

CITY OF WINNSBORO, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Introductory Section

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City of Winnsboro, Texas
Annual Financial Report
For The Year Ended September 30, 2015

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CITY OF WINNSBORO, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2015

Elected Officials

<u>Name</u>	<u>Office</u>
Randy Parrish	Mayor
Jim Hollowell	Mayor Pro-Tem
Brenda Shirley	Aldersperson
Joan Morris	Aldersperson
Michael Jaynes	Aldersperson
Dennis Whitehurst	Aldersperson

Appointed Officials

<u>Name</u>	<u>Position</u>
Jeff Howell	City Administrator
Shelly Griffin	City Secretary
Brenda Uhlenhopp	Financial Officer

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Financial Section

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KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Karen A. Jacks, CPA, CGMA
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Sherry Davis, CPA
Chanie A. Johnson, CPA

Independent Auditors' Report

To the City Council
City of Winnsboro, Texas
501 South Main Street
Winnsboro, Texas 75494

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Texas ("the City") as of and for the year ended September 30, 2015, 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 of 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 auditor's 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 City'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 City'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 activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Winnsboro, Texas as

of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2015, City of Winnsboro, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

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, schedule of the City's share of the net pension liability and schedule of City pension contributions identified as Required Supplementary Information in the table of contents 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2016 on our consideration of 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 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 2, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Winnsboro's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2015. Please read this in conjunction with the city's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- i In the year ending September 2015, the City's total governmental funds reported combined ending fund balances of \$1,478,650. In 2015 the City extended the financial policies to allow for a 25% operating reserve from the unrestricted fund balance to apply to both the General Fund and the Proprietary Fund. The General Fund increased fund balance by \$182,542, for a total of \$908,170 (*unassigned fund balance*).
- i The Proprietary Fund's *unrestricted net position* totaled \$1,320,213. This total included \$515,923 invested for bond payment, 25% of 2016 *operating reserve* of \$520,590 and undesignated operating funds of \$283,700.
- i Sales tax revenue exceed budget by 12%. The increase can be partially attributed to the ongoing benefit realization of the legalization of beer and wine for off premises consumption in November 2013 and the shop local program sponsored by the Main Street program.
- i Property tax revenue collected was at 96% of the levied amount.
- i The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,392,278 (*net position*).

The National Main Street Center awarded the Winnsboro Main Street program the 2015 Innovation Award for 'Our Town First' - shop local campaign on April 1, 2015.

The Winnsboro Farmer's Market was the recipient of their second two-year United States Department of Agriculture (USDA) grant. The grant is funded for \$61,869 over the two-year period for the purpose of growing the Winnsboro Farmer's Market strategy, customer and farmer/producer base.

The Winnsboro Police Department expanded their drug enforcement coverage with the addition of canine officer "Aja".

In August 2014 the Library was awarded a grant from the Tocker Foundation. The grant funded in 2015; \$34,311 of new furniture was placed throughout the Library complete with access for charging new technology appliances.

The City completed the Texas Department of Transportation (TxDOT) – Division of Aviation grant work at the Winnsboro Municipal/Frank M. White Memorial Airport. The grant provided for airport improvements including rehabilitation of the hangar access taxi lane on the west side of the hangars; a new lighted wind cone and segmented circle, and drainage dirt work on the taxiway.

In August 2014 the City was awarded a Texas Department of Agriculture Community Development Block Grant. The City funding total is scheduled to be \$320,749 including the match by the City of \$45,749. The grant provides for street improvements to six streets in the City and was completed in 2016.

In March, 2015 the City issued the Combination Tax and Water System Surplus Revenue Certificates of Obligation, Series 2015 for repayment of a Texas Water Development Board (TWDB) Revolving Loan from the Clean Water State Revolving Fund. The loan, in the amount of \$1,040,000 will be used to finance improvements to the sewer system properties and facilities. The City expects the project to be completed in 2017.

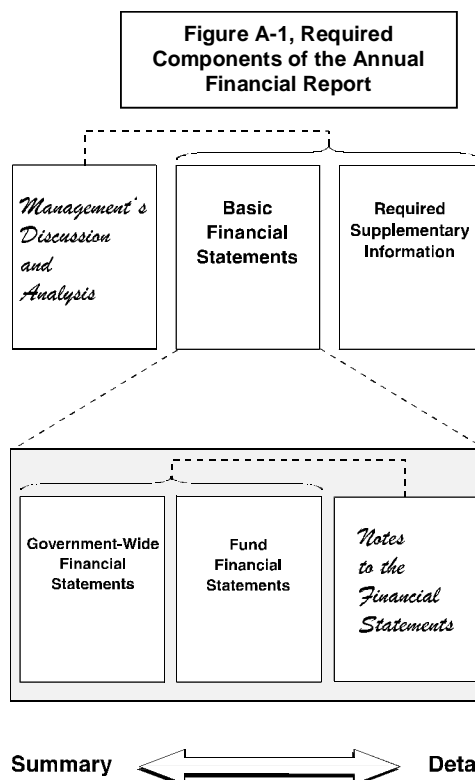
Franklin County Water District has supplied water to the City since 2002. In January 2015 the City amended their contract with Franklin County Water District to extend the contract at a lake level three times the current usage rate. The contract resulted in a \$60,000 savings for the City for calendar year 2015 and \$1.4m in savings to the City over the term of the contract through 2029.

An Internal Service Fund for Capital Equipment Replacement was added this year. The General Fund and the Proprietary Fund each contributed \$50,000 to the establishment of the \$100,000 fund. The Capital Equipment Replacement Fund will be used as a self-funding vehicle for the City to make large equipment and motor vehicle purchases saving the City interest costs. The initial purchases made through the fund included the 2015 Police Department Car and the 24-hour Kiosk replacing the drive-up window to serve citizens paying water and sanitation bills.

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 \$1,129,660 at September 30, 2015, an increase of 9% over the prior year.

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

	Governmental Activities		%	Business-Type Activities		%	Total Activities		%
	2015	2014	Change 2014- 2015	2015	2014	Change 2014- 2015	2015	2014	Change 2014- 2015
Assets:									
Current and other assets	\$ 1,669,677	\$ 1,473,619	13%	\$ 2,651,822	\$ 1,781,668	49%	\$ 4,321,499	\$ 3,255,287	33%
Capital and non-current assets	2,088,520	1,924,219	9%	9,969,014	10,346,137	-4%	12,057,534	12,270,356	-2%
Total Assets	<u>3,758,197</u>	<u>3,397,838</u>	11%	<u>12,620,836</u>	<u>12,127,805</u>	4%	<u>16,379,033</u>	<u>15,525,643</u>	5%
Deferred Outflows of Resources:									
Deferred Loss on Defeasance of Debt	9,080	14,886	-39%	59,532	84,279	-29%	68,612	99,165	-31%
Deferred Outflow Related to Pensions	112,522	-	100%	40,064	-	100%	152,586	-	100%
Total Deferred Outflows of Resources	<u>121,602</u>	<u>14,886</u>	717%	<u>99,596</u>	<u>84,279</u>	18%	<u>221,198</u>	<u>99,165</u>	123%
Liabilities:									
Current liabilities	110,293	108,344	2%	254,795	247,126	3%	365,088	355,470	3%
Long-term liabilities	2,126,046	2,267,070	-6%	8,020,080	7,512,735	7%	10,146,126	9,779,805	4%
Net Pension Liabilities	442,426	-	100%	157,526	-	100%	599,952	-	100%
Total Liabilities	<u>2,678,765</u>	<u>2,375,414</u>	13%	<u>8,432,401</u>	<u>7,759,861</u>	9%	<u>11,111,166</u>	<u>10,135,275</u>	10%
Deferred Inflows of Resources:									
Deferred Inflows Related to Pensions	71,374	-	100%	25,413	-	100%	96,787	-	100%
Total Deferred Inflows of Resources	<u>71,374</u>	<u>-</u>	100%	<u>25,413</u>	<u>-</u>	100%	<u>96,787</u>	<u>-</u>	100%
Net Position:									
Net investment in capital assets	1,796,554	1,577,035	14%	2,892,405	2,917,681	-1%	4,688,959	4,494,716	4%
Restricted	560,345	592,051	-5%	-	761,504	-100%	560,345	1,353,555	-59%
Unrestricted	(1,227,239)	(1,131,776)	14%	1,370,213	773,038	77%	142,974	(358,738)	-140%
Total Net Position	<u>\$ 1,129,660</u>	<u>\$ 1,037,310</u>	9%	<u>\$ 4,262,618</u>	<u>\$ 4,452,223</u>	-4%	<u>\$ 5,392,278</u>	<u>\$ 5,489,533</u>	-2%

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 increase in net investment in capital assets reflects the investment in streets through the Texas Department of Agriculture Community Block Grant and library furniture provided by the Tocker Foundation.

Long-term liabilities in the Proprietary Fund increased with the issuing of the Combination Tax and Water System Surplus Revenue Certificates of Obligation, Series 2015 in the amount of \$1,040,000.

Of total net position, \$560,345 is restricted as follows:

	Governmental Activities	Business- Type Activities	Total Activities
Restricted for debt service	\$ 66,050	\$ -	\$ 66,050
Restricted for capital projects	201,254	-	201,254
Restricted for municipal court technology and security	25,799	-	25,799
Restricted for library	50,176	-	50,176
Restricted for Federal programs	200,087	-	200,087
Other restrictions, total	16,979	-	16,979
	<u>\$ 560,345</u>	<u>\$ -</u>	<u>\$ 560,345</u>

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

Governmental Activities - The City's total revenue for governmental activities was \$3,108,156. 30% of this came from property taxes, 28% came from sales taxes and other taxes, and 23% came from charges for services.

The total cost of all programs was \$4,661,169. Approximately 19% of this was for police, 9% was for administration, and 42% 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 2014- 2015
	2015	2014	2015	2014	2015	2014	
Revenues:							
Charges for Services	\$ 716,767	\$ 710,191	\$ 2,047,983	\$ 1,976,224	\$ 2,764,750	\$ 2,686,415	3%
Operating Grants and Contributions	41,575	4,534	-	-	41,575	4,534	817%
Capital Grants and Contributions	243,262	53,549	-	-	243,262	53,549	354%
General Revenues:							
Property Taxes	928,385	892,727	-	-	928,385	892,727	4%
Other Taxes	872,802	816,358	-	-	872,802	816,358	7%
Investment Earnings	3,551	1,978	6,990	5,896	10,541	7,874	34%
Other	176,814	126,936	653	3,047	177,467	129,983	37%
Total Revenues	2,983,156	2,606,273	2,055,626	1,985,167	5,038,782	4,591,440	10%
Expenditures:							
Administration	432,627	388,539	-	-	432,627	388,539	11%
Economic Development	158,409	127,691	-	-	158,409	127,691	24%
Police	863,619	799,504	-	-	863,619	799,504	8%
Municipal court	72,048	67,730	-	-	72,048	67,730	6%
Animal control	118,309	86,980	-	-	118,309	86,980	36%
Farmers market	38,391	30,070	-	-	38,391	30,070	28%
Fire	160,104	145,928	-	-	160,104	145,928	10%
Maintenance	283,794	277,877	-	-	283,794	277,877	2%
Airport	53,597	58,319	-	-	53,597	58,319	-8%
Library	147,274	126,645	-	-	147,274	126,645	16%
Parks and recreation	77,691	76,140	-	-	77,691	76,140	2%
Sanitation	239,073	235,773	-	-	239,073	235,773	1%
Debt service-interest and fees	81,313	86,603	-	-	81,313	86,603	-6%
Water and sewer	-	-	1,934,920	1,670,874	1,934,920	1,670,874	16%
Total Expenses	2,726,249	2,507,799	1,934,920	1,670,874	4,661,169	4,178,673	12%
Transfers In(Out)	125,000	116,000	(125,000)	(116,000)	-	-	100%
Net Position - Beginning	1,037,313	915,843	4,452,221	4,337,329	5,489,534	5,253,172	4%
Prior-period Adjustment	(289,560)	(93,007)	(185,309)	(83,399)	(474,869)	(176,406)	169%
Change in Net Position	381,907	214,474	(4,294)	198,293	377,613	412,767	97%
Net Position - Ending	\$ 1,129,660	\$ 1,037,310	\$ 4,262,618	\$ 4,452,223	\$ 5,392,278	\$ 5,489,533	-2%

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 \$2,726,249.
- i The amount that City taxpayers funded for these activities through property taxes was \$928,385. Some of the cost was paid by those who directly benefited from the programs (\$716,767), or by grants and contributions (\$284,837).

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

	Total Cost of Services			Percentage Change	Net Cost of Services		
	2015	2014	2014-2015		2015	2014	2014-2015
Administration	\$ 432,627	\$ 388,539	11%	\$ 409,809	\$ 369,136	11%	
Police	863,619	799,504	8%	854,461	794,970	7%	
Maintenance	283,794	277,877	2%	246,063	277,877	-11%	
Sanitation	239,073	235,773	1%	(112,517)	(125,204)	-10%	

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City reported fund balance in its governmental funds of \$1,478,650 at September 30, 2015. This balance is composed of the following:

General Fund	\$1,199,737
Debt Service	66,050
Special Revenue Funds	212,863

Of the fund balance in the governmental fund, \$201,254 is restricted for street improvements and \$80,178 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 \$173,772 and the City's General Fund actual performance for the year revenue over expenses exceeded expectations by \$94,776 in total.

Actual expenditures were less than the final budget by \$51,159. Donations from the Winsboro Economic Development Corporation for the capital improvement of a Civic Center sound system in the amount of \$7,903.

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>2015</u>	<u>2014</u>	<u>2014-2015</u>	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>
Land and construction in progress	\$ 416,311	\$ 447,808	-7%	\$ 175,723	\$ 100,000	76%
Buildings and improvements	2,018,287	1,711,619	18%	-	-	
Machinery and equipment	1,746,417	1,677,061	4%	123,201	116,644	6%
Water and sewer system	-	-		18,056,524	18,138,732	0%
Streets	1,677,398	1,677,398	0%	-	-	
Totals at historical cost	5,858,413	5,513,886	6%	18,355,448	18,355,376	0%
Total accumulated depreciation	(3,769,893)	(3,589,667)	5%	(8,386,434)	(8,009,239)	5%
Net capital assets	\$ 2,088,520	\$ 1,924,219	9%	\$ 9,969,014	\$ 10,346,137	-4%

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		Percentage Change	Business-Type Activities		Percentage Change
	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>
Certificates of obligation	\$ -	\$ -		\$ 1,620,000	\$ 725,000	123%
Bonds payable	1,849,384	1,925,808	-4%	6,165,225	6,437,795	-4%
Notes payable	-	35,362	-100%	175,323	265,660	-34%
Leases payable	267,582	291,013	-8%	-	-	
Total Debt	\$ 2,116,966	\$ 2,252,183	-6%	\$ 7,960,548	\$ 7,428,455	7%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The FY 2016 budget was approved at the regular September meeting by the City Council. The General Fund budget for FY 2016 is \$2,591,304. This is an increase of 5.56% from the FY 2015 final budget.

The City maintained the property tax rate to be the same as 2015 at \$0.54/100. The FY 2016 budget will raise more revenue from property taxes than last year's budget by \$2,554, which is a 0.32% increase.

Sales taxes are conservatively forecast to be \$600,000, an increase of 8% over FY 2015.

The City will continue their policy of a 25% fund balance reserve in the General Fund in 2016. This fund balance reserve will remain in place and is not committed in the FY 2016 budget. The City established the same 25% fund balance policy for the Proprietary Fund in FY 2015. The Proprietary Fund continues to maintain the 25% fund balance reserve and an amount equal to one year's bond payments.

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

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CITY OF WINNSBORO, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	\$ 1,193,360	\$ 1,275,073	\$ 2,468,433	\$ 245,404
Investments	1,957	211,996	213,953	436,045
Receivables (Net of Allowances for Uncollectibles):				
Taxes	33,106	--	33,106	--
Accounts	104,910	230,814	335,724	--
Notes	141,441	--	141,441	--
Due From Other Governments	52,702	--	52,702	26,351
Restricted Cash and Temporary Investments	182,066	883,939	1,066,005	--
Internal Balances	(50,000)	50,000	--	--
Inventory	10,135	--	10,135	--
Capital Assets (Net of Accumulated Depreciation)	2,088,520	9,969,014	12,057,534	--
Total Assets	<u>3,758,197</u>	<u>12,620,836</u>	<u>16,379,033</u>	<u>707,800</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Loss on Defeasance of Debt	9,080	59,532	68,612	--
Deferred Outflow Related to Pensions	112,522	40,064	152,586	--
Total Deferred Outflows of Resources	<u>121,602</u>	<u>99,596</u>	<u>221,198</u>	<u>--</u>
LIABILITIES:				
Accounts Payable	90,067	29,157	119,224	42,045
Accrued Wages	13,439	25,719	39,158	--
Payable to Other Governments	4,252	--	4,252	--
Accrued Interest Payable	2,535	13,937	16,472	--
Customer Deposits	--	185,982	185,982	--
Noncurrent Liabilities-				
Due Within One Year	108,994	477,407	586,401	--
Due in More Than One Year	2,017,052	7,542,673	9,559,725	--
Net Pension Liability	442,426	157,526	599,952	--
Total Liabilities	<u>2,678,765</u>	<u>8,432,401</u>	<u>11,111,166</u>	<u>42,045</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows Related to Pensions	71,374	25,413	96,787	--
Total Deferred Inflows of Resources	<u>71,374</u>	<u>25,413</u>	<u>96,787</u>	<u>--</u>
NET POSITION:				
Net Investment in Capital Assets	1,796,554	2,892,405	4,688,959	--
Restricted For:				
Debt Service	66,050	--	66,050	--
Capital Acquisition	201,254	--	201,254	--
Other Purposes	293,041	--	293,041	665,755
Unrestricted	(1,227,239)	1,370,213	142,974	--
Total Net Position	<u>\$ 1,129,660</u>	<u>\$ 4,262,618</u>	<u>\$ 5,392,278</u>	<u>\$ 665,755</u>

The accompanying notes are an integral part of this statement.

CITY OF WINNSBORO, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
Administration	\$ 432,627	\$ 22,818	\$ --	\$ --
Economic Development	158,409	126,584	--	--
Fire	160,104	--	--	--
Police	863,619	--	9,158	--
Animal Control	118,309	865	--	--
Farmers Market	38,391	5,000	31,017	--
Municipal Court	72,048	104,595	--	--
Maintenance	283,794	13,240	--	24,491
Sanitation	239,073	351,590	--	--
Parks and Recreation	77,691	52,411	--	--
Airport	53,597	32,156	1,400	184,460
Library	147,274	7,508	--	34,311
Debt Service - Interest and Fees	81,313	--	--	--
Total Governmental Activities	<u>2,726,249</u>	<u>716,767</u>	<u>41,575</u>	<u>243,262</u>
Business-type Activities:				
Utilities	1,934,920	2,047,983	--	--
Total Business-type Activities	<u>1,934,920</u>	<u>2,047,983</u>	<u>--</u>	<u>--</u>
Total Primary Government	<u>\$ 4,661,169</u>	<u>\$ 2,764,750</u>	<u>\$ 41,575</u>	<u>\$ 243,262</u>
COMPONENT UNIT:				
Winnsboro Economic Development Corporation	<u>\$ 253,095</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

General Revenues:
 Property Taxes
 Sales Taxes
 Franchise Taxes
 Other Taxes
 Unrestricted Investment Earnings
 Contributions and Donations
 Miscellaneous
 Transfers
 Total General Revenues
 Change in Net Position
 Net Position - Beginning
 Prior Period Adjustment
 Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (409,809)		\$ (409,809)	
(31,825)		(31,825)	
(160,104)		(160,104)	
(854,461)		(854,461)	
(117,444)		(117,444)	
(2,374)		(2,374)	
32,547		32,547	
(246,063)		(246,063)	
112,517		112,517	
(25,280)		(25,280)	
164,419		164,419	
(105,455)		(105,455)	
(81,313)		(81,313)	
<u>(1,724,645)</u>		<u>(1,724,645)</u>	
--	\$ 113,063	113,063	
--	113,063	113,063	
<u>(1,724,645)</u>	<u>113,063</u>	<u>(1,611,582)</u>	
			\$ <u>(253,095)</u>
928,385	--	928,385	--
643,425	--	643,425	320,777
217,979	--	217,979	--
11,398	--	11,398	--
3,551	6,990	10,541	2,614
127,397	--	127,397	--
49,417	653	50,070	--
125,000	(125,000)	--	--
<u>2,106,552</u>	<u>(117,357)</u>	<u>1,989,195</u>	<u>323,391</u>
381,907	(4,294)	377,613	70,296
1,037,313	4,452,221	5,489,534	595,459
(289,560)	(185,309)	(474,869)	--
<u>\$ 1,129,660</u>	<u>\$ 4,262,618</u>	<u>\$ 5,392,278</u>	<u>\$ 665,755</u>

CITY OF WINNSBORO, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and Cash Equivalents	\$ 1,026,036	\$ 134,962	\$ 1,160,998
Temporary Investments	1,957	--	1,957
Receivables (net of allowances):			
Taxes	25,811	7,295	33,106
Accounts	34,599	--	34,599
Notes	--	141,441	141,441
Due from Other Governments	52,702	--	52,702
Restricted Cash and Temporary Investments	182,066	--	182,066
Inventory	10,135	--	10,135
Total Assets	<u>\$ 1,333,306</u>	<u>\$ 283,698</u>	<u>\$ 1,617,004</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:			
LIABILITIES:			
Accounts Payable	\$ 90,067	\$ --	\$ 90,067
Accrued Wages	13,439	--	13,439
Due to Other Governments	4,252	--	4,252
Total Liabilities	<u>107,758</u>	<u>--</u>	<u>107,758</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Property Taxes	25,811	4,785	30,596
Total Deferred Inflows of Resources	<u>25,811</u>	<u>4,785</u>	<u>30,596</u>
FUND BALANCES:			
Nonspendable Fund Balances			
Inventory	10,135	--	10,135
Long-Term Notes Receivable	--	141,441	141,441
Restricted Fund Balances			
Capital Acquisitions & Contractual Obligations	201,254	--	201,254
Debt Service	--	66,050	66,050
Other Restrictions of Fund Balance	80,178	71,422	151,600
Unassigned	908,170	--	908,170
Total Fund Balances	<u>1,199,737</u>	<u>278,913</u>	<u>1,478,650</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 1,333,306</u>	<u>\$ 283,698</u>	<u>\$ 1,617,004</u>

The accompanying notes are an integral part of this statement.

CITY OF WINNSBORO, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

Total fund balances - governmental funds balance sheet	\$ 1,478,650
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	2,027,320
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	30,596
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	43,562
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,825,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(267,582)
Payables for bond interest which are not due in the current period are not reported in the funds.	(2,535)
Premiums on bonds payable are amortized in the statement of net position but not in the funds.	(33,464)
Loss on defeasance of debt is amortized in the statement of net position but not in the funds.	9,080
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	70,311
Recognition of the City's net pension liability is not reported in the funds.	(442,426)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(71,374)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>112,522</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 1,129,660</u>

The accompanying notes are an integral part of this statement.

CITY OF WINNSBORO, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property Taxes	\$ 756,715	\$ 156,757	\$ 913,472
Penalties and Interest	13,150	--	13,150
Sales Tax	643,425	--	643,425
Franchise Tax	217,979	--	217,979
Other Taxes	--	11,398	11,398
Fines and Forfeitures	110,793	--	110,793
Licenses and Permits	22,818	--	22,818
Sanitation Fees	351,590	--	351,590
Investment Income	1,215	2,321	3,536
Airport Revenue	32,156	--	32,156
Rents	50,776	--	50,776
Donations	127,397	--	127,397
Services to Other Governments	131,584	--	131,584
Grants	284,837	--	284,837
Miscellaneous	49,417	--	49,417
Total Revenues	<u>2,793,852</u>	<u>170,476</u>	<u>2,964,328</u>
EXPENDITURES:			
Administration	383,544	--	383,544
Economic Development	137,847	10,999	148,846
Fire	142,430	--	142,430
Police	813,110	--	813,110
Animal Control	108,080	--	108,080
Farmers Market	38,391	--	38,391
Municipal Court	65,071	--	65,071
Maintenance	312,104	--	312,104
Sanitation	191,946	--	191,946
Parks and Recreation	73,718	--	73,718
Airport	227,939	--	227,939
Library	162,685	--	162,685
Debt Service - Principal	58,793	80,000	138,793
Debt Service - Interest and Fees	8,652	70,990	79,642
Total Expenditures	<u>2,724,310</u>	<u>161,989</u>	<u>2,886,299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>69,542</u>	<u>8,487</u>	<u>78,029</u>
OTHER FINANCING SOURCES (USES):			
Debt Proceeds	38,000	--	38,000
Transfers In (Out) - Net	75,000	--	75,000
Total Other Financing Sources (Uses)	<u>113,000</u>	<u>--</u>	<u>113,000</u>
Net Change in Fund Balances	182,542	8,487	191,029
Fund Balances - Beginning	1,017,195	270,426	1,287,621
Fund Balances - Ending	<u>\$ 1,199,737</u>	<u>\$ 278,913</u>	<u>\$ 1,478,650</u>

The accompanying notes are an integral part of this statement.

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, 2015

Net change in fund balances - total governmental funds	\$ 191,029
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	309,472
The depreciation of capital assets used in governmental activities is not reported in the funds.	(206,373)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1,763
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	80,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	23,431
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	73,362
(Increase) decrease in accrued interest from beginning of period to end of period.	1,905
The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	43,562
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	17,050
Loss on defeasance of debt is amortized in the SOA but not in the funds.	(5,806)
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(38,000)
Bond premiums are reported in the funds but not in the SOA.	2,230
Pension contributions made in CY included in pension expense.	104,261
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(215,979)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 381,907</u>

The accompanying notes are an integral part of this statement.

CITY OF WINNSBORO, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

SEPTEMBER 30, 2015

	Enterprise Fund	Nonmajor Internal Service Fund
	Utilities Fund	Equipment Replacement Fund
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$ 1,275,073	\$ 32,362
Temporary Investments	211,996	--
Receivables (net of allowances):		
Accounts	230,814	--
Restricted Assets:		
Cash and Temporary Investments	883,939	--
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation	9,969,014	61,200
Total Assets	<u>12,570,836</u>	<u>93,562</u>
DEFERRED RESOURCE OUTFLOWS:		
Loss on Defeasance of Debt	59,532	--
Deferred Outflow Related to Pensions	40,064	--
Total Deferred Resource Outflows	<u>\$ 99,596</u>	<u>\$ --</u>
LIABILITIES:		
Current liabilities:		
Accounts Payable	\$ 29,157	\$ --
Accrued Wages	25,719	--
Accrued Interest Payable	13,937	--
Customer Deposits	185,982	--
Noncurrent Liabilities:		
Due Within One Year	477,407	--
Due in More than One Year	7,542,673	--
Net Pension Liability	157,526	--
Total Liabilities	<u>8,432,401</u>	<u>--</u>
DEFERRED RESOURCE INFLOWS:		
Deferred Inflows Related to Pensions	25,413	--
Total Deferred Inflows	<u>25,413</u>	<u>--</u>
NET POSITION:		
Net Investment in Capital Assets	2,892,405	--
Unrestricted	1,320,213	93,562
Total Net Position	<u>\$ 4,212,618</u>	<u>\$ 93,562</u>

The accompanying notes are an integral part of this statement.

CITY OF WINNSBORO, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Fund	Nonmajor Internal Service Fund
	Utilities Fund	Equipment Replacement Fund
OPERATING REVENUES:		
Charges for Services	\$ 2,013,737	\$ --
Penalties	34,246	--
Miscellaneous	653	--
Total Operating Revenues	<u>2,048,636</u>	<u>--</u>
OPERATING EXPENSES:		
Personnel Costs	535,297	--
Contractual Services	294,341	--
Supplies and Other Expenses	331,528	--
Depreciation	377,195	5,853
Total Operating Expenses	<u>1,538,361</u>	<u>5,853</u>
Operating Income	<u>510,275</u>	<u>(5,853)</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment Earnings	6,990	15
Amortization Expense	(24,747)	--
Interest Expense and Fees	(371,812)	(600)
Total Non-operating Revenues (Expenses)	<u>(389,569)</u>	<u>(585)</u>
TRANSFER IN (OUT)		
Transfers In	--	100,000
Transfers Out	(175,000)	--
Net Transfers	<u>(175,000)</u>	<u>100,000</u>
Change in Net Position	(54,294)	93,562
Total Net Position - Beginning	4,452,221	--
Prior Period Adjustment	(185,309)	--
Total Net Position - Ending	<u>\$ 4,212,618</u>	<u>\$ 93,562</u>

The accompanying notes are an integral part of this statement.

CITY OF WINNSBORO, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Fund		Internal Service Fund
	Utilities Fund		
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 2,051,869	\$	--
Cash Received from Customers for Deposits	(520)		--
Cash Payments to Employees for Services	(503,671)		--
Cash Payments to Other Suppliers for Goods and Services	(608,888)		--
Net Cash Provided (Used) by Operating Activities	<u>938,790</u>		<u>--</u>
Cash Flows from Non-capital Financing Activities:			
Transfers From (To) Other Funds	(175,000)		100,000
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(175,000)</u>		<u>100,000</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Issuance of Long-term Debt	1,040,000		--
Principal Paid on Debt	(525,337)		--
Interest and Fees Paid on Debt	(379,770)		(600)
Acquisition or Construction of Capital Assets	(82,286)		(67,053)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>52,607</u>		<u>(67,653)</u>
Cash Flows from Investing Activities:			
Investment Earnings	5,233		15
Change in Restricted Cash	(190,038)		--
Net Cash Provided (Used) for Investing Activities	<u>(184,805)</u>		<u>15</u>
Net Increase (Decrease) in Cash and Cash Equivalents	631,592		32,362
Cash and Cash Equivalents at Beginning of Year	643,481		--
Cash and Cash Equivalents at End of Year	<u>\$ 1,275,073</u>		<u>\$ 32,362</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 510,275	\$	(5,853)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	377,195		5,853
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	3,233		--
Increase (Decrease) in Accounts Payable	16,981		--
Increase (Decrease) in Accrued Wages Payable	(8,151)		--
Increase (Decrease) in Customer Deposits	(520)		--
Increase (Decrease) in Pension Liabilities	39,777		--
Total Adjustments	<u>428,515</u>		<u>5,853</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 938,790</u>	\$	<u>--</u>

The accompanying notes are an integral part of this statement.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

A. Summary of Significant Accounting Policies

The combined financial statements of City of Winnsboro, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's "Codification of Governmental Accounting and Financial Reporting Standards", include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. The GASB Codification requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the City has one component unit. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Codification.

2. Discretely Presented Component Unit

Winnsboro Economic Development Corporation (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.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental fund:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major enterprise fund:

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

In addition, the City reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City does not consider revenues collected more than 60 days after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as

CITY OF WINNSBORO, TEXAS
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 FOR THE YEAR ENDED SEPTEMBER 30, 2015

revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service 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, 2015 is \$45,894.

c. Inventories and Prepaid Items

The City records purchases of airport fuel at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. 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>Estimated Useful Lives</u>
Infrastructure	50
Buildings	50
Building Improvements	15-20
Vehicles	4-7
Furniture & Equipment	5-7

CITY OF WINNSBORO, TEXAS
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e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to or deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. 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 City Council. Committed amounts cannot be used for any other purpose unless the City 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 City 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 City 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 City Council or by an official or body to which the City 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
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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.

In the General Fund, the City has a policy to maintain a minimum of three months of operating expenses in unassigned fund balance. The City was in compliance with this policy at September 30, 2015.

i. Net Position - Enterprise Fund

In the enterprise fund, the City has a policy to maintain twenty-five percent of the current year's budget appropriation for operation and maintenance in unrestricted net position. The City was in compliance with this policy at September 30, 2015.

j. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

k. Net Position Flow Assumptions

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.

l. 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.

5. Change in Accounting Policies

In June, 2012 the Governmental Accounting Standards Board (GASB) issued Statement No. 68, "Accounting and Financial Reporting for Pensions," which is effective for fiscal years beginning after June 15, 2014. The City has implemented the provisions of this Statement for the year ended September 30, 2015.

The Statement requires numerous new pension disclosures in the notes to the financial statements and new 10-year, pension-related charts as required supplementary information. Also, for the first time the City is required to recognize pension expense, report deferred outflows of resources and deferred inflows of resources related to pensions and a net pension liability for its participation in the Texas Municipal Retirement System.

Additional information related to this change in accounting policies can be found in notes H and L.

CITY OF WINNSBORO, TEXAS
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B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

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

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

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At September 30, 2015, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,748,391 and the bank balance was \$3,772,155. The City's cash deposits at September 30, 2015 and during the year ended September 30, 2015, were not entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: First National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$3,182,693.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$3,609,543 and occurred during the month of February, 2015.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,000.

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 be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

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investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2015 are shown below:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificates of deposit - unrestricted	12 months	\$ 213,953
Certificates of deposit - restricted	12 months	515,923
Total Investments		<u>\$ 729,876</u>

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

CITY OF WINNSBORO, TEXAS
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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.

D. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 365,259	\$ --	\$ --	\$ 365,259
Construction in progress	82,549	51,052	82,549	51,052
Total capital assets not being depreciated	<u>447,808</u>	<u>51,052</u>	<u>82,549</u>	<u>416,311</u>
Capital assets being depreciated:				
Streets	1,677,398	--	--	1,677,398
Buildings and improvements	1,711,619	306,668	--	2,018,287
Vehicles and equipment	1,361,300	101,356	32,000	1,430,656
Assets under capital lease	315,761	--	--	315,761
Total capital assets being depreciated	<u>5,066,078</u>	<u>408,024</u>	<u>32,000</u>	<u>5,442,102</u>
Less accumulated depreciation for:				
Streets	(1,008,648)	(38,574)	--	(1,047,222)
Buildings and improvements	(1,376,307)	(58,851)	--	(1,435,158)
Vehicles and equipment	(1,133,032)	(69,692)	(32,000)	(1,170,724)
Assets under capital lease	(71,680)	(45,109)	--	(116,789)
Total accumulated depreciation	<u>(3,589,667)</u>	<u>(212,226)</u>	<u>(32,000)</u>	<u>(3,769,893)</u>
Total capital assets being depreciated, net	<u>1,476,411</u>	<u>195,798</u>	<u>--</u>	<u>1,672,209</u>
Governmental activities capital assets, net	<u>\$ 1,924,219</u>	<u>\$ 246,850</u>	<u>\$ 82,549</u>	<u>\$ 2,088,520</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ --	\$ --	\$ 100,000
Construction in progress	--	75,723	--	75,723
Total capital assets not being depreciated	<u>100,000</u>	<u>75,723</u>	<u>--</u>	<u>175,723</u>
Capital assets being depreciated:				
Water and Sewer System	18,138,732	--	82,208	18,056,524
Equipment	116,644	6,557	--	123,201
Total capital assets being depreciated	<u>18,255,376</u>	<u>6,557</u>	<u>82,208</u>	<u>18,179,725</u>
Less accumulated depreciation for:				
Water and sewer system	(7,987,275)	(360,532)	--	(8,347,807)
Equipment	(21,964)	(16,663)	--	(38,627)
Total accumulated depreciation	<u>(8,009,239)</u>	<u>(377,195)</u>	<u>--</u>	<u>(8,386,434)</u>
Total capital assets being depreciated, net	<u>10,246,137</u>	<u>(370,638)</u>	<u>82,208</u>	<u>9,793,291</u>
Business-type activities capital assets, net	<u>\$ 10,346,137</u>	<u>\$ (294,915)</u>	<u>\$ 82,208</u>	<u>\$ 9,969,014</u>

CITY OF WINNSBORO, TEXAS
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Depreciation was charged to functions in the governmental activities as follows:

Administration	\$ 27,450
Fire	51,976
Police	34,844
Animal Control	4,751
Municipal Court	2,546
Maintenance	11,417
Sanitation	47,127
Parks and Recreation	11,875
Airport	7,563
Library	12,677
	<u>\$ 212,226</u>

E. Interfund Balances and Activity

1. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2015, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Utilities Fund	General Fund	\$ 175,000	Annual operating transfer
General Fund	Internal Service Fund	50,000	Equity for new fund
Utilities Fund	Internal Service Fund	50,000	Equity for new fund
	Total	<u>\$ 275,000</u>	

F. Long-Term Obligations

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,905,000	\$ --	\$ 80,000	\$ 1,825,000	85,000
Capital leases	291,013	--	23,431	267,582	23,994
Notes	35,362	38,000	73,362	--	--
Bond premium	35,694	--	2,230	33,464	--
Loss on defeasance	(14,886)	--	(5,806)	(9,080)	--
Total governmental activities	<u>\$ 2,252,183</u>	<u>\$ 38,000</u>	<u>\$ 173,217</u>	<u>\$ 2,116,966</u>	<u>\$ 108,994</u>
Business-type activities:					
General obligation bonds	\$ 6,405,000	\$ --	\$ 290,000	\$ 6,115,000	290,000
Certificates of obligation	725,000	1,040,000	145,000	1,620,000	95,000
Notes	265,660	--	90,337	175,323	92,407
Bond premium	117,074	--	7,317	109,757	--
Loss on defeasance	(84,279)	--	(24,747)	(59,532)	--
Total business-type activities	<u>\$ 7,428,455</u>	<u>\$ 1,040,000</u>	<u>\$ 507,907</u>	<u>\$ 7,960,548</u>	<u>\$ 477,407</u>

CITY OF WINNSBORO, TEXAS
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2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2015, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 85,000	\$ 68,328	\$ 153,328
2017	90,000	65,703	155,703
2018	90,000	63,002	153,002
2019	95,000	59,990	154,990
2020	95,000	56,428	151,428
2021-2025	550,000	219,817	769,817
2026-2030	670,000	101,500	771,500
2031-2035	150,000	3,187	153,187
Totals	<u>\$ 1,825,000</u>	<u>\$ 637,955</u>	<u>\$ 2,462,955</u>

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2016	\$ 477,407	\$ 247,559	\$ 724,966
2017	472,916	235,241	708,157
2018	400,000	223,126	623,126
2019	410,000	212,614	622,614
2020	425,000	200,051	625,051
2021-2025	2,300,000	802,696	3,102,696
2026-2030	2,590,000	408,797	2,998,797
2031-2035	835,000	28,982	863,982
Totals	<u>\$ 7,910,323</u>	<u>\$ 2,359,066</u>	<u>\$ 10,269,389</u>

3. Notes Payable

Notes payable currently outstanding are as follows:

Purpose:	Collateral Pledged	Interest Rates	Maturity Date	Amount
<u>Business-Type Activities</u>				
Water Line Project	N/A	3.25%	03/2017	\$ 80,000
Water Storage Project	N/A	3.53%	03/2017	84,404
Equipment	Equipment	5.00%	09/2016	10,919
				<u>\$ 175,323</u>

4. Bonds Payable

Bonds payable currently outstanding are as follows:

Title of Issue:	Interest Rates	Maturity Date	Amount
Series 2011 Refunding Bonds	2.0-4.25%	3/2031	<u>\$ 7,940,000</u>
	Governmental Activities		1,825,000
	Business-Type Activities		6,115,000
			<u>\$ 7,940,000</u>

CITY OF WINNSBORO, TEXAS
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5. Certificates of Obligation

Certificates of obligation currently outstanding are as follows:

<u>Title of Issue:</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amount</u>
Certificates of Obligation, Series 2005	0%	2/2025	\$ 580,000
Certificates of Obligation, Series 2015	0%	8/2035	1,040,000
			<u>\$ 1,620,000</u>

6. Capital Leases

Commitments under capitalized lease agreements for equipment provide for minimum future lease payments as of September 30, 2015, as follows:

<u>Year Ending September 30:</u>	
2016	\$ 30,416
2017	30,416
2018	30,416
2019	30,416
2020	30,416
2021-2025	<u>152,078</u>
Total Minimum Rentals	304,158
Less Amount Representing Interest	(36,576)
Present Value of Future Minimum Lease Payments	<u>\$ 267,582</u>

The effective interest rate on capital leases is 2.400%.

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2015, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

1. Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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All eligible employees of the City are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Employees covered by benefit terms:

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	25
Inactive employees entitled to but not yet receiving benefits	24
Active employees	<u>36</u>
Total covered employees	85

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.53% and 10.69% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$141,383, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis

CITY OF WINNSBORO, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability	Increase (Decrease)		
	\$ Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 4,566,791	\$ 4,092,629	\$ 474,162
Changes for the year			
Service cost	118,965	--	118,965
Interest	328,888	--	328,888
Change of benefit terms	218,452	--	218,452

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Difference between expected and actual experience	(131,074)	--	(131,074)
Changes of assumptions	--	--	--
Contributions - employer	--	112,224	(112,224)
Contributions - employee	--	65,782	(65,782)
Net investment income	--	234,080	(234,080)
Benefit payments, including refunds of employee contributions	(292,664)	(292,664)	--
Administrative expense	--	(2,444)	2,444
Other changes	--	(201)	201
Net changes	<u>242,567</u>	<u>116,777</u>	<u>125,790</u>
Balance at 12/31/2014	<u>\$ 4,809,358</u>	<u>\$ 4,209,406</u>	<u>\$ 599,952</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate.

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
City's net pension liability	\$ 1,220,730	\$ 599,952	\$ 89,119

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$292,878.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ --	\$ 96,787
Changes in actuarial assumptions	--	--
Difference between projected and actual investment earnings	41,923	--
Contributions subsequent to the measurement date	110,663	--
Total	<u>\$ 152,586</u>	<u>\$ 96,787</u>

\$110,663 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF WINNSBORO, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Year ended Dec. 31:		
2016	\$	(23,806)
2017		(23,806)
2018		(17,732)
2019		10,480
2020		--
Thereafter		--

6. Supplemental Death Benefits Fund

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

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

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

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were \$3,628, \$3,346, and \$2,940, respectively, which equaled the required contributions each year.

I. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the City at September 30, 2015.

J. Restricted Fund Balances and Net Position

As of September 30, 2015, fund balances restricted for specific purposes were as follows:

General Fund:		
Municipal Court Technology and Security	\$	25,799
Farmers Market		1,299
Main Street Project		2,904
Library		50,176
	\$	<u>80,178</u>

CITY OF WINNSBORO, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Other Governmental Funds:	
Tourism	\$ 12,776
Federal Grants	58,646
	<u>\$ 71,422</u>

At September 30, 2015, other restricted net position was comprised of the following:

	<u>Governmental Activities</u>
Municipal Court Technology and Security	\$ 25,799
Farmers Market	1,299
Main Street Project	2,904
Library	50,176
Tourism	12,776
Federal Grants	200,087
	<u>\$ 293,041</u>

K. Subsequent Events

Management has evaluated subsequent events through March 2, 2016, the date on which the financial statements were available to be issued.

L. Prior Period Adjustment

Beginning net position has been reduced by \$474,869 to reflect a change in accounting policy and to correct an error in the prior year financial statements.

The City implemented the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" during the year ended September 30, 2015. As a result, a net pension liability as of October 1, 2014 was recorded.

The City also expensed a repair project that had been capitalized in error in the prior year.

The results of the prior period adjustment are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
GASB 68 implementation	\$ 289,560	\$ 103,101
Adjust capitalized assets	--	82,208
Total	<u>\$ 289,560</u>	<u>\$ 185,309</u>

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF WINNSBORO, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property Taxes	\$ 747,551	\$ 747,551	\$ 756,715	\$ 9,164
Penalties and Interest	12,000	12,000	13,150	1,150
Sales Tax	555,857	575,357	643,425	68,068
Franchise Tax	210,200	210,200	217,979	7,779
Fines and Forfeitures	96,200	96,200	110,793	14,593
Licenses and Permits	12,500	12,500	22,818	10,318
Sanitation Fees	347,600	347,600	351,590	3,990
Investment Income	850	850	1,215	365
Airport Revenue	28,200	28,200	32,156	3,956
Rents	40,640	40,640	50,776	10,136
Donations	71,120	86,920	127,397	40,477
Services to Other Governments	167,992	149,537	131,584	(17,953)
Grants	2,350	277,115	284,837	7,722
Miscellaneous	13,450	35,410	49,417	14,007
Total Revenues	<u>2,306,510</u>	<u>2,620,080</u>	<u>2,793,852</u>	<u>173,772</u>
EXPENDITURES:				
Administration	359,897	388,284	383,544	4,740
Economic Development	150,787	161,631	137,847	23,784
Fire	117,276	120,820	142,430	(21,610)
Police	801,315	813,758	813,110	648
Animal Control	98,598	108,254	108,080	174
Farmers Market	30,065	38,377	38,391	(14)
Municipal Court	66,390	67,449	65,071	2,378
Maintenance	327,115	318,174	312,104	6,070
Sanitation	195,000	195,000	191,946	3,054
Parks and Recreation	69,853	80,763	73,718	7,045
Airport	56,503	243,470	227,939	15,531
Library	131,413	171,924	162,685	9,239
Debt Service - Principal	58,794	58,794	58,793	1
Debt Service - Interest and Fees	8,779	8,779	8,652	127
Total Expenditures	<u>2,471,786</u>	<u>2,775,479</u>	<u>2,724,310</u>	<u>51,169</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(165,276)	(155,399)	69,542	224,941
OTHER FINANCING SOURCES (USES):				
Debt Proceeds	38,000	38,000	38,000	--
Transfers In (Out) - Net	125,000	205,165	75,000	130,165
Total Other Financing Sources (Uses)	<u>163,000</u>	<u>243,165</u>	<u>113,000</u>	<u>130,165</u>
Net Change in Fund Balances	(2,276)	87,766	182,542	94,776
Fund Balances - Beginning	<u>1,017,195</u>	<u>1,017,195</u>	<u>1,017,195</u>	<u>--</u>
Fund Balances - Ending	<u>\$ 1,014,919</u>	<u>\$ 1,104,961</u>	<u>\$ 1,199,737</u>	<u>\$ 94,776</u>

CITY OF WINNSBORO, TEXAS
 SCHEDULE OF CHANGES IN THE CITY'S
 NET PENSION LIABILITY AND RELATED RATIOS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total pension liability:										
Service cost	\$ 118,965	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	328,888	--	--	--	--	--	--	--	--	--
Changes of benefit terms	218,452	--	--	--	--	--	--	--	--	--
Differences between expected and actual experience	(131,074)	--	--	--	--	--	--	--	--	--
Changes of assumptions	--	--	--	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(292,664)	--	--	--	--	--	--	--	--	--
Net change in total pension liability	242,567	--	--	--	--	--	--	--	--	--
Total pension liability - beginning	4,566,791	--	--	--	--	--	--	--	--	--
Total pension liability - ending (a)	\$ 4,809,358	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Plan fiduciary net position:										
Contributions - employer	\$ 112,224	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions - employee	65,782	--	--	--	--	--	--	--	--	--
Net investment income	234,080	--	--	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(292,664)	--	--	--	--	--	--	--	--	--
Administrative expense	(2,444)	--	--	--	--	--	--	--	--	--
Other	(201)	--	--	--	--	--	--	--	--	--
Net change in plan fiduciary net position	116,777	--	--	--	--	--	--	--	--	--
Plan fiduciary net position - beginning	4,092,629	--	--	--	--	--	--	--	--	--
Plan fiduciary net position - ending (b)	\$ 4,209,406	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's net pension liability - ending (a) - (b)	\$ 599,952	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Plan fiduciary net position as a percentage of the total pension liability	87.53%	--	--	--	--	--	--	--	--	--
Covered-employee payroll	\$ 1,315,636	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's net pension liability as a percentage of covered-employee payroll	45.60%	--	--	--	--	--	--	--	--	--

Notes to Schedule:

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF WINNSBORO, TEXAS
 SCHEDULE OF CITY CONTRIBUTIONS
 TEXAS MUNICIPAL RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 141,383	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the actuarially determined contribution	(141,383)	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 1,395,342	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	10.13%	--	--	--	--	--	--	--	--	--

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	29 years
Asset valuation method	10 year smoothed market; 15% soft corridor
Inflation	3.0%
Salary increases	3.5% to 12.0% including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Other Information:	Increased municipal matching ratio from 1.5-1 to 2-1.

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

CITY OF WINNSBORO, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2015

1. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the required supplementary information:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. During the year, the budget was amended as necessary. All budget appropriations lapse at year end.

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Compliance Section

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KAREN A. JACKS & ASSOCIATES, P.C.

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Sherry Davis, CPA
Chanie A. Johnson, CPA

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

City Council
City of Winnsboro, Texas
501 South Main Street
Winnsboro, Texas 75494

Members of the City Council:

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 activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Winnsboro, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Winnsboro, Texas' basic financial statements, and have issued our report thereon dated March 2, 2016.

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 a 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 from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.
Longview, Texas
March 2, 2016

CITY OF WINNSBORO, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

 Yes X No

One or more significant deficiencies 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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None.		

CITY OF WINNSBORO, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2015

None required.

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