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**CITY OF WINNSBORO
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/28/07

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Jack Hammons, Mayor
and Members of the Board of Aldermen
Winnsboro, Louisiana

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Louisiana, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2007, on our consideration of the City of Winnsboro, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of the audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules are not a required part of the basic financial statements but are supplemental information required by the accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Winnsboro, Louisiana's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by OMB Circular A-133, are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the City of Winnsboro, Louisiana. The other supplemental information and the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Marcus, Robinson + Hassell
MARCUS, ROBINSON & HASSELL, CPAs

Winnsboro, Louisiana
October 18, 2007

REQUIRED SUPPLEMENTAL INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS



City of Winnsboro



★ SEAT OF FRANKLIN PARISH ★
STARS & STRIPES CAPITOL OF LOUISIANA

JACK HAMMONS
MAYOR

ROXY FLETCHER
CITY CLERK

LESTER THOMAS, JR.
CHIEF OF POLICE

"Not Grown, but Growing"

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CITY OF WINNSBORO

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

As management of the City of Winnsboro, Louisiana (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2007. This discussion and analysis of management is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions or conditions. It is intended to provide readers with a broad overview of the City's finances. It is also intended to provide readers with an analysis of the City's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the City. Specifically, this section is designed to assist the readers in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, its ability to address the next and subsequent year's challenges, identify any material deviations from the financial plan (approved budget), and identify issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the footnotes and the supplementary information that are provided in addition to this discussion and analysis of management.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements consist of the government-wide financial statements, the fund financial statements and the notes to the financial statements. Supplementary information is included which is in addition to the basic financial statements themselves.

Government-wide financial statements are designed by Governmental Accounting Standards Board Statement No. 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time with a concise "entry-

wide” statement of net assets and statement of activities, seeking to give the user of the financial statements a broad overview of the City’s financial position and results of operations in a manner similar to private-sector business.

The statement of net assets presents information on all of the City’s assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening.

The statement of activities presents information detailing how the City’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in flows in future periods.

Government-Wide Financial Analysis:

The City’s net assets at June 30, 2007, were \$16,092,675 with 84.5687 percent of this total consisting of capital assets, i.e., physical plants, equipment and infrastructure, less related outstanding debt. This leaves 15.4313 percent as unrestricted net assets which are generally available for use at the City’s discretion. Year-end assets, liabilities and net assets are summarized below. It should be noted that the investment in capital assets is not available as a financial resource for payment of liabilities. These will require the use of either existing financial resources or future revenues. Also note that capital assets are reported net of accumulated depreciation.

The table below provides a condensed statement of net assets ended June 30, 2007.

	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	1,797,797	1,343,422	3,141,219
Capital Assets	<u>7,091,199</u>	<u>10,711,736</u>	<u>17,802,935</u>
Total Assets	8,888,996	12,055,158	20,944,154
Long-Term Liabilities	392,919	3,730,182	4,123,101
Current and Other Liabilities	<u>106,671</u>	<u>621,707</u>	<u>728,378</u>
Total Liabilities	<u>499,590</u>	<u>4,351,889</u>	<u>4,851,479</u>
Net Assets:			
Invested in Capital Assets, Net of Debt	6,624,300	6,985,062	13,609,362
Restricted for Debt Service	-	215,492	215,492
Unrestricted	<u>1,765,106</u>	<u>502,715</u>	<u>2,267,821</u>
Total Net Assets	8,389,406	7,703,269	16,092,675

Net assets decreased by \$112,020 or .6913 percent for the City as a whole during the 2007 fiscal year. The change in net assets for governmental activities was a decrease of \$249,893 or a 2.8925 percent increase. There were significant changes in the business-type activities. There was a \$719,645 addition for the new water system.

The City's total costs of expenses in fiscal year 2007 were \$2,637,366 for governmental activities and \$1,655,601 for business-type activities. For governmental activities, \$123,890 of these costs were covered by charges for services, grants and contributions directly related to the expenditures. The remainder, or \$2,263,583, was funded by general revenues, mainly sales tax, property tax, grants, and franchise tax. For business-type activities, \$1,252,774 of the costs were covered by charges for services leaving an excess of revenues of \$137,873, which was due in large part to \$516,000 in grants. Of the costs of the business-type activity, \$595,967 of the costs was from depreciation expense charged for the fiscal year.

The Statement of Activities for 2007 categorizes the City's revenues as either program revenues which are service charges or grants and contributions for specific governmental or business-type functions, and general revenues which include most taxes and other revenue sources of a government-wide nature. Major components of program and general revenues, together with total expenses and the resulting change in net assets, are summarized below for the 2007 fiscal year.

	CHANGES IN NET ASSETS		
	Governmental Activities	Business-Type Activities	Total
Program Revenues:			
Charges for Services	123,890	1,252,774	1,376,664
General Revenues:			
Property Tax	177,720	-	177,720
Sales Tax	1,274,768	-	1,274,768
Franchise Tax	177,183	-	177,183
Licenses & Permits	289,068	-	289,068
Intergovernmental	47,532	516,000	563,532
Other General Revenues, Excluding Special Items	<u>297,312</u>	<u>24,700</u>	<u>322,012</u>
Total Revenues	2,387,473	1,793,474	4,180,947
Total Expenses	<u>2,637,366</u>	<u>1,655,601</u>	<u>4,292,967</u>
Increase (Decrease) in Net Assets	(249,893)	137,873	(112,020)

Analysis of Fund Financial Statements:

This discussion pertains to the financial statements for the various funds into which the City's accounts are divided to comply with legal requirements. As previously noted, the City's financial statements reflect the following three fund classifications: governmental, proprietary and fiduciary.

The City's governmental funds experienced an increase in net assets of \$161,871. This represents a 10.0965 percent change in net assets.

The City's proprietary funds experienced an increase in net assets of \$137,873. This represents a 1.8224 percent change in net assets. This increase is mainly attributable to the capital expenditures for the new water system improvements.

General Fund Budgetary Summary:

The general fund's original budget was amended at year-end to reflect an increase in expected revenues and an increase in expected expenditures. Actual revenues were \$2,020 or .0957 percent less than the amended budget. Actual expenditures were more than the amended budget by \$1,335, which is a .0641 percent of the budgeted amount.

Capital Assets:

The City's total investment in capital assets at the end of June 30, 2007 was \$33,804,077, with accumulated depreciation of \$16,001,142. This results in capital assets net of accumulated depreciation of \$17,802,935. Major capital acquisition and construction activity during the year included:

- Fire Department equipment \$6,292
- General Government equipment \$82,950
- Water System improvements \$729,844
- Water System equipment \$82,785
- General Government improvements \$35,980
- Police Department equipment \$61,367

Future Budget and Economic Outlook:

The future budget for the City of Winnsboro shows little increase in revenue and an increase also in expenses. The City does anticipate some economic growth due to grants and loans available to several businesses through the Louisiana Dept. of Economic Development.

On May 5, 2007, the City of Winnsboro held a special election to levy a one-half percent (.5%) sales and use tax. The voters approved this tax, and it became effective on July 1, 2007. This tax will be for a period of ten years only, and the tax will be dedicated and

used for the improvement, maintenance, and/or repair of public streets within the corporate limits of the City, including related drainage and utilities and the acquisition, maintenance, and repair of equipment for such purpose.

Requests for Information:

This report is intended to provide interested parties with a general overview of the finances of the City of Winnsboro, Louisiana. Questions or requests for further information should be addressed to the City Clerk, City of Winnsboro, and P. O. Box 250, Winnsboro, Louisiana 71295.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>GOVERN- MENTAL ACTIVITIES</u>	<u>BUSINESS- TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Current Cash and Cash Equivalents	1,739,016	628,756	2,367,772
Receivables	11,384	116,833	128,217
Interest Receivable	43,353	12,392	55,745
Grants Receivable - Restricted	0	220,000	220,000
Interfund Receivables	4,044	0	4,044
Restricted Cash	0	365,441	365,441
Capital Assets:			
Land	501,341	16,033	517,374
Other Capital Assets, net of depreciation	<u>6,589,858</u>	<u>10,695,703</u>	<u>17,285,561</u>
TOTAL ASSETS	8,888,996	12,055,158	20,944,154
<u>LIABILITIES</u>			
Accounts Payable	24,127	16,393	40,520
Accrued Expenses	5,550	6,738	12,288
Interfund Payables	3,014	1,030	4,044
Accounts Payable from Restricted Assets	0	416,730	416,730
Customers' Deposits	0	111,692	111,692
Interest Payable	0	11,265	11,265
Long-Term Liabilities:			
Due within One Year	73,980	57,859	131,839
Due in More than One Year	<u>392,919</u>	<u>3,730,182</u>	<u>4,123,101</u>
TOTAL LIABILITIES	499,590	4,351,889	4,851,479
<u>NET ASSETS</u>			
Invested in Capital Assets, net of related debt	6,624,300	6,985,062	13,609,362
Restricted for:			
Debt Service	0	215,492	215,492
Unrestricted	<u>1,765,106</u>	<u>502,715</u>	<u>2,267,821</u>
TOTAL NET ASSETS	8,389,406	7,703,269	16,092,675

See Notes to Financial Statements

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

	PROGRAM REVENUES			
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS & CONTRIBUTIONS</u>	<u>CAPITAL GRANTS & CONTRIBUTIONS</u>
Functions/Programs:				
Government Activities				
General/Administrative	1,300,796	58,027	0	25,000
Fire Protection	309,149	0	0	0
Police Protection	339,745	65,863	0	0
Street Department	541,478	0	0	22,532
Recreation	121,734	0	0	0
Sanitation	3,993	0	0	0
Interest on Long-Term Debt	20,471	0	0	0
Total Government Activities	<u>2,637,366</u>	<u>123,890</u>	<u>0</u>	<u>47,532</u>
Business-Type Activities				
Water and Sewer	<u>1,655,601</u>	<u>1,252,774</u>	<u>0</u>	<u>516,000</u>
Total Government	<u><u>4,292,967</u></u>	<u><u>1,376,664</u></u>	<u><u>0</u></u>	<u><u>563,532</u></u>

See Notes to Financial Statements

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
	(1,217,769)	0	(1,217,769)
	(309,149)	0	(309,149)
	(273,882)	0	(273,882)
	(518,946)	0	(518,946)
	(121,734)	0	(121,734)
	(3,993)	0	(3,993)
	(20,471)	0	(20,471)
	<u>(2,465,944)</u>	<u>0</u>	<u>(2,465,944)</u>
	<u>0</u>	<u>113,173</u>	<u>113,173</u>
	(2,465,944)	113,173	(2,352,771)
General Revenues:			
Taxes:			
Property Taxes	177,720	0	177,720
Alcoholic Beverage Taxes	1,346	0	1,346
Licenses and Permits	289,068	0	289,068
Franchise Taxes	177,183	0	177,183
Sales Taxes	1,274,768	0	1,274,768
Interest Earned	50,911	24,700	75,611
Miscellaneous Income	79,711	0	79,711
Rents	106,193	0	106,193
Sale of Fixed Assets	16,347	0	16,347
In-Kind Income	42,804	0	42,804
TOTAL GENERAL REVENUE	<u>2,216,051</u>	<u>24,700</u>	<u>2,240,751</u>
Change in Net Assets	(249,893)	137,873	(112,020)
Net Assets - Beginning	<u>8,639,299</u>	<u>7,565,396</u>	<u>16,204,695</u>
	<u>8,389,406</u>	<u>7,703,269</u>	<u>16,092,675</u>

FUND FINANCIAL STATEMENTS (FFS)

Governmental Funds

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

<u>ASSETS</u>	<u>GENERAL</u>	<u>INDUSTRIAL GRANT</u>	<u>SALES TAX</u>
Current Cash and Cash Equivalents	139,270	703,062	891,988
Receivables	11,384	0	0
Interest Receivable	0	25,085	18,268
Interfund Receivables	1,030	3,014	0
TOTAL ASSETS	<u>151,684</u>	<u>731,161</u>	<u>910,256</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Accounts Payable	24,127	0	0
Accrued Expenses	5,550	0	0
Interfund Payable	3,014	0	0
Total Liabilities	32,691	0	0
Fund Balance:			
Unreserved and Undesignated	118,993	731,161	910,256
Reserved for Capital Improvements	0	0	0
Total Fund Balance	<u>118,993</u>	<u>731,161</u>	<u>910,256</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>151,684</u>	<u>731,161</u>	<u>910,256</u>

See Notes to Financial Statements

OTHER
GOVERNMENTAL

TOTAL
GOVERNMENTAL

4,696

1,739,016

0

11,384

0

43,353

0

4,044

4,696

1,797,797

0

24,127

0

5,550

0

3,014

0

32,691

0

1,760,410

4,696

4,696

4,696

1,765,106

4,696

1,797,797

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Total fund balance - governmental funds balance sheet	1,765,106
Amounts reported for governmental activities in statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	7,091,199
Bonds and notes payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(466,899)</u>
Total net assets of governmental activities - government- wide statement of net assets	<u>8,389,406</u>

See Notes to Financial Statements

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

<u>REVENUES</u>	<u>GENERAL</u>	<u>INDUSTRIAL GRANT</u>	<u>SALES TAX</u>
Taxes	179,066	0	1,274,768
Licenses and Permits	466,251	0	0
Intergovernmental	25,000	22,532	0
Fines and Forfeitures	65,863	0	0
Charges for Services	58,027	0	0
Miscellaneous	79,561	150	0
Rents	13,570	92,623	0
Interest Earned	430	26,502	23,979
Sale of Fixed Assets	0	90,455	0
In-Kind Income	0	42,804	0
TOTAL REVENUES	887,768	275,066	1,298,747
<u>EXPENDITURES</u>			
Current:			
General Government	950,241	36,100	16
Fire Protection	249,552	0	0
Police Protection	319,042	0	0
Street Department	349,956	0	0
Recreation	99,328	0	0
Capital Outlay	112,940	92,631	0
TOTAL EXPENDITURES	2,081,059	128,731	16
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	<u>(1,193,291)</u>	<u>146,335</u>	<u>1,298,731</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	1,220,000	0	0
Transfers Out	(3,654)	0	(1,220,000)
Principal Payments	0	(69,433)	0
Interest Payments	0	(20,471)	0
TOTAL OTHER FINANCING SOURCES (USES)	1,216,346	(89,904)	(1,220,000)

See Notes to Financial Statements

<u>OTHER GOVERNMENTAL</u>	<u>TOTAL GOVERNMENTAL</u>
0	1,453,834
0	466,251
0	47,532
0	65,863
0	58,027
0	79,711
0	106,193
0	50,911
0	90,455
0	42,804
0	2,461,581
0	986,357
0	249,552
0	319,042
0	349,956
0	99,328
0	205,571
0	2,209,806
0	251,775
3,654	1,223,654
0	(1,223,654)
0	(69,433)
0	(20,471)
3,654	(89,904)

CITY OF WINNSBORO
WINNSBORO, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>GENERAL</u>	<u>INDUSTRIAL GRANT</u>	<u>SALES TAX</u>
NET CHANGE IN FUND BALANCE	23,055	56,431	78,731
FUND BALANCES - BEGINNING	<u>95,938</u>	<u>674,730</u>	<u>831,525</u>
FUND BALANCES - ENDING	<u><u>118,993</u></u>	<u><u>731,161</u></u>	<u><u>910,256</u></u>

See Notes to Financial Statements

<u>OTHER</u> <u>GOVERNMENTAL</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u>
3,654	161,871
<u>1,042</u>	<u>1,603,235</u>
<u>4,696</u>	<u>1,765,106</u>

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
RECONCILIATION OF GOVERNMENTAL FUND STATEMENTS OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Net change in fund balances - governmental funds 161,871

Amounts reported for governmental activities in
statement of activities are different because:

Government funds report capital outlays
as expenditures. However, in the statement
of activities, the cost of those assets are
depreciated over their estimated lives.

Expenditures for Capital Outlay - Capitalized	186,589	
Less: Current Year Depreciation	(593,678)	
Less: Basis of Assets Sold	<u>(74,108)</u>	(481,197)

Government funds report principal and
interest payments on long-term obligations
as an expense when actually paid. However,
in the statement of activities, interest is
expensed as accrued and principal payments
are reported as reductions of the related
debt. This is the amount related to these
reported differences.

69,433

Change in net assets of government activities -
government-wide statement of activities

(249,893)

See Notes to Financial Statements

Proprietary Funds

CITY OF WINNSBORO
WINNSBORO, LOUISIANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

<u>ASSETS</u>	<u>WATER AND SEWER</u>
Current Assets:	
Cash and Cash Equivalents	628,756
Restricted Cash	365,441
Receivables	116,833
Grants Receivable - Restricted	220,000
Interest Receivable	12,392
Noncurrent Assets:	
Capital Assets:	
Land	16,033
Other Capital Assets, net of depreciation	<u>10,695,703</u>
TOTAL ASSETS	12,055,158
 <u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	16,393
Accrued Expenses	6,738
Interfund Payables	1,030
Capital Lease Obligation - Current	12,839
Payable from Restricted Cash:	
Accounts Payable	416,730
Customers' Deposits	111,692
Interest Payable	11,265
Notes Payable - FMHA - Current	13,152
Notes Payable - USDA - Current	31,868
Long-Term Liabilities:	
Notes Payable - FMHA, net of current portion	709,679
Notes Payable - USDA, net of current portion	2,971,975
Capital Lease Obligation - net of current portion	<u>48,528</u>
TOTAL LIABILITIES	<u>4,351,889</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets, net of related debt	6,985,062
Restricted for:	
Debt Service	215,492
Unrestricted	<u>502,715</u>
TOTAL NET ASSETS	<u><u>7,703,269</u></u>

See Notes to Financial Statements

CITY OF WINNSBORO
WINNSBORO, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	WATER AND SEWER
<u>OPERATING REVENUES</u>	
Water Sales	723,394
Sewer Fees	524,083
Water Tap Income	914
Miscellaneous	4,383
	1,252,774
<u>OPERATING EXPENSES</u>	
Salaries	349,957
Administrative	263,939
Materials and Supplies	144,678
Power	126,582
Depreciation	595,967
	1,481,123
<u>OPERATING INCOME (LOSS)</u>	(228,349)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Intergovernmental	516,000
Interest Earned	24,700
Interest Expense	(174,478)
	366,222
<u>CHANGE IN NET ASSETS</u>	137,873
<u>NET ASSETS - BEGINNING</u>	7,565,396
<u>NET ASSETS - ENDING</u>	7,703,269

See Notes to Financial Statements

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	WATER AND SEWER
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts from Customers	1,245,432
Payments to Suppliers	(545,521)
Payments to Employees	(349,957)
NET CASH PROVIDED BY OPERATING ACTIVITIES	349,954
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Received	12,308
NET CASH PROVIDED BY INVESTING ACTIVITIES	12,308
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Payment on Long-Term Debt	(51,563)
Proceeds from Capital Lease Obligation	69,859
Interest Paid	(174,609)
Purchase of Assets	(395,898)
Intergovernmental Grants	296,000
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(256,211)
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	106,051
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	888,146
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	994,197

See Notes to Financial Statements

CITY OF WINNSBORO
WINNSBORO, LOUISIANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	WATER AND SEWER
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO</u>	
<u>NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</u>	
Operating Income (Loss)	(228,349)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	595,967
(Increase) Decrease in Accounts Receivable	(9,472)
Increase (Decrease) in Accounts Payable	1,458
Increase (Decrease) in Accrued Expenses	(11,780)
Increase (Decrease) in Customer Deposits	2,130
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	349,954

See Notes to Financial Statements

Notes to the Financial Statements

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

INTRODUCTION

The City of Winnsboro, Louisiana, (hereafter referred to as the City), was created under the provisions of the Lawrason Act, Louisiana Revised Statute 33:321, in 1902. Therefore, it operates under a Mayor-Board of Aldermen form of government. The Mayor is elected for a four year term. The five Alderpersons are elected every four years from a separate district in the City. They are compensated for their services.

The City provides the following services: public safety (police and fire), streets, drainage, sanitation, utilities (water and sewer), recreation, public improvements, planning and zoning, and general and administrative services.

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Winnsboro, Louisiana conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Government Units (Revised). The following is a summary of certain significant accounting policies.

Financial Reporting Entity - Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Codification Section 2100, the City includes all funds which are controlled by or dependent on the City which was determined on the basis of oversight responsibility, including accountability for fiscal and budget matters, designation of management or governing authority and authority to issue debt. Certain units of local government over which the City exercises no oversight responsibility, such as the parish police jury, parish school board, other independently elected officials, and other municipalities within the parish, are excluded from the accompanying financial statements.

These units of government are considered separate reporting entities and issue financial statements separate from those of the City.

Government-Wide Accounting - In accordance with Government Accounting Standards Board Statement No. 34, the City has presented a Statement of Net Assets and Statement of Activities for the City as a whole. These statements include the primary government and its component units, if applicable, with the exception of fiduciary funds. Those funds are reported separately. Government-Wide accounting is designed to provide a more comprehensive view of the government's operations and financial position as a single economic entity.

Government-Wide statements distinguish between governmental-type and business-type activities. Governmental activities are those financed through taxes, intergovernmental revenues and other non-exchange revenues and are usually reported in governmental and internal service funds. Business activities are financed in whole or in part through fees charged for goods or services to the general public and are usually reported in proprietary funds.

Policies specific to the government-wide statements are as follows:

Eliminating Internal Activity - Interfund receivables and payables are eliminated in the Statement of Net Assets except for the net residual amounts due between governmental and business-type activities. These are presented as internal balances. The allocation of overhead expenses from one function to another or within the same function are eliminated in the Statement of Activities. Allocated expenses are reported by the function to which they are allocated.

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Capitalized Assets - Tangible and/or intangible assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over their estimated useful lives. They are reported net of accumulated depreciation on the Statement of Net Assets. Depreciation of contributed assets of proprietary funds is charged against contributed capital as opposed to unrestricted net assets.

Program Revenues - The Statement of Activities presents three categories of program revenues - (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Charges for services are those revenues arising from charges to customers who purchase, use or directly benefit from goods and services provided by the City. Grants and contributions, whether operating or capital in nature, are revenues arising from receipts that are restricted for specific use.

Indirect Expenses - Expenses are reported according to function except for those that meet the definition of special or extraordinary items. Direct expenses are specifically associated with a service or program. Indirect expenses include general government or administration that cannot be specifically traced to a service or program. Governments are not required to allocate indirect expenses to other functions, and the City has chosen not to do so.

Operating Revenues - Proprietary funds separately report operating and non-operating revenues. Revenues from transactions of the City's operation of providing water and sewer services are considered operating revenues. All other revenues, which are reported as cash flows from capital or non-capital financing and investing, are reported as non-operating revenues.

Restricted Net Assets - Restricted net assets are those for which a constraint has been imposed either externally or by law. The City recognizes the use of restricted resources for expenditures that comply with the specific restrictions. Restricted resources are exhausted before unrestricted net assets are used.

Fund Accounting - The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the City are classified into two categories: governmental and proprietary. Each category, in turn, is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental funds - Governmental funds account for all or most of the City's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. Governmental funds include:

1. **General Fund** - is the general operating fund of the City and accounts for all financial resources, except those required to be accounted for in other funds.
2. **Special Revenue Funds** - account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Proprietary Funds - Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds include:

1. **Enterprise Funds** - account for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Net Assets Fund Balances - In the Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The three components on net assets is as follows:

Invested in Capital Assets, Net of Related Debt - This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Assets - Net assets that are restricted by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. These are components of restricted net assets.

Unrestricted Net Assets - This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

In the Balance Sheet of governmental funds, fund balances are segregated as follows:

Reserved - These resources are segregated because their use is earmarked for a specific use.

Unreserved - This category represents that portion of equity not appropriable for expenditures or legally segregated for a specific use.

Interfund Transactions - All interfund transactions, except quasi-external transactions, are reported as operating transfers. These are eliminated in the government-wide statements.

Basis of Account/Measurement Focus - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All government funds, including General, Special Revenue, Debt Service, and Capital Projects Funds, are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The government-wide statements of net assets and statements of activities, all proprietary funds, and other funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the balance sheet or on the statement of fiduciary net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The fund financial statements of the *General, Special Revenues, Capital Projects, Debt Service and agency* funds are maintained and reported on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year-end. Levies made prior to the fiscal year-end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

The statement of net assets, statement of activities, financial statements of the Proprietary Funds and Fiduciary Funds (except for agency funds) are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

Budgets and Budgetary Accounting - The City adopts an annual budget. It is prepared in accordance with the basis of accounting utilized by that fund. Any revisions that alter the total expenditures must be approved by the Board of Alderpersons. Budgeted amounts shown are as originally adopted or as amended by the Board. Budget amendments are passed on an as-needed basis.

Cash and Cash Equivalents - Cash includes amounts in demand deposits, interest bearing demand deposits and certificates of deposit. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the City may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Investments - Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments. Otherwise, the investments are classified as cash and cash equivalents. In accordance with GASB Statement No. 31, investments are recorded at fair value with the corresponding increase or decrease reported in investment earnings. All investments of the City are certificates of deposit and the fair value is determined by the face value of the certificate.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted Assets - Certain proceeds of enterprise funds are classified as restricted assets on the balance sheet because their use is limited. Components of these assets are as follows:

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

These assets consist of cash restricted for the Water Meter Deposits.

Customers' Deposits on Meters	<u>CUSTOMERS' DEPOSITS ON METERS</u>	<u>OTHER RESTRICTED</u>	<u>TOTAL</u>
Cash	23,722	13,141	36,863
Certificates of Deposit	<u>113,178</u>	<u>215,400</u>	<u>328,578</u>
Total	<u>136,900</u>	<u>228,541</u>	<u>365,441</u>

Inventories - Inventories were written off due to immateriality. Minimum amounts of inventory are not maintained or counted. Most supplies are ordered when needed.

Capital Assets - Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets.

Capital assets are recorded in the GWFS, but are not reported in the FFS. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes by the City, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Equipment and Furniture	3-10 Years	Buildings	39-40 Years
Utility Plant/Sewer Collection System	5-40 Years	Infrastructure	40-60 Years
Vehicles	5-10 Years		

Bad Debts - Uncollectible receivables are recognized as bad debts when information becomes available which would indicate uncollectibility of the particular receivable. Management feels all receivables at year end are collectible and no allowance for bad debts is necessary.

Compensated Absences - Vacation and sick leave are recorded as expenditures of the period in which paid. Vacation must be taken in the year accrued and cannot be carried over. Up to 480 hours of unpaid sick leave may be carried over each year. Accumulated sick leave is not paid upon termination of employment. At June 30, 2006, the City has no material accumulated leave benefits required to be reported in accordance with GASB Statement No. 16, "Accounting for Compensated Absences."

Long-Term Obligations - In the government-wide financial statements, debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #2 - CASH AND INVESTMENTS

For the purpose of these financial statements, the City considers cash and cash equivalents to be amounts held in demand deposits, interest bearing demand deposits, and time deposits.

At June 30, 2007, the City has cash and cash equivalents (book balances) totaling \$2,733,213 as follows:

Petty Cash	1,000
Restricted Cash	365,441
Interest Bearing Demand Deposits	<u>2,366,772</u>
	<u>2,733,213</u>

Cash is classified into three categories to give an indication of the level of risk assumed at year-end. Category 1 includes investments insured or registered or securities which are held by the City or its agent in the City's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the bank or agent in the City's name. Category 3 includes uninsured or unregistered investments with the securities held by the bank or agent but not in the City's name.

The carrying amount of the City's deposits with the financial institutions was \$2,804,176 and the book balance was \$2,732,213. The bank balance is categorized as follows:

	<u>Category</u>		
	1	2	3
Cash	400,000	0	2,398,649

At June 30, 2007, the City of Winnsboro was under collateralized at one bank by \$101,627.

NOTE #3 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Tax notices are usually mailed during November each year and become delinquent after December 31 of the year.

For the year ended December 31, 2006, taxes of 6.76 mills were levied on property with assessed valuations totaling \$26,296,291 and were dedicated as follows:

General Fund	6.76 Mills
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Total taxes levied in 2006 were \$177,763.

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2007**

NOTE #4 - RECEIVABLES

Receivables at June 30, 2007 consist of the following:

	Governmental Activities	Business- Type Activities	Total
Accounts or Services	11,384	116,833	128,217
Interest Receivable	43,353	12,392	55,745
Grants Receivable - Restricted	0	220,000	220,000
Total	<u>54,737</u>	<u>349,225</u>	<u>403,962</u>

NOTE #5 - CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended June 30, 2007 for the City of Winnsboro, Louisiana is as follows:

	Balances 1-Jul-06	Additions	Disposals	Balances 30-Jun-07
Governmental Activities				
Land	502,782	0	1,441	501,341
Land Improvements	588,171	0	0	588,171
Buildings and improvements	3,947,514	35,980	0	3,983,494
Equipment	2,502,463	150,610	80,000	2,573,073
Other structures and improvements	7,166,511	0	0	7,166,511
<u>Totals at historical cost</u>	<u>14,707,441</u>	<u>186,590</u>	<u>81,441</u>	<u>14,812,590</u>
Less accumulated depreciation				
Land Improvements	391,379	20,249	0	411,628
Buildings and improvements	1,414,648	110,806	0	1,525,454
Equipment	927,709	221,708	7,333	1,142,084
Other structures and improvements	4,401,309	240,916	0	4,642,225
<u>Total accumulated depreciation</u>	<u>7,135,045</u>	<u>593,679</u>	<u>7,333</u>	<u>7,721,391</u>
Governmental Activities				
Capital assets, net	<u>7,572,396</u>	<u>(407,089)</u>	<u>74,108</u>	<u>7,091,199</u>
Business-Type Activities				
Water plant and equipment	9,058,558	812,628	0	9,871,186
Land	16,033	0	0	16,033
Sewer plant and equipment	9,104,269	0	0	9,104,269
<u>Totals at historical cost</u>	<u>18,178,860</u>	<u>812,628</u>	<u>0</u>	<u>18,991,488</u>
Less accumulated depreciation				
Water plant and equipment	2,863,245	342,649	0	3,205,894
Sewer plant and equipment	4,820,540	253,318	0	5,073,858
<u>Total accumulated depreciation</u>	<u>7,683,785</u>	<u>595,967</u>	<u>0</u>	<u>8,279,752</u>
Business type capital				
Assets, net	<u>10,495,075</u>	<u>216,661</u>	<u>0</u>	<u>10,711,736</u>

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #5 - CAPITAL ASSETS, CONTINUED

Depreciation expense was charged to governmental activities as follows:

General and administrative	300,698
Fire protection	59,597
Police protection	15,463
Street department	191,522
Culture and recreation	22,406
Sanitation	<u>3,993</u>
Total	<u>593,679</u>

NOTE #6 - ACCOUNTS AND OTHER PAYABLES

The accounts and accrued expenses consisted of the following at June 30, 2007:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Accounts	24,127	16,393	40,520
Accounts-From Restricted Assets	-0-	416,730	416,730
Accrued expenses	<u>5,550</u>	<u>6,738</u>	<u>12,288</u>
Totals	<u>29,677</u>	<u>439,861</u>	<u>469,538</u>

NOTE #7 - RETIREMENT SYSTEMS

City employees currently participate in one of four retirement systems, which are described in the following paragraphs.

Municipal Employees' Retirement System of Louisiana (System)

Eligible employees of the City participate in the Municipal Employees' Retirement System, State of Louisiana ("System"), a multiple-employer, public employee retirement system (PERS).

Plan Description: Membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least 35 hour per week, and not participating in another publicly funded retirement system and under age 60 at the date of employment. Employees with at least 25 years of Plan A creditable services regardless of age or with at least 10 years Plan A creditable service and at least 60 years of age are entitled to a retirement benefit.

Generally, the monthly amount of retirement allowance for any member of Plan A shall consist of an amount equal to 3.0% of the member's final compensation multiplied by his/her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

The System also provides for death and disability benefits. Benefits and employer/employee obligations to contribute are established by State statute.

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #7 - RETIREMENT SYSTEMS, CONTINUED

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809.

Funding Policy: Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 16.25%. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System under Plan A for the years ended June 30, 2007, 2006 and 2005 were \$129,993, \$123,961, and \$114,647, respectively, equal to the required contributions each year.

Municipal Police Employees' Retirement System of Louisiana (System)

Eligible employees of the City have the option to participate in the Municipal Police Employees' Retirement System, State of Louisiana ("System"), a multiple-employer public employee retirement system (PERS).

Plan description: All full-time police department employees engaged in law enforcement have the option to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

The System also provides death and disability benefits. Benefits and employer/employee obligations to contribute are established by State statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees' Retirement System of Louisiana, 8401 United Plaza Boulevard, Room 270 Baton Rouge, Louisiana 70809.

Funding Policy - Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.50% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ending June 30, 2007, 2006 and 2005 were \$24,642, \$18,515 and \$16,709, respectively, equal to the required contributions for each year.

Firefighters' Retirement System of Louisiana (Plan)

Eligible employees of the City have the option to participate in the Firefighters' Retirement System, State of Louisiana ("System"), a multiple-employer public employee retirement system (PERS).

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #7 - RETIREMENT SYSTEMS, CONTINUED

Plan Description: All full-time firemen have the option to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

The System also provides death and disability benefits. Benefits and employer/employee obligations to contribute are established by State statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, P.O. Box 94095, Baton Rouge, Louisiana 70804.

Funding Policy - Plan members are required by state statute to contribute 8% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 15.50% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ending June 30, 2007, 2006 and 2005 were \$13,017, \$13,054 and \$26,379, respectively, equal to the required contributions for each year.

Louisiana State Employees' Retirement System (System)

The city judge of the City of Winnsboro, Louisiana participates in the Louisiana State Employees' Retirement System, a multiple-employer public employee retirement system (PERS).

Plan Description: The city judge of the City of Winnsboro, Louisiana has the option to participate in the System. Employees who retire with 30 or more years of creditable service at any age, or employees who have 25 years of creditable service who have attained age 55, or employees who have 10 years of creditable service who have attained age 60 are entitled to a retirement benefit, payable monthly for life, equal to 2.5% of their final-average salary for each year of creditable service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination.

The System also provides death and disability benefits. Benefits and employer/employee obligations to contribute are established by State statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana State Employees' Retirement System, P. O. Box 44213, Baton Rouge, Louisiana 70804.

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #7 - RETIREMENT SYSTEMS, CONTINUED

Funding Policy - Plan members are required by state statute to contribute 11.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 19.10% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ending June 30, 2007, 2006 and 2005 were \$917, \$917 and \$854, respectively, equal to the required contributions for each year.

NOTE #8 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2007:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Long-term debt payable at July 1, 2006	536,332	3,769,745	4,306,077
Long-term debt issued	-0-	69,859	69,859
Long-term debt retired	(69,433)	(51,563)	(120,996)
 Long-term debt payable at June 30, 2007	 <u>466,899</u>	 <u>3,788,041</u>	 <u>4,254,940</u>

Long-term debt payable at June 30, 2007 is comprised of the following individual issues:

<p>Note Payable - Farmers Home Administration Original Note: \$840,000 Date: May 6, 1996 Interest Rate: 5% Monthly Payment: \$4,086.14</p>	<p>722,831</p>
<p>Note Payable - State of Louisiana Original Note: \$750,000 Date: April 11, 2003 Interest Rate: 3% Monthly Payment: \$7,242.00</p>	<p>466,899</p>
<p>Note Payable - USDA Original Note: \$3,054,000 Date: October 6, 2004 Interest Rate: 4.5% Monthly Payment: Interest only payment due on October 6, 2005 for \$137,430. Monthly payments of \$13,866 begin on November 6, 2005</p>	<p>3,003,844</p>

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #8 - LONG-TERM DEBT, CONTINUED

Capital Lease Obligation - John Deere Credit 61,366
 Original Note: \$69,859
 Date: November 20, 2006
 Interest Rate: 5.75%
 Monthly Payment: \$1,336
4,254,940

The notes payable are due as follows:

Year Ending <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2008	73,980	12,924	57,859	173,600
2009	76,230	10,674	60,851	170,608
2010	78,548	8,356	63,793	167,666
2011	80,938	5,966	66,988	164,471
2012	83,399	3,505	59,378	161,290
2013 and thereafter	<u>73,804</u>	<u>986</u>	<u>3,479,172</u>	<u>2,992,516</u>
	<u>466,899</u>	<u>42,411</u>	<u>3,788,041</u>	<u>3,830,151</u>

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Interest expense for the year ended June 30, 2007	<u>20,471</u>	<u>174,478</u>	<u>194,949</u>

Under the terms of the loan from FHA, the City of Winnsboro is required to set aside the following funds:

- A. \$4,091 a month is to be placed in the bond sinking fund account to pay the monthly payment.
- B. The City of Winnsboro is required to have on reserve \$49,092 or one year of payments for the loan from FHA.

The City of Winnsboro is in compliance with all significant restrictions in the loan from FHA at June 30, 2007.

Under the terms of the loan from USDA, the City of Winnsboro is required to set aside in a reserve account an amount equal to one year of payments on the Water Well Project. The monthly payment is \$13,866. This would make the reserve requirement \$166,392. The City of Winnsboro is in compliance with all significant restrictions in the loan from USDA at June 30, 2007.

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #9 - SEGMENT INFORMATION FOR THE ENTERPRISE FUND

The City of Winnsboro maintains one enterprise fund with two departments which provide water and sewerage services. Segment information for the year ended June 30, 2007 was as follows:

	<u>Water Department</u>	<u>Sewer Department</u>	<u>Total Enterprise Fund</u>
Operating Revenues	728,691	524,083	1,252,774
Operating Expenses:			
Salaries	252,135	97,822	349,957
Administrative	131,970	131,969	263,939
Materials and Supplies	66,709	77,969	144,678
Power	50,917	75,665	126,582
Depreciation	342,649	253,318	595,967
Total Operating Expenses	<u>844,380</u>	<u>636,743</u>	<u>1,481,123</u>
Operating Income (Loss)	<u>(115,689)</u>	<u>(112,660)</u>	<u>(228,349)</u>

NOTE #10 - INTERFUND TRANSACTIONS

A. Receivables and Payables

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	1,030	3,014
Mainstreet Fund	0	0
Utilities Fund	0	1,030
Industrial Grant Fund	3,014	0
	<u>4,044</u>	<u>4,044</u>

B. Operating Transfers

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	1,220,000	3,654
Mainstreet Fund	3,654	0
Sales Tax Fund	0	1,220,000
	<u>1,223,654</u>	<u>1,223,654</u>

NOTE #11 - RELATED PARTY TRANSACTIONS

There were no related party transactions that came to our attention.

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #12 - RISK MANAGEMENT

The City is exposed to risks of loss in areas of health care, general and auto liability, property hazards, and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

NOTE #13 - LITIGATION AND CLAIMS

At June 30, 2007, the City is involved in several lawsuits claiming damages. In the opinion of the City's legal counsel, the only exposure to the City would be any costs in defense of the lawsuits with no liability to the City in excess of insurance coverage.

NOTE #14 - SALES AND USE TAX

A 1% sales tax was instituted September 10, 1968. Any monies remaining in the Sales Tax Fund in excess of \$1,000 to be retained for operating capital can be used for any purpose as designated by the City of Winnsboro.

The City of Winnsboro passed on May 5, 2007, a new .5% sales tax for a period of 10 years. This tax will be effective on July 1, 2007. The proceeds are to be used for the improvement, maintenance, and/or repair of public streets within the corporate limits of the City, including related drainage and utilities, and the acquisition, maintenance and repair of equipment for such purposes.

NOTE #15 - RESTRICTED ASSETS - PROPRIETARY FUND TYPE

Restricted assets consisted of the following at June 30, 2007:

USDA Waterwell Project	13,141
Customer Meter Deposits	136,900
Bond Reserve Fund	<u>215,400</u>
	<u>365,441</u>

NOTE #16 - EQUITY

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

NOTE #17 - STATEMENT OF CASH FLOWS FOR PROPRIETARY FUNDS

For the purpose of this Statement of Cash Flows, for proprietary fund types, all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased are considered to be cash equivalents. The cash and cash equivalents as stated on the Statement of Cash Flows is as follows:

	<u>WATER & SEWER</u>
Unrestricted	628,756
Restricted	<u>365,441</u>
	<u>994,197</u>

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE #18 - GOVERNMENTAL GRANTS

The City of Winnsboro received the following grants for the year ended June 30, 2007:

<u>STATE</u>		
Rural Development Grant	<u>25,000</u>	25,000
 <u>FEDERAL</u>		
Delta Regional Authority	22,532	
United States Department of Agriculture	<u>516,000</u>	<u>538,532</u>
		<u>563,532</u>

NOTE #19 - IN-KIND INCOME

The State of Louisiana has assigned job credits to Vineyard Furniture, Inc. for the creation and retention of new jobs as part of the loan package with the City. The maximum amount of these credits is a total of \$315,000. Vineyard Furniture, Inc. in turn assigns these credits on a monthly basis at a rate of \$7,242 per month to the City for rent. The City in turn uses these job credits as monthly payments on the loan to the State. The amount of In-Kind Income for the year was \$42,804.

NOTE #20 - POST EMPLOYMENT BENEFITS

All full-time employees of the City of Winnsboro may at their option participate in the state's group health insurance program. Upon retirement the employee may continue his coverage with the same benefits payable to active employees. The City of Winnsboro's portion of the post-retirement benefit for health insurance is funded on a pay-as-you-go basis. During the year ended June 30, 2007, the City of Winnsboro recognized estimated expenditures for post-retirement health benefits as follows:

	<u>Average Number of Estimated Participants</u>	<u>Amount</u>
Health Insurance	16	52,955

NOTE #21 - BUDGETS

The budget for the year ended June 30, 2007 was adopted on June 19, 2006, and amended on July 16, 2007. The budgets were prepared based on generally accepted accounting principles (GAAP), except depreciation was not budgeted. Budgets were prepared for the General Fund, Industrial Grant Fund and the Sales Tax Fund.

NOTE #22 - OPERATING LEASES

The City of Winnsboro leases certain equipment under monthly operating leases. Rent expense for the year ended June 30, 2007 was \$6,176.

REQUIRED SUPPLEMENTAL INFORMATION (PART II)

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<u>REVENUES</u>				
Taxes	160,000	179,066	179,066	0
Licenses & Permits	400,000	466,251	466,251	0
Intergovernmental	0	25,000	25,000	0
Fines & Forfeitures	75,000	67,468	65,863	(1,605)
Charges for Services	60,000	58,779	58,027	(752)
Miscellaneous	33,000	79,224	79,561	337
Rents	10,800	13,570	13,570	0
Interest Earned	500	430	430	0
TOTAL REVENUES	739,300	889,788	887,768	(2,020)
<u>EXPENDITURES</u>				
Current:				
General Government	978,800	954,407	950,241	4,166
Fire Protection	251,000	249,951	249,552	399
Police Protection	361,000	319,806	319,042	764
Street Department	387,000	351,065	349,956	1,109
Recreation	90,000	99,846	99,328	518
Capital Outlay	0	108,303	112,940	(4,637)
TOTAL EXPENDITURES	2,067,800	2,083,378	2,081,059	2,319
<u>EXCESS (DEFICIENCY) OF</u>				
<u>REVENUES OVER EXPENDITURES</u>	(1,328,500)	(1,193,590)	(1,193,291)	299
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	1,220,000	1,220,000	1,220,000	0
Transfers Out	0	0	(3,654)	(3,654)
<u>TOTAL OTHER FINANCING</u>				
<u>SOURCES (USES)</u>	1,220,000	1,220,000	1,216,346	(3,654)
<u>NET CHANGE IN FUND BALANCE</u>	(108,500)	26,410	23,055	(3,355)
<u>FUND BALANCE - BEGINNING</u>	125,672	125,672	95,938	(29,734)
<u>FUND BALANCE - ENDING</u>	17,172	152,082	118,993	(33,089)

See Notes to Financial Statements

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
INDUSTRIAL GRANT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>			VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
REVENUES				
Intergovernmental	0	22,532	22,532	0
Miscellaneous	0	150	150	0
Rents	54,000	45,523	92,623	47,100
Interest Earned	10,800	1,416	26,502	25,086
Sale of Fixed Assets	0	90,455	90,455	0
In-Kind Income	0	0	42,804	42,804
TOTAL REVENUES	64,800	160,076	275,066	114,990
EXPENDITURES				
Current:				
General and Administrative	33,000	36,100	36,100	0
Capital Outlay	0	92,631	92,631	0
TOTAL EXPENDITURES	33,000	128,731	128,731	0
EXCESS (DEFICIENCY) OF				
REVENUES OVER EXPENDITURES	31,800	31,345	146,335	114,990
OTHER FINANCING SOURCES (USES)				
Principle Payments	0	0	(69,433)	(69,433)
Interest Payments	0	0	(20,471)	(20,471)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(89,904)	(89,904)
NET CHANGE IN FUND BALANCE	31,800	31,345	56,431	25,086
FUND BALANCE - BEGINNING	596,342	596,342	674,730	78,388
FUND BALANCE - ENDING	628,142	627,687	731,161	103,474

See Notes to Financial Statements

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
SALES TAX FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH FINAL BUDGET - FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	
<u>REVENUES</u>				
Taxes	1,145,000	1,274,768	1,274,768	0
Interest Earned	7,200	4,299	23,979	19,680
TOTAL REVENUES	1,152,200	1,279,067	1,298,747	19,680
<u>EXPENDITURES</u>				
Current:				
General Government	0	0	16	(16)
TOTAL EXPENDITURES	0	0	16	(16)
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	1,152,200	1,279,067	1,298,731	19,664
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(1,220,000)	(1,220,000)	(1,220,000)	0
<u>NET CHANGE IN FUND BALANCE</u>	(67,800)	59,067	78,731	19,664
<u>FUND BALANCE - BEGINNING</u>	659,375	659,375	831,525	172,150
<u>FUND BALANCE - ENDING</u>	591,575	718,442	910,256	191,814

See Notes to Financial Statements

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2007**

NOTES TO THE REQUIRED SUPPLEMENTAL INFORMATION

Budgetary Comparison Schedule

1. Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, and variances between the final budget and the actual data.

2. Budget Amendments and Revisions

The budget is adopted by the City Council. Amendments can be made on the approval of the City Council. A budgetary comparison is presented for the General Fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America. There were no major special revenue funds.

OTHER SUPPLEMENTAL INFORMATION (PART III)

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

<u>ASSETS</u>	<u>MAINSTREET</u>	<u>USDA FIRE PROTECTION GRANT</u>	<u>TOTAL</u>
Current Cash & Cash Equivalents	0	4,696	4,696
TOTAL ASSETS	0	4,696	4,696
<u>LIABILITIES AND FUND BALANCE</u>			
<i>Liabilities:</i>			
Interfund Payables	0	0	0
Total Liabilities	0	0	0
<i>Fund Balance:</i>			
Unreserved and Undesignated	0	0	0
Reserved for Capital Improvements	0	4,696	4,696
Total Fund Balance	0	4,696	4,696
TOTAL LIABILITIES AND FUND BALANCE	0	4,696	4,696

See Notes to Financial Statement

CITY OF WINNSBORO
WINNSBORO, LOUISIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>MAINSTREET</u>	<u>USDA FIRE PROTECTION GRANT</u>	<u>TOTAL</u>
<u>REVENUES</u>			
Intergovernmental	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL REVENUES	<u>0</u>	<u>0</u>	<u>0</u>
<u>EXPENDITURES</u>			
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	<u>3,654</u>	<u>0</u>	<u>3,654</u>
<u>TOTAL OTHER FINANCING SOURCES (USES)</u>	<u>3,654</u>	<u>0</u>	<u>3,654</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>3,654</u>	<u>0</u>	<u>3,654</u>
<u>FUND BALANCES - BEGINNING</u>	<u>(3,654)</u>	<u>4,696</u>	<u>1,042</u>
<u>FUND BALANCES - ENDING</u>	<u>0</u>	<u>4,696</u>	<u>4,696</u>

See Notes to Financial Statements

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2007**

<u>BOARD MEMBERS</u>	<u>AMOUNT</u>
Richard Mahoney	2,000
John Dumas	2,000
Betty Johnson	1,900
Craig Gill	1,950
Rex McCarthy	<u>2,000</u>
	<u>9,850</u>

The schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Compensation of the Board members is included in the general government expenditures of the general fund. In accordance with Louisiana Revised Statute 17:56, the Board members have elected the *monthly payment method of compensation*. Under this method, each member of the Board receives \$150 per month, and \$50 per special meeting.

See Notes to Financial Statements

MARCUS, ROBINSON and HASSELL

CERTIFIED PUBLIC ACCOUNTANTS

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Doyle Hassell, CPA
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MEMBER
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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Jack Hammons, Mayor
and Members of the Board of Aldermen
City of Winnsboro, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Winnsboro, Louisiana as of and for the year ended June 30, 2007, which collectively comprise the City of Winnsboro, Louisiana's basic financial statements and have issued our report thereon dated October 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control components does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Winnsboro, Louisiana's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Winnsboro, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the City of Winnsboro, Louisiana's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs (Item 2007-01) to be a significant deficiency in internal control over financial reporting.

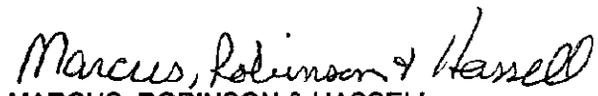
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Winnsboro, Louisiana's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Aldermen, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the office of the Louisiana Legislative Auditor as a public document.


MARCUS, ROBINSON & HASSELL
October 18, 2007

MARCUS, ROBINSON and HASSELL

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Jack Hammons, Mayor
and Members of the Board of Aldermen
City of Winnsboro, Louisiana

Compliance

We have audited the compliance of the City of Winnsboro, Louisiana, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City of Winnsboro, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Winnsboro, Louisiana's management. Our responsibility is to express an opinion on the City of Winnsboro, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Winnsboro, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Winnsboro, Louisiana's compliance with those requirements.

In our opinion, the City of Winnsboro, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City of Winnsboro, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Winnsboro, Louisiana's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Winnsboro, Louisiana's internal control over compliance.

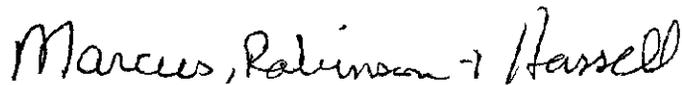
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The City of Winnsboro, Louisiana's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Winnsboro, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Aldermen, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the office of the Louisiana Legislative Auditor as a public document.



MARCUS, ROBINSON & HASSELL

October 18, 2007

CITY OF WINNSBORO
WINNSBORO, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM NAME</u>	<u>CFDA NUMBER</u>	<u>AWARD PERIOD</u>	<u>EXPENDITURES</u>
<u>MAJOR PROGRAMS</u>			
United States Department of Agriculture - Waste Water Disposal for Rural Communities	10.760	7/1/06- 6/30/07	516,000
<u>NONMAJOR PROGRAMS</u>			
Delta Regional Authority	90.200	7/1/06- 6/30/07	<u>22,532</u>
			<u>538,532</u>

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007**

NOTE 1 - GENERAL

The accompanying Schedule of Federal Awards presents the activity of all federal award programs of the City of Winnsboro, Louisiana. The City of Winnsboro's reporting entity is defined in Note 1 of the Notes to Financial Statements of the City of Winnsboro's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is described in Note 1 of the Notes to the Financial Statements of the City of Winnsboro's financial statements.

NOTE 3 - RELATIONSHIP TO FINANCIAL STATEMENTS

Federal awards revenues are reported in the City of Winnsboro's financial statements as follows:

	<u>FEDERAL SOURCES</u>
Governmental Funds	22,532
Proprietary Funds	<u>516,000</u>
	<u>538,532</u>

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes, if any, made to reflect amounts in accordance with generally accepted accounting principles.

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

PART I - SUMMARY OF THE AUDITOR'S RESULTS

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There was one significant deficiency required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States of America. The significant deficiency was not considered to be a material weakness.
- iii. There were no instances of noncompliance considered material, as defined by the Government Auditing Standards, to the financial statements.

Audit of Federal Awards

- iv. There were no reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for the major program was unqualified.
- vi. The audit disclosed no audit findings which the auditor is required to report under OMB Circular No. A-133, Section 510 (a).
- vii. The following was the major federal program for the year ended June 30, 2007:
United States Department of Agriculture -
Waste Water Disposal for Rural Communities 10.760
- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section 520 (b) was \$300,000.
- ix. The auditee does qualify as a low-risk auditee under OMB Circular A-133, Section 530.

PART II - FINDING(S) RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS:

Finding Reference # and Title: 2007-01

Lacking sufficient capable expertise to prepare financial statements and related footnote disclosures.

Condition:

Management does not have sufficient capable expertise to prepare financial statements and related footnote disclosures.

Recommendation:

No action recommended.

Management's Response and Planned Corrective Action:

We concur with the finding, but it is not economically feasible for corrective action to be taken.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not applicable.

See Notes to Financial Statements

**CITY OF WINNSBORO
WINNSBORO, LOUISIANA
SCHEDULE OF PRIOR YEAR FINDINGS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2007**

There were no prior year audit findings.