	0%
Municipal court	63,389	63,121	-	-	63,389	63,121	0%
Animal control	69,143	66,424	-	-	69,143	66,424	4%
Animal shelter	3,776	12,263	-	-	3,776	12,263	-69%
Farmers market	38,190	32,304	-	-	38,190	32,304	18%
Main street	6,450	-	-	-	6,450	-	100%
Fire	135,235	101,364	-	-	135,235	101,364	33%
Maintenance	244,548	246,897	-	-	244,548	246,897	-1%
Airport	51,871	51,522	-	-	51,871	51,522	1%
Library	121,510	124,251	-	-	121,510	124,251	-2%
Parks and recreation	78,322	57,425	-	-	78,322	57,425	36%
Sanitation	483,592	537,351	-	-	483,592	537,351	-10%
Street improvement	359,106	1,371,448	-	-	359,106	1,371,448	-74%
Debt service-interest and fees	91,168	93,744	-	-	91,168	93,744	-3%
Water and sewer	-	-	1,583,453	1,779,280	1,583,453	1,779,280	-11%
Total Expenses	3,001,346	4,030,304	1,583,453	1,779,280	4,584,799	5,809,584	-21%
Transfers In (Out)	167,686	158,749	(167,686)	(158,749)	-	-	
Net Position - Beginning	1,043,118	2,234,070	4,242,702	4,323,708	5,285,820	6,557,778	-19%
Change in Net Position	(127,275)	(1,190,952)	91,977	(81,006)	(35,298)	(1,271,958)	97%
Net Position - Ending	\$ 915,843	\$ 1,043,118	\$ 4,334,679	\$ 4,242,702	\$ 5,250,522	\$ 5,285,820	-1%

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

- i The cost of all *governmental* activities this year was \$3,001,346.
- i The amount that City taxpayers funded for these activities through property taxes was \$855,980. Some of the cost was paid by those who directly benefited from the programs (\$868,223), or by grants and contributions (\$36,508).

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

	Total Cost		Percentage Change	Net Cost		Percentage Change
	2013	2012	2013-2012	2013	2012	2013-2012
Administration	\$ 352,481	\$ 350,393	1%	\$ 340,681	\$ 335,920	1%
Police	789,277	787,905	0%	789,277	787,905	0%
Maintenance	244,548	246,897	-1%	244,548	246,897	-1%
Sanitation	483,592	537,351	-10%	(87,577)	(100,601)	-13%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City reported fund balance in its governmental funds of \$1,156,619 at September 30, 2013. This balance is composed of the following:

General Fund	\$ 888,790
Debt Service	62,182
Special Revenue Funds	205,647

Of the fund balance in the General Fund, \$265,887 is restricted for street improvements and \$97,411 is restricted for municipal court, farmers market, animal shelter, main street project, and library operations.

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

General Operating Fund Budgetary Highlights

Total revenues for the year exceeded budget by \$169,388 and the City's general fund actual performance for the year fell short of budget expectations by \$88,309 in total.

Actual expenditures were more than the final budget by \$665,573. The entire street improvement project was budgeted in the 2012 fiscal year, but \$359,106 was spent in the current year on the street improvement project. \$315,761 was spent on the new pumper truck for the fire department. This expenditure was offset with proceeds from a capital lease. Expenditures for debt service exceeded budget due to the early retirement of debt associated with a fire department vehicle. This expenditure was offset by a donation from the Winnsboro Volunteer Fire Department that is included in donation revenue.

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>2013</u>	<u>2012</u>	<u>2012-2013</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Land and construction in progress	\$ 370,321	\$ 365,259	1%	\$ 987,059	\$ 561,279	76%
Buildings and improvements	1,693,197	1,693,197	0%	-	-	
Machinery and equipment	1,647,702	1,371,059	20%	96,976	28,480	241%
Water and sewer system	-	-		17,218,938	16,698,360	3%
Streets	1,677,398	1,677,398	0%	-	-	
Totals at historical cost	<u>5,388,618</u>	<u>5,106,913</u>	6%	<u>18,302,973</u>	<u>17,288,119</u>	6%
Total accumulated depreciation	<u>(3,406,704)</u>	<u>(3,355,846)</u>	2%	<u>(7,639,177)</u>	<u>(7,287,732)</u>	5%
Net capital assets	<u>\$ 1,981,914</u>	<u>\$ 1,751,067</u>	13%	<u>\$ 10,663,796</u>	<u>\$ 10,000,387</u>	7%

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>2013</u>	<u>2012</u>	<u>2012-2013</u>	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>
Certificates of obligation	\$ -	\$ -		\$ 780,000	\$ 825,000	-5%
Bonds payable	2,000,957	2,105,156	-5%	6,676,726	6,906,708	-3%
Notes payable	70,510	80,864	-13%	353,883	400,000	-12%
Leases payable	315,761	62,547	405%	-	-	
Total Debt	<u>\$ 2,387,228</u>	<u>\$ 2,248,567</u>	6%	<u>\$ 7,810,609</u>	<u>\$ 8,131,708</u>	-4%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City is hoping that with the November, 2013, election for the legalization of the sale of beer and wine for off premises consumption our City's revenue will get a boost moving into the future.

The FY 2012-2013 budget for the City met the contribution goal of \$100,000 in the General Fund reserve as the City works toward the policy goal as set out in the budget. The FY 2013-2014 budget will continue to provide for the addition of \$100,000 to the general fund reserve.

The FY 2014 budget was approved at the regular September meeting by the City Council, with an increase in the water/sewer rates; property tax was set at \$0.54/\$100 valuation. The preparation of the FY 2013-2014 budget continued to be impacted by the overall economy, but the improvement level is moving upward and the City's sales tax revenue continues to improve with City growth. Hopefully approval of a new apartment complex within the City, property values will increase and there will be population growth.

The City of Winnsboro is moving in the right direction for the future and the staff and employees are constant with very little, if any, job turnovers in any department. With a stable budget and staff, the City will continue to move forward in the future.

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 POSITION
SEPTEMBER 30, 2013**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	WEDC
ASSETS				
Cash and cash equivalents	\$ 822,496	\$ 532,412	\$ 1,354,908	\$ 239,933
Temporary investments	1,931	183,592	185,523	285,953
Receivables (net of allowance for uncollectibles):				
Taxes	29,917	-	29,917	-
Accounts, net	93,891	227,186	321,077	-
Notes	81,873	-	81,873	-
Due from other governments	52,977	-	52,977	25,208
Restricted cash and temporary investments	241,947	760,912	1,002,859	-
Inventory	9,996	-	9,996	-
Debt issuance costs, net of amortization	93,007	83,399	176,406	-
Capital assets (net of accumulated depreciation):				
Land	365,259	100,000	465,259	-
Streets	707,324	-	707,324	-
Water and sewer system	-	9,585,402	9,585,402	-
Buildings and improvements	369,561	-	369,561	-
Machinery and equipment	534,708	91,336	626,044	-
Construction in progress	5,062	887,058	892,120	-
Total assets	<u>3,409,949</u>	<u>12,451,297</u>	<u>15,861,246</u>	<u>551,094</u>
LIABILITIES				
Accounts payable	55,756	78,695	134,451	15,182
Accrued wages	41,600	30,673	72,273	-
Payable to other government	3,982	-	3,982	-
Accrued interest payable	5,540	15,944	21,484	-
Customer deposits	-	178,047	178,047	-
Noncurrent liabilities:				
Due within one year	171,577	402,053	573,630	-
Due in more than one year	2,215,651	7,408,556	9,624,207	-
Total liabilities	<u>2,494,106</u>	<u>8,113,968</u>	<u>10,608,074</u>	<u>15,182</u>
NET POSITION				
Net investment in capital assets	1,595,643	2,701,216	4,296,859	-
Restricted for:				
Debt service	60,194	508,986	569,180	-
Capital acquisition	265,887	320,274	586,161	-
Other purposes	303,058	-	303,058	-
Unrestricted	(1,308,939)	806,853	(502,086)	535,912
Total net position	<u>\$ 915,843</u>	<u>\$ 4,337,329</u>	<u>\$ 5,253,172</u>	<u>\$ 535,912</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, 2013**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit WEDC
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
Primary government:							
Governmental activities:							
Administration	\$ 352,481	\$ 11,800	\$ -	\$ (340,681)	\$ -	\$ (340,681)	\$ -
Economic development	113,288	64,259	36,508	(12,521)	-	(12,521)	-
Fire	135,235	-	-	(135,235)	-	(135,235)	-
Police	789,277	-	-	(789,277)	-	(789,277)	-
Animal control	69,143	-	-	(69,143)	-	(69,143)	-
Animal shelter	3,776	-	-	(3,776)	-	(3,776)	-
Main street	6,450	-	-	(6,450)	-	(6,450)	-
Farmers market	38,190	-	-	(38,190)	-	(38,190)	-
Municipal court	63,389	107,254	-	43,865	-	43,865	-
Maintenance	244,548	-	-	(244,548)	-	(244,548)	-
Sanitation	483,592	571,169	-	87,577	-	87,577	-
Street improvements	359,106	-	-	(359,106)	-	(359,106)	-
Parks and recreation	78,322	73,041	-	(5,281)	-	(5,281)	-
Airport	51,871	40,700	-	(11,171)	-	(11,171)	-
Library	121,510	-	-	(121,510)	-	(121,510)	-
Debt service	91,168	-	-	(91,168)	-	(91,168)	-
Total governmental activities	3,001,346	868,223	36,508	(2,096,615)	-	(2,096,615)	-
Business-type activities:							
Utility Fund	1,580,803	1,834,741	-	-	253,938	253,938	-
Total primary government	\$ 4,582,149	\$ 2,702,964	\$ 36,508	\$ (2,096,615)	\$ 253,938	\$ (1,842,677)	\$ -
Component unit:							
WEDC	\$ 161,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (161,163)
General revenues							
Property taxes				855,980	-	855,980	-
Sales taxes				584,124	-	584,124	290,968
Franchise taxes				166,847	-	166,847	-
Other taxes				8,543	-	8,543	-
Unrestricted investment earnings				2,868	5,754	8,622	2,128
Contributions and donations				114,373	-	114,373	-
Miscellaneous				68,919	2,621	71,540	-
Transfers				167,686	(167,686)	-	-
Total general revenues and transfers				1,969,340	(159,311)	1,810,029	293,096
Change in net position				(127,275)	94,627	(32,648)	131,933
Net position - beginning				1,043,118	4,242,702	5,285,820	403,979
Net position - ending				\$ 915,843	\$ 4,337,329	\$ 5,253,172	\$ 535,912

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

**CITY OF WINNSBORO, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS AND OTHER DEBITS:			
Cash and cash equivalents	\$ 638,338	\$ 184,158	\$ 822,496
Temporary investments	1,931	-	1,931
Receivables:			
Taxes, net	23,993	5,924	29,917
Accounts, net	44,800	-	44,800
Notes	-	81,873	81,873
Due from other governments	52,977	-	52,977
Restricted cash and temporary investments	241,947	-	241,947
Inventory	<u>9,996</u>	<u>-</u>	<u>9,996</u>
 TOTAL ASSETS	 <u>\$ 1,013,982</u>	 <u>\$ 271,955</u>	 <u>\$ 1,285,937</u>
 LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 55,618	\$ 138	\$ 55,756
Accrued wages	41,600	-	41,600
Due to other governments	3,981	-	3,981
Unearned revenues	<u>23,993</u>	<u>3,988</u>	<u>27,981</u>
 TOTAL LIABILITIES	 <u>125,192</u>	 <u>4,126</u>	 <u>129,318</u>
 FUND BALANCES:			
Nonspendable Fund Balances:			
Inventory	9,996	-	9,996
Long-term notes receivable	-	81,873	81,873
Restricted Fund Balances:			
Capital acquisitions & contractual obligations	265,887	-	265,887
Debt service	-	62,182	62,182
Other restrictions of fund balance	97,411	123,774	221,185
Unassigned	<u>515,496</u>	<u>-</u>	<u>515,496</u>
 TOTAL FUND BALANCES	 <u>888,790</u>	 <u>267,829</u>	 <u>1,156,619</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 1,013,982</u>	 <u>\$ 271,955</u>	 <u>\$ 1,285,937</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 POSITION
SEPTEMBER 30, 2013**

Total fund balances - governmental funds balance sheet	\$ 1,156,619
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not reported in the funds	1,981,914
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	27,981
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,985,000)
Premiums on bonds payable are amortized in the statement of net position but not in the funds.	(37,925)
Payables for note principal which are not due in the current period are not reported in the funds.	(70,510)
Payables for capital lease principal which are not due in the current period are not reported in the funds.	(315,761)
Payables for accrued interest which are not due in the current period are not reported in the funds.	(5,540)
Court fines receivable unavailable to pay for current period expenditures are not reported in the funds.	49,090
Loss on defeasance of debt is amortized in the statement of net position but not in the funds.	21,968
Debt issuance costs are amortized in the statement of net position but not in the funds.	<u>93,007</u>
Net position of governmental activities - statement of net position	<u>\$ 915,843</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, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 710,926	\$ 130,011	\$ 840,937
Penalty and interest	13,311	-	13,311
Sales tax	584,124	-	584,124
Franchise taxes	166,847	-	166,847
Other taxes	-	8,543	8,543
Fines and forfeitures	105,664	-	105,664
Licenses and permits	11,800	-	11,800
Sanitation fees, net	571,169	-	571,169
Investment income	1,016	1,852	2,868
Airport revenues	40,700	-	40,700
Rents	73,041	-	73,041
Donations	114,373	-	114,373
Services to other governments	100,767	-	100,767
Miscellaneous	68,919	-	68,919
	<u>2,562,657</u>	<u>140,406</u>	<u>2,703,063</u>
TOTAL REVENUES			
EXPENDITURES:			
Administration	329,227	-	329,227
Economic development	57,745	55,543	113,288
Fire	419,324	-	419,324
Police	817,467	-	817,467
Animal control	64,165	-	64,165
Animal shelter	3,776	-	3,776
Farmers market	38,190	-	38,190
Municipal court	60,647	-	60,647
Main street	6,450	-	6,450
Maintenance	265,395	-	265,395
Sanitation	434,002	-	434,002
Street improvements	359,106	-	359,106
Parks and recreation	67,006	-	67,006
Airport	49,845	-	49,845
Library	113,137	-	113,137
Debt service -principal	106,900	80,000	186,900
-interest	6,608	75,703	82,311
	<u>3,198,990</u>	<u>211,246</u>	<u>3,410,236</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(636,333)	(70,840)	(707,173)
OTHER FINANCING SOURCES (USES):			
Loan proceeds	34,000	-	34,000
Proceeds of capital lease	315,761	-	315,761
Transfers in (out)-net	167,686	-	167,686
	<u>517,447</u>	<u>-</u>	<u>517,447</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(118,886)	(70,840)	(189,726)
FUND BALANCE, OCTOBER 1, 2012	<u>1,007,676</u>	<u>338,669</u>	<u>1,346,345</u>
FUND BALANCE, SEPTEMBER 30, 2013	<u>\$ 888,790</u>	<u>\$ 267,829</u>	<u>\$ 1,156,619</u>

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

**CITY OF WINNSBORO, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Net change in fund balances - total governmental funds	\$ (189,726)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	421,450
The depreciation of capital assets used in governmental activities is not reported in the funds.	(190,603)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1,732
Court fines receivable are not reported in the funds. This is the change in these amounts this year.	1,590
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	80,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	44,354
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	62,546
Bond premium is amortized in the SOA but not in the funds.	2,231
Decrease in accrued interest from beginning of period to end of period.	2,680
Long-term debt proceeds are reported as revenues in the funds but not in the SOA.	(349,761)
Loss on defeasance of debt is amortized in the SOA but not in the funds.	(8,297)
Debt issuance costs are amortized in the SOA but not in the funds.	<u>(5,471)</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (127,275)</u>

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

**CITY OF WINNSBORO, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2013**

		Utilities Fund
<hr/>		
ASSETS:		
Current assets:		
Cash and cash equivalents	\$	532,412
Temporary investments		183,592
Receivables:		
Accounts		227,186
Restricted assets:		
Cash and temporary investments		760,912
Noncurrent assets:		
Capital assets, net		10,663,796
Debt issuance costs, net		83,399
		<hr/>
TOTAL ASSETS		12,451,297
		<hr/>
LIABILITIES:		
Current liabilities:		
Accounts payable		78,695
Accrued wages		30,673
Accrued interest payable		15,944
Customer deposits		178,047
Noncurrent liabilities:		
Due within one year		402,053
Due in more than one year		7,408,556
		<hr/>
TOTAL LIABILITIES		8,113,968
		<hr/>
NET POSITION:		
Net investment in capital assets		2,701,216
Restricted for debt service		508,986
Restricted for capital projects		320,274
Unrestricted		806,853
		<hr/>
TOTAL NET POSITION	\$	4,337,329
		<hr/>

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

CITY OF WINNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	<u>Utilities Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 1,804,023
Penalties	30,718
Miscellaneous	<u>2,621</u>
TOTAL OPERATING REVENUES	<u>1,837,362</u>
OPERATING EXPENSES:	
Personnel costs	430,135
Contractual services	219,144
Supplies and other expenses	286,592
Depreciation	<u>351,445</u>
TOTAL OPERATING EXPENSES	<u>1,287,316</u>
OPERATING INCOME	550,046
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	5,754
Amortization expense	(36,889)
Interest expense and fees	<u>(256,598)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(287,733)
TRANSFERS IN (OUT)	<u>(167,686)</u>
CHANGE IN NET POSITION	94,627
TOTAL NET POSITION - BEGINNING	<u>4,242,702</u>
TOTAL NET POSITION - ENDING	<u><u>\$ 4,337,329</u></u>

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

**CITY OF WINNSBORO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Utilities Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers for water sales and sewer service	\$ 1,840,572
Cash receipts from customers for deposits	6,176
Cash payments to employees	(428,296)
Cash payments for goods and services	<u>(528,020)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>890,432</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers to other funds	<u>(147,956)</u>
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(147,956)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on debt	(232,289)
Interest paid on debt	(264,651)
Loan fees	(750)
Loan proceeds	<u>31,172</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(466,518)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment earnings	5,754
Change in restricted cash	902,381
Purchase of assets	<u>(1,014,854)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(106,719)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	169,239
CASH AND CASH EQUIVALENTS - OCTOBER 1, 2012	<u>363,173</u>
CASH AND CASH EQUIVALENTS - SEPTEMBER 30, 2013	<u><u>\$ 532,412</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 550,046
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	351,445
(Increase) decrease in accounts receivable	3,210
Increase (decrease) in customer deposits	6,176
Increase (decrease) in accounts payable	(22,284)
Increase (decrease) in accrued wages	<u>1,839</u>
Total adjustments	<u>340,386</u>
Net cash provided by operating activities	<u><u>\$ 890,432</u></u>

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

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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.

For the fiscal year ended September 30, 2013, the City adopted GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Additional information on the effect of this change can be found in section J of this note.

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 position and the statement of activities) 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.

**CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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, 2013

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 2013, 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. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statements of financial position (the government-wide and proprietary fund Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City did not have deferred outflows of resources to report in its governmental funds balance sheet, proprietary fund statement of net position, or government-wide financial statements for the current year.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City did not have deferred inflows to report in its governmental funds balance sheet, proprietary fund statement of net position, or government-wide financial statements for the current year.

K. 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.

**CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The City Council has adopted a goal to maintain a minimum unassigned fund balance in the general fund equal to 25% of its annual expenditures in that fund. At September 30, 2013, the City's fund balance in its general fund did not meet that goal.

L. NET POSITION FLOW ASSUMPTION

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

M. FUND BALANCE FLOW ASSUMPTIONS

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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>
General fund and water and sewer fund expenditures exceeded appropriations in total.	Current year expenditures include the costs of street and water/sewer projects budgeted in a previous year, purchase of a pumper truck for the fire department, and the repayment of a capital lease. City officials will more closely monitor the budget expenditures and propose budget amendments for unforeseen transactions.

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, 2012 upon which the 2013 fiscal-year levy was based, was \$ 162,389,038 and the tax levy was set at \$.52 per \$100 of assessed valuation.

Taxes were due in January following the October 1 statement date. Tax collections during the fiscal year ended September 30, 2013, for the fiscal 2013 tax levy were 97.61 percent of the total tax levy for that year.

Delinquent taxes as of September 30, 2013, were \$ 69,952.

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, 2013 is \$41,971.

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 365,259	\$ -	\$ -	\$ 365,259
Construction in progress	-	5,062	-	5,062
Total capital assets not being depreciated	<u>365,259</u>	<u>5,062</u>	<u>-</u>	<u>370,321</u>
Capital assets being depreciated:				
Buildings	1,693,197	-	-	1,693,197
Streets	1,677,398	-	-	1,677,398
Machinery and equipment	1,371,059	100,627	139,745	1,331,941
Asset under capital lease	-	315,761	-	315,761
Total capital assets being depreciated	<u>4,741,654</u>	<u>416,388</u>	<u>139,745</u>	<u>5,018,297</u>
Less accumulated depreciation for:				
Buildings	(1,271,336)	(52,300)	-	(1,323,636)
Streets	(931,500)	(38,574)	-	(970,074)
Machinery and equipment	(1,153,010)	(73,158)	(139,745)	(1,086,423)
Asset under capital lease	-	(26,571)	-	(26,571)
Total accumulated depreciation	<u>(3,355,846)</u>	<u>(190,603)</u>	<u>(139,745)</u>	<u>(3,406,704)</u>
Total capital assets being depreciated, net	<u>1,385,808</u>	<u>225,785</u>	<u>-</u>	<u>1,611,593</u>
Governmental activities capital assets, net	<u>\$ 1,751,067</u>	<u>\$ 230,847</u>	<u>\$ -</u>	<u>\$ 1,981,914</u>
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in progress	461,279	887,059	(461,279)	887,059
Total capital assets, not being depreciated	<u>561,279</u>	<u>887,059</u>	<u>(461,279)</u>	<u>987,059</u>
Capital assets being depreciated:				
Water and sewer system	16,698,360	520,578	-	17,218,938
Equipment	28,480	68,496	-	96,976
Total capital assets being depreciated	<u>16,726,840</u>	<u>589,074</u>	<u>-</u>	<u>17,315,914</u>
Less accumulated depreciation for:				
Water and sewer system	(7,287,358)	(346,179)	-	(7,633,537)
Equipment	(374)	(5,266)	-	(5,640)
Total accumulated depreciation	<u>(7,287,732)</u>	<u>(351,445)</u>	<u>-</u>	<u>(7,639,177)</u>
Total capital assets being depreciated, net	<u>9,439,108</u>	<u>237,629</u>	<u>-</u>	<u>9,676,737</u>
Business-type activities capital assets, net	<u>\$ 10,000,387</u>	<u>\$ 1,124,688</u>	<u>\$ (461,279)</u>	<u>\$ 10,663,796</u>

**CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
Administrative	\$ 23,253
Police	39,783
Municipal court	2,742
Animal shelter	4,978
Fire	31,672
Maintenance	11,807
Airport	7,088
Library	8,373
Parks and recreation	11,316
Sanitation	49,591
Total depreciation expense - governmental activities	<u>190,603</u>
Business-type activities:	
Water and sewer	351,445
Total depreciation expense - business-type activities	<u>351,445</u>

NOTE 5 - LONG-TERM DEBT

Long-term debt transactions for the year ended September 30, 2013, 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	\$ 13,119	\$ -	\$ 13,119	\$ -	\$ -
First Financial Bank, interest at 5.5%, maturing 10/2013	55,885	-	27,257	28,628	28,628
First National Bank Winnsboro, interest at 5.5%, maturing 7/2015	11,860	-	3,978	7,882	4,201
First National Bank Winnsboro, interest at 5.0%, maturing 2/2014	-	34,000	-	34,000	34,000
<u>Bonds Payable:</u>					
Series 2011, interest at 2.0 - 4.25%, maturing 3/15/2031	2,065,000	-	80,000	1,985,000	80,000
Premium on Series 2011	40,156	-	2,231	37,925	-
Loss on defeasance	(30,265)	-	(8,297)	(21,968)	-
<u>Leases Payable:</u>					
Mineola Community Bank, interest at 5.0%, maturing 5/2015	62,547	-	62,547	-	-
Oshkosh Capital at 2.40%, maturing 11/2024	-	315,761	-	315,761	24,748
Total Governmental Activities	<u>\$ 2,218,302</u>	<u>\$ 349,761</u>	<u>\$ 180,835</u>	<u>\$ 2,387,228</u>	<u>\$ 171,577</u>

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5 - LONG-TERM DEBT (CONTINUED)

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-type Activities:					
<u>Certificates of Obligation:</u>					
Series 2005, interest at 0.0%, maturing 2/15/2026	\$ 825,000	\$ -	\$ 45,000	\$ 780,000	\$ 55,000
<u>Loans Payable:</u>					
First National Bank Winnsboro, interest at 3.25%, maturing 3/2017	200,000	-	40,000	160,000	38,701
Government Capital Corporation, interest at 3.53%, maturing 3/2017	200,000	-	37,289	162,711	38,511
First National Bank Winnsboro, interest interest at 5.00%, maturing 9/2016	-	31,172	-	31,172	9,841
<u>Bonds Payable:</u>					
Series 2011, interest at 2.0 - 4.25%, maturing 3/15/2031	6,775,000	-	110,000	6,665,000	260,000
Premium on Series 2011	131,708	-	7,317	124,391	-
Loss on defeasance	(144,648)	-	(31,983)	(112,665)	-
Total Business-Type Activities	<u>\$ 7,987,060</u>	<u>\$ 31,172</u>	<u>\$ 207,623</u>	<u>\$ 7,810,609</u>	<u>\$ 402,053</u>
Total Long-term Debt	<u>\$ 10,205,362</u>	<u>\$ 380,933</u>	<u>\$ 388,458</u>	<u>\$ 10,197,837</u>	<u>\$ 573,630</u>

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

The City entered into a loan agreement during February, 2013 with First National Bank of Winnsboro, Texas for the purpose of acquiring a police vehicle. The amount capitalized was \$34,000. The principal is due in one payment and the interest rate is approximately 5.0%. The loan will be paid off in February, 2014.

The City entered into a capital lease purchase agreement during February, 2013 with Oshkosh Capital for the purpose of acquiring a 2013 Pierce Saber Pumper. The amount capitalized was \$315,761. The minimum annual payments of principal and interest are \$30,416 and the interest rate is approximately 2.4%. The lease will be paid off in November, 2024.

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

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

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5 - LONG-TERM DEBT (CONTINUED)

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

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

The City entered into a loan agreement during August, 2013 with First National Bank of Winnsboro for the purchase of a sewer jetter and trailer. The minimum annual payments of principal and interest are \$11,472 and the interest rate is approximately 5.00%. The loan will be paid off in September, 2016.

Aggregate maturities of long-term debt subsequent to September 30, 2013 are as follows:

Governmental activities:

Year Ending September 30	Principal	Interest	Total
2014	\$ 146,829	\$ 76,767	\$ 223,596
2015	83,681	70,897	154,578
2016	85,000	68,327	153,327
2017	90,000	65,703	155,703
2018	90,000	63,002	153,002
2019 - 2023	505,000	261,500	766,500
2024 - 2028	620,000	151,713	771,713
2029 - 2031	435,000	27,711	462,711
	<u>\$ 2,055,510</u>	<u>\$ 785,620</u>	<u>\$ 2,841,130</u>

Business-type activities:

Year Ending September 30	Principal	Interest	Total
2014	\$ 402,054	\$ 258,842	\$ 660,896
2015	415,286	247,360	662,646
2016	428,565	235,381	663,946
2017	422,978	222,978	645,956
2018	350,000	210,724	560,724
2019 - 2023	1,930,000	874,907	2,804,907
2024 - 2028	2,270,000	535,882	2,805,882
2029 - 2031	1,580,000	101,022	1,681,022
	<u>\$ 7,798,883</u>	<u>\$ 2,687,096</u>	<u>\$ 10,485,979</u>

Capital Leases for Purchases of Equipment

The government has entered into lease agreements as lessee for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The following is an analysis of capital leases as of September 30, 2013:

	<u>General Fund</u>
Leased Assets:	
Machinery and equipment	\$ 315,761
Less accumulated depreciaiton	(26,571)
Carrying value	<u>\$ 289,190</u>

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 5 - LONG-TERM DEBT (CONTINUED)

Schedule of future minimum lease payments:

<u>Year ending September 30</u>		
2014	\$	30,416
2015		30,416
2016		30,416
2017		30,416
2018		30,416
2019 - 2023		152,079
2024 - 2025		<u>60,831</u>
Total minimum lease payments		364,990
Less amount representing interest		<u>(49,229)</u>
Present value of future minimum lease payments	\$	<u>315,761</u>

NOTE 6 - EMPLOYEE BENEFITS

A. PLAN DESCRIPTION

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

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows for the Plan years 2012 and 2013:

	<u>2012</u>	<u>2013</u>
Employee deposit rate:	5%	5%
Matching ratio (city to employee)	1 to 1	1.5 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25	60/5, 0/25
	100%	100%
Updated Service Credit	Repeating, Transfers	Repeating, Transfers
	70% of CPI	70% of CPI
Annuity Increase (to retirees)	Repeating	Repeating

B. CONTRIBUTIONS

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

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

CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

NOTE 6 - EMPLOYEE BENEFITS (CONTINUED)

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

Annual required contribution (ARC)	\$ 99,400
Interest on net pension obligation	-
Adjustment to the ARC	-
Annual pension cost (APC)	99,400
Contributions made	99,400
Increase (decrease) in net pension	-
Net pension obligation/asset, beginning of year	-
Net pension obligation/asset, end of year	\$ -

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
9/30/2011	\$ 114,106	100%	\$ -
9/30/2012	88,689	100%	-
9/30/2013	99,400	100%	-

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Valuation Date	12/31/2010	12/31/2011	12/31/2012
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.3 years; closed period	26.5 years; closed period	26.2 years; closed period
Amortization Period for New Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.0%	3.0%	3.0%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress

The funded status as of December 31, 2012, under the two separate actuarial valuations, is presented as follows:

Actuarial Valuation Date	12/31/2012
Actuarial Valuation of Assets	\$ 3,688,405
Actuarial Accrued Liability (AAL)	\$ 4,295,117
Funded Ratio	85.9%
Unfunded AAL (UAAL)	\$ 606,712
Covered Payroll	\$ 1,184,571
UAAL as a Percentage of Covered Payroll	51.2%

**CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 6 - EMPLOYEE BENEFITS (CONTINUED)

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

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

C. SUPPLEMENTAL DEATH BENEFITS FUND

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2013, 2012 and 2011 were \$2,940, \$2,838, and \$3,744, respectively, which equaled the required contributions each year.

NOTE 7 - INTERFUND ACTIVITIES

1. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2013, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Utilities Fund	General Fund	\$ 167,686	Budgetary transfer to cover admin costs

NOTE 8 - RESTRICTED FUND BALANCES AND NET POSITION

As of September 30, 2013, fund balances restricted for specific purposes were as follows:

General Fund:		
Municipal court technology and security	\$	27,719
Farmers market / animal shelter		5,918
Main street project		3,102
Library		60,672
		<u>97,411</u>
Other Governmental Funds:		
Tourism	\$	8,547
Federal grants		115,227
		<u>123,774</u>

**CITY OF WINNSBORO, TEXAS
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2013**

NOTE 8 - RESTRICTED FUND BALANCES AND NET POSITION (CONTINUED)

At September 30, 2013, other restricted net position was comprised of the following:

	Governmental Activities
Municipal court technology and security	\$ 27,719
Farmers market / animal shelter	5,918
Main street project	3,102
Library	60,672
Tourism	8,547
Federal grants	197,100
	\$ 303,058

NOTE 9 - DEPOSITS AND INVESTMENTS

Cash Deposits

Deposits - At September 30, 2013, the carrying amounts of the City's bank balances were \$2,543,290. The City's cash deposits at September 30, 2013 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.

The City's investments at September 30, 2013, are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of deposit	12/11/2013	\$ 369,747
Total Restricted Investments		369,747
Certificate of deposit	5/10/2014	52,491
Certificate of deposit	2/6/2014	131,101
Certificate of deposit	1/18/2014	1,931
Total Unrestricted Investments		185,523
Total Investments		\$ 555,270

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:

**CITY OF WINNSBORO, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

NOTE 9 - DEPOSITS AND INVESTMENTS (CONTINUED)

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.

Investment Accounting Policy

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

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The City 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 March 13, 2014, the date on which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF WINNSBORO, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
REVENUES:				
Property taxes	\$ 708,000	\$ 714,618	\$ 710,926	\$ (3,692)
Penalty and interest	12,000	12,000	13,311	1,311
Sales tax	512,500	512,500	584,124	71,624
Franchise taxes	191,000	191,000	166,847	(24,153)
Fines and forfeitures	100,400	100,400	105,664	5,264
Licenses and permits	10,500	10,500	11,800	1,300
Sanitation	618,000	618,000	571,169	(46,831)
Investment income	1,000	1,000	1,016	16
Airport revenues	27,000	27,000	40,700	13,700
Rents	48,540	72,140	73,041	901
Donations	11,000	11,113	114,373	103,260
Services to other governments	56,077	100,792	100,767	(25)
Miscellaneous	17,600	22,206	68,919	46,713
TOTAL REVENUES	<u>2,313,617</u>	<u>2,393,269</u>	<u>2,562,657</u>	<u>169,388</u>
EXPENDITURES:				
Administration	430,839	332,399	329,227	3,172
Economic development	54,750	58,859	57,745	1,114
Fire	93,330	70,362	419,324	(348,962)
Police	773,209	823,362	817,467	5,895
Animal control	68,221	65,691	64,165	1,526
Animal shelter	-	-	3,776	(3,776)
Farmers market	-	41,258	38,190	3,068
Court	61,879	62,010	60,647	1,363
Main street	-	-	6,450	(6,450)
Maintenance	303,782	293,690	265,395	28,295
Sanitation	484,800	484,800	434,002	50,798
Street improvement	-	-	359,106	(359,106)
Parks and recreation	59,456	66,956	67,006	(50)
Airport	44,425	50,687	49,845	842
Library	114,497	115,232	113,137	2,095
Debt service - principal	-	61,573	106,900	(45,327)
- interest	-	6,538	6,608	(70)
TOTAL EXPENDITURES	<u>2,489,188</u>	<u>2,533,417</u>	<u>3,198,990</u>	<u>(665,573)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(175,571)</u>	<u>(140,148)</u>	<u>(636,333)</u>	<u>(496,185)</u>
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	34,000	34,000	-
Proceeds of capital lease	-	-	315,761	315,761
Transfers in (out)-net	175,571	75,571	167,686	92,115
TOTAL OTHER FINANCING SOURCES (USES)	<u>175,571</u>	<u>109,571</u>	<u>517,447</u>	<u>407,876</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>-</u>	<u>(30,577)</u>	<u>(118,886)</u>	<u>(88,309)</u>
FUND BALANCE, OCTOBER 1, 2012	<u>1,007,676</u>	<u>1,007,676</u>	<u>1,007,676</u>	<u>-</u>
FUND BALANCE, SEPTEMBER 30, 2013	<u>\$ 1,007,676</u>	<u>\$ 977,099</u>	<u>\$ 888,790</u>	<u>\$ (88,309)</u>

**CITY OF WINNSBORO, TEXAS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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)
12/31/2010	3,428,557	3,967,886	86.4%	539,329	1,291,439	41.8%
12/31/2011	3,613,219	4,082,562	88.5%	469,343	1,269,403	37.0%
12/31/2012	3,688,405	4,295,117	85.9%	606,712	1,184,571	51.2%

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OTHER SUPPLEMENTAL INFORMATION

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CITY OF WINNSBORO, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET (NON-GAAP BASIS) AND ACTUAL - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	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	\$ 1,678,737	\$ 1,678,737	\$ 1,804,023	\$ -	\$ 1,804,023	\$ 125,286
Penalties	25,000	25,000	30,718	-	30,718	5,718
Miscellaneous	-	-	2,621	-	2,621	2,621
TOTAL OPERATING REVENUES	1,703,737	1,703,737	1,837,362	-	1,837,362	133,625
OPERATING EXPENSES:						
Salaries and employee benefits	433,094	433,094	430,135	-	430,135	2,959
Contractual services	280,190	280,190	219,144	-	219,144	61,046
Supplies and other expenses	328,300	328,300	286,592	-	286,592	41,708
Capital outlay	61,500	61,500	-	1,476,133	1,476,133	(1,414,633)
Depreciation	-	-	351,445	(351,445)	-	-
TOTAL OPERATING EXPENSES	1,103,084	1,103,084	1,287,316	1,124,688	2,412,004	(1,308,920)
OPERATING INCOME (LOSS)	600,653	600,653	550,046	(1,124,688)	(574,642)	(1,175,295)
NONOPERATING REVENUES (EXPENSES)						
Investment proceeds	1,000	1,000	5,754	-	5,754	4,754
Amortization expense	-	-	(36,889)	36,889	-	(36,889)
Debt service - principal	(930,078)	(374,652)	-	(232,289)	(232,289)	142,363
Debt service - interest	-	-	(256,598)	-	(256,598)	(256,598)
TOTAL NONOPERATING REVENUES (EXPENSES)	(929,078)	(373,652)	(287,733)	(195,400)	(483,133)	(146,370)
TRANSFERS IN (OUT)	266,281	(339,875)	(167,686)	-	(167,686)	172,189
NET INCOME (LOSS)	(62,144)	(112,874)	94,627	(1,320,088)	(1,225,461)	(1,149,476)
NET POSITION, BEGINNING	4,242,702	4,242,702	4,242,702	-	4,242,702	-
NET POSITION, ENDING	\$ 4,180,558	\$ 4,129,828	\$ 4,337,329	\$ (1,320,088)	\$ 3,017,241	\$ (1,149,476)

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COMPLIANCE SECTION

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KAREN A. JACKS & ASSOCIATES, P.C.
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INDEPENDENT AUDITORS' 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, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Winnsboro, Texas' basic financial statements and have issued our report thereon dated March 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Winnsboro, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Winnsboro, Texas' internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
March 13, 2014

**CITY OF WINNSBORO, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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, 2013**

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:

Unmodified

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, 2013**

None required.

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