

CITY OF WEST COLUMBIA

WEST COLUMBIA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2017

KENNEMER, MASTERS & LUNSFORD, LLC
CERTIFIED PUBLIC ACCOUNTANTS
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CITY OF WEST COLUMBIA

West Columbia, Texas

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For the Year Ended September 30, 2017*

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FINANCIAL SECTION

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Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To The Honorable Mayor and
Members of City Council
City of West Columbia
West Columbia, Texas

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 West Columbia (the "City"), as of and for the year ended September 30, 2017, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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.

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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, as of September 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension schedules on pages 11 through 22 and pages 78 through 85, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2018, on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kennemer, Masters & Hunzford, LLC

Lake Jackson, Texas
February 1, 2018

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CITY OF WEST COLUMBIA, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2017

As management of the City of West Columbia (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 fiscal year ended September 30, 2017.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 11,497,508 (net position). Of this amount, \$ 3,697,750 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation.
- The City's total net position increased by \$ 1,272,775 (governmental activities increased by \$ 1,299,580 and business-type activities decreased by \$ 26,805).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 3,081,073. 35.91% of this total amount, \$ 1,106,399 (unassigned fund balance), is available for use within the City's fund designation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 1,107,770 or 31.51% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when 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 cash flows in the future fiscal periods (e.g., uncollected taxes).

CITY OF WEST COLUMBIA, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2017*

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the City include general government and administration, public safety, public works, and culture and recreation. The *business-type activities* of the City include water and sewer operations.

The government-wide financial statements can be found on pages 24 through 27 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances, provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Economic Development Corporation (Special Revenue), and the Capital Improvement (Capital Projects Fund); all of which are considered to be major funds. Data for the other four (4) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 89 through 90 of this report.

CITY OF WEST COLUMBIA, TEXAS

*Management's Discussion and Analysis
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- **Proprietary Funds.** The City maintains one category of *proprietary funds*-Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 34 through 39 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 through 76 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information and pension related schedules. Required supplementary information can be found on pages 78 through 85 of this report.

The combining and individual fund statements and schedules are presented following the required supplementary information. These combining and individual statements and schedules can be found on pages 89 through 97 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 11,497,508 as of September 30, 2017.

The largest portion of the City's net position (66.48%) reflects its investments in capital assets (e.g., land, buildings, water and sewer infrastructure, equipment, vehicles, and construction in progress, less any debt used to acquire those assets that is still outstanding). The City uses capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

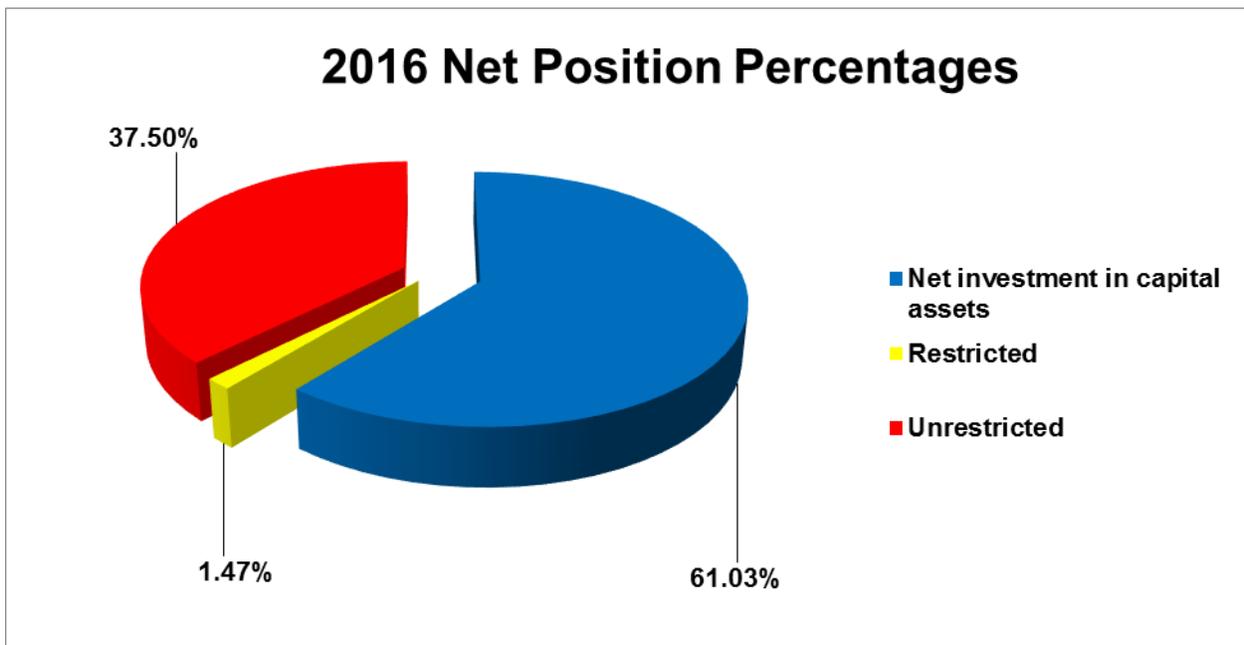
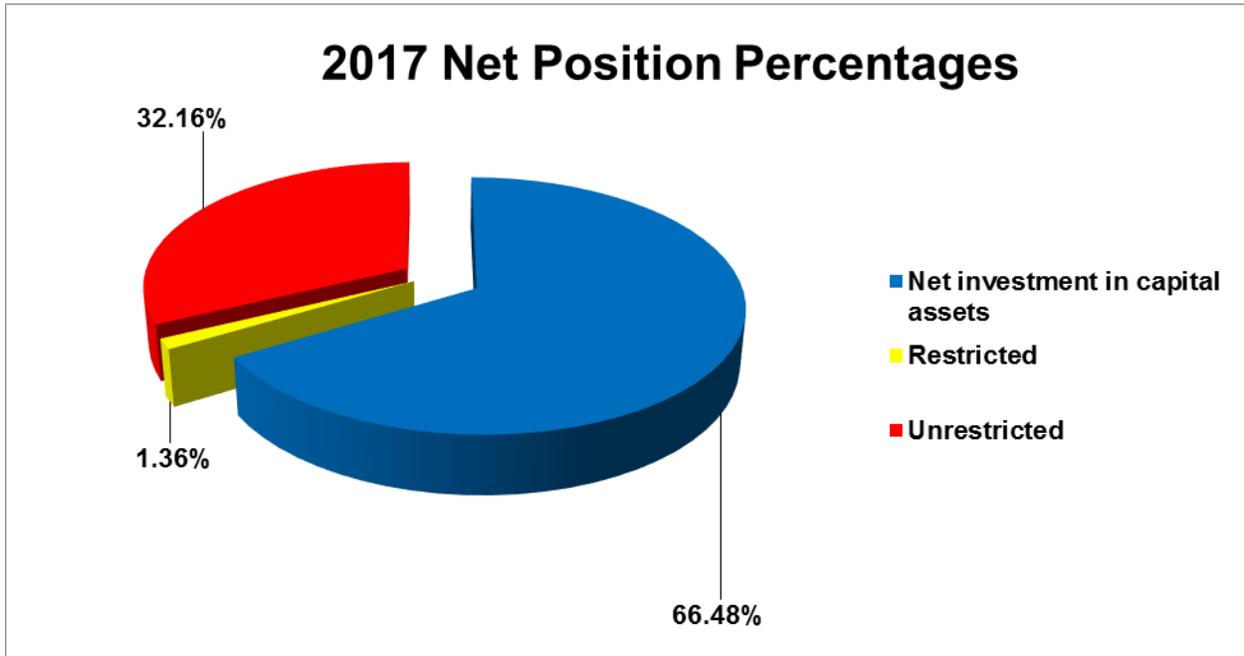
CITY OF WEST COLUMBIA'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30		September 30,	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and other assets	\$ 3,381,079	\$ 3,215,056	\$ 1,179,761	\$ 1,163,267	\$ 4,560,840	\$ 4,378,323
Noncurrent assets	351,853	351,347	92,160	91,991	444,013	443,338
Capital assets	<u>3,325,684</u>	<u>2,210,119</u>	<u>3,492,293</u>	<u>3,527,960</u>	<u>6,817,977</u>	<u>5,738,079</u>
Total assets	<u>7,058,616</u>	<u>5,776,522</u>	<u>4,764,214</u>	<u>4,783,218</u>	<u>11,822,830</u>	<u>10,559,740</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	<u>232,494</u>	<u>299,680</u>	<u>69,481</u>	<u>92,157</u>	<u>301,975</u>	<u>391,837</u>
Total deferred outflows of resources	<u>232,494</u>	<u>299,680</u>	<u>69,481</u>	<u>92,157</u>	<u>301,975</u>	<u>391,837</u>
LIABILITIES						
Current and other liabilities	145,029	112,905	193,142	215,203	338,171	328,108
Long-term liabilities	<u>208,915</u>	<u>285,046</u>	<u>26,802</u>	<u>7,142</u>	<u>235,717</u>	<u>292,188</u>
Total liabilities	<u>353,944</u>	<u>397,951</u>	<u>219,944</u>	<u>222,345</u>	<u>573,888</u>	<u>620,296</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	<u>40,180</u>	<u>80,845</u>	<u>13,229</u>	<u>25,703</u>	<u>53,409</u>	<u>106,548</u>
Total deferred inflows of resources	<u>40,180</u>	<u>80,845</u>	<u>13,229</u>	<u>25,703</u>	<u>53,409</u>	<u>106,548</u>
NET POSITION						
Net investment in capital assets	4,167,761	2,712,074	3,475,403	3,527,960	7,643,164	6,240,034
Restricted	83,217	89,135	73,377	61,137	156,594	150,272
Unrestricted	<u>2,646,008</u>	<u>2,796,197</u>	<u>1,051,742</u>	<u>1,038,230</u>	<u>3,697,750</u>	<u>3,834,427</u>
Total net position	<u>\$ 6,896,986</u>	<u>\$ 5,597,406</u>	<u>\$ 4,600,522</u>	<u>\$ 4,627,327</u>	<u>\$ 11,497,508</u>	<u>\$ 10,224,733</u>

An additional portion of the City's net position of \$ 156,594 (1.36%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 3,697,750 (32.16%) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

As of September 30, 2017, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories- governmental and business-type activities.



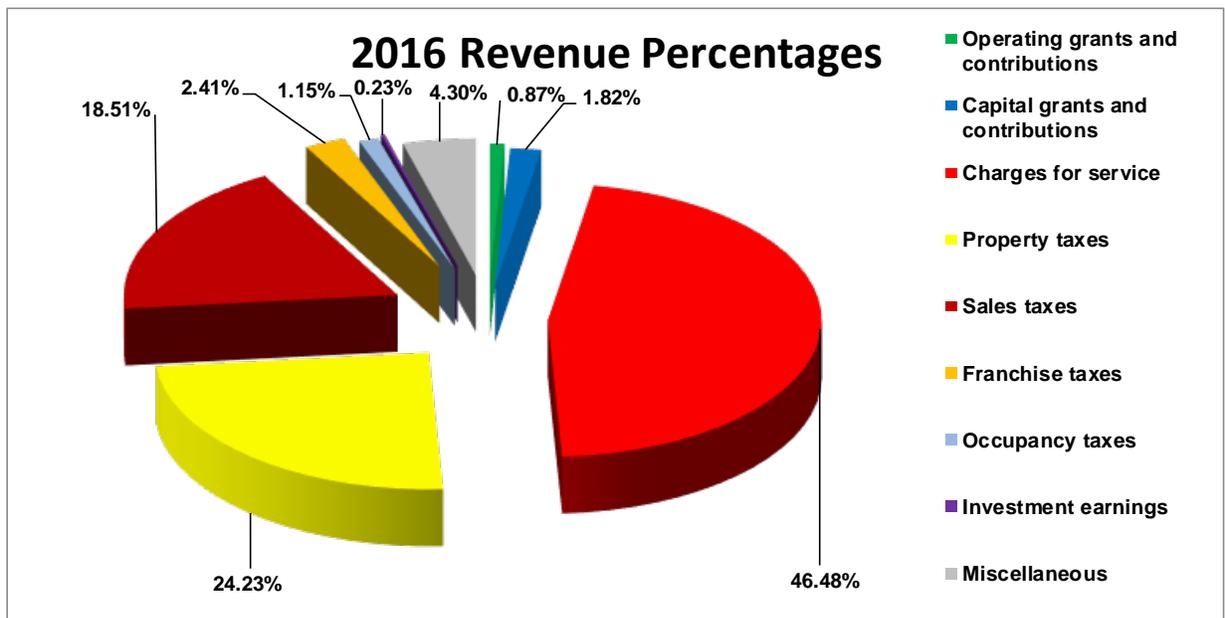
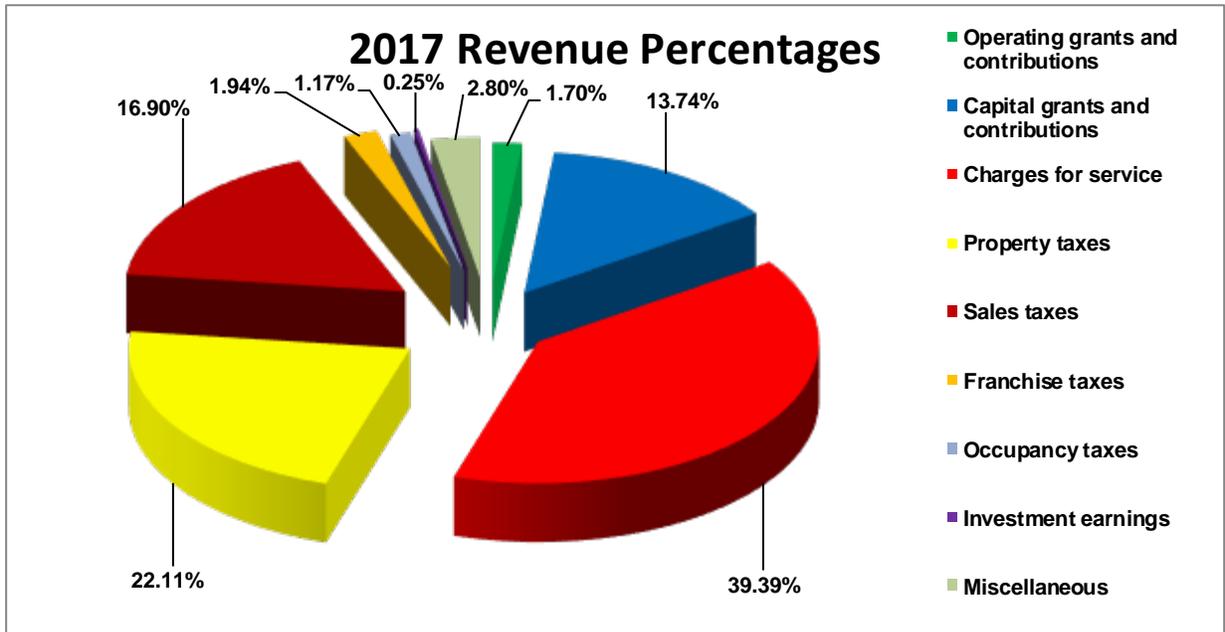
Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2017. Business-type activities decreased the City's net position by \$ 26,805. Governmental activities increased the City's net position by \$ 1,299,580.

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
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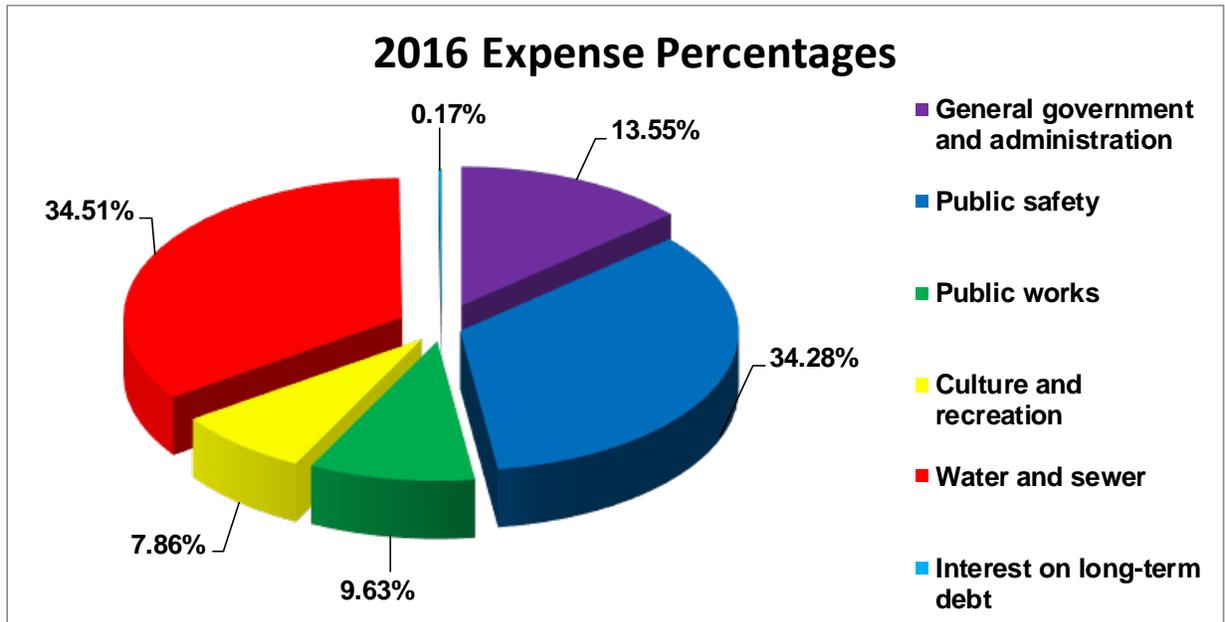
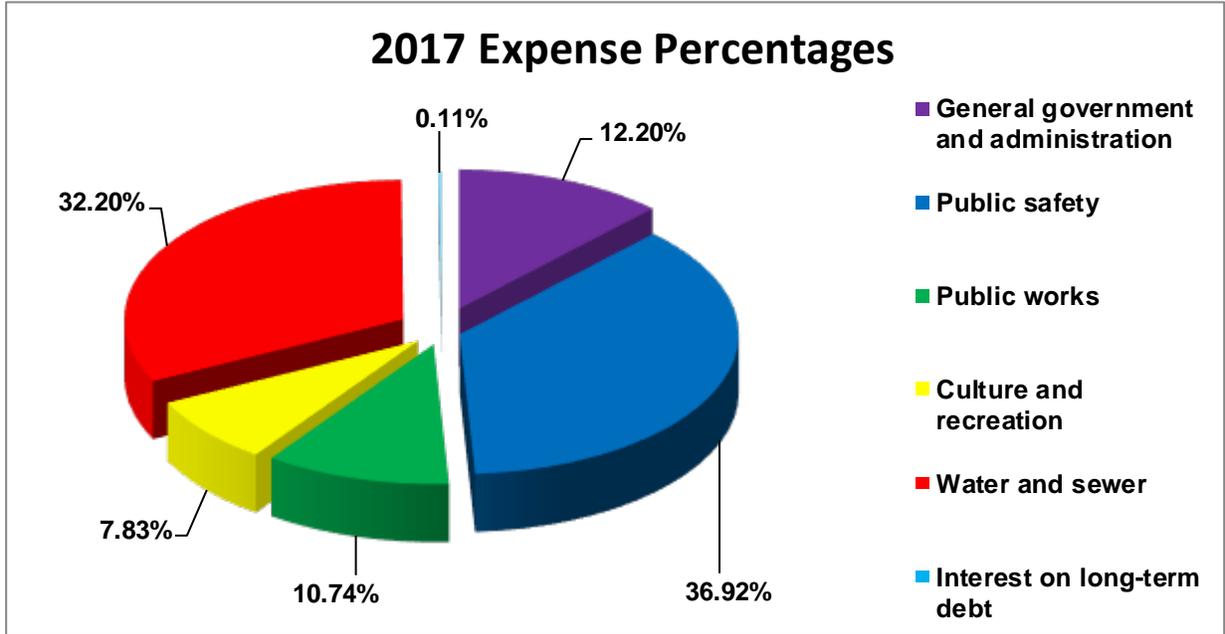
CITY OF WEST COLUMBIA'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 704,040	\$ 727,850	\$ 1,482,640	\$ 1,432,547	\$ 2,186,680	\$ 2,160,397
Operating grants and contributions	94,182	40,382			94,182	40,382
Capital grants and contributions	762,706	84,790			762,706	84,790
General Revenues:						
Taxes:						
Property taxes	1,227,279	1,126,302			1,227,279	1,126,302
Sales tax	938,298	860,196			938,298	860,196
Franchise taxes	107,767	112,216			107,767	112,216
Occupancy taxes	65,028	53,596			65,028	53,596
Investment earnings	8,942	7,310	4,597	3,385	13,539	10,695
Miscellaneous	74,651	107,459	80,556	92,431	155,207	199,890
Total revenues	<u>3,982,893</u>	<u>3,120,101</u>	<u>1,567,793</u>	<u>1,528,363</u>	<u>5,550,686</u>	<u>4,648,464</u>
Expenses:						
General government and administration	521,933	571,079			521,933	571,079
Public safety	1,579,404	1,445,287			1,579,404	1,445,287
Public works	459,663	406,249			459,663	406,249
Culture and recreation	334,972	331,259			334,972	331,259
Water and sewer			1,377,357	1,455,116	1,377,357	1,455,116
Interest on long-term debt	4,582	6,966			4,582	6,966
Total expenses	<u>2,900,554</u>	<u>2,760,840</u>	<u>1,377,357</u>	<u>1,455,116</u>	<u>4,277,911</u>	<u>4,215,956</u>
Increase in net position before transfers	1,082,339	359,261	190,436	73,247	1,272,775	432,508
Transfers	217,241	20,544	(217,241)	(20,544)	-0-	-0-
Change in net position	1,299,580	379,805	(26,805)	52,703	1,272,775	432,508
Net position – beginning	<u>5,597,406</u>	<u>5,217,601</u>	<u>4,627,327</u>	<u>4,574,624</u>	<u>10,224,733</u>	<u>9,792,225</u>
Net position – ending	<u>\$ 6,896,986</u>	<u>\$ 5,597,406</u>	<u>\$ 4,600,522</u>	<u>\$ 4,627,327</u>	<u>\$ 11,497,508</u>	<u>\$ 10,224,733</u>

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Management's Discussion and Analysis
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Management's Discussion and Analysis
For the Year Ended September 30, 2017



CITY OF WEST COLUMBIA, TEXAS

*Management's Discussion and Analysis
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Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 3,081,073. 35.91% of this total amount, \$ 1,106,399 constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, restricted or assigned* to indicate that it is not available for spending because it has already been classified 1) for prepaid items \$ 21,918, 2) economic development \$ 912,077, 3) capital improvement \$ 955,778, 4) debt service \$ 17,635, 5) contributor purposes \$ 1,684, 6) municipal court technology \$ 11,870, 7) municipal court security \$ 50,859 and 8) police department \$ 2,853.

The General Fund balance increased by \$ 89,856; Economic Development Corporation Fund balance decreased by \$ 238,887, and the Capital Improvement Fund balance increased by \$ 247,893. The non-major governmental funds fund balance increased by \$ 17,700.

Proprietary funds. As mentioned earlier, the City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net position at September 30, 2017 amounted to \$ 4,600,522. Total net position decreased \$ 26,805 (or (0.58%)).

General Fund Budgetary Highlights. Differences between the original budget and the final amended budget resulted in a \$ 72,010 increase in appropriations and can be summarized as follows:

- \$ 122,930 decrease in general government and administration
- \$ 179,480 increase in public safety
- \$ 85,700 decrease in public works
- \$ 30,665 increase in culture and recreation
- \$ 82,495 increase in capital outlay
- \$ 12,000 decrease in debt service

CITY OF WEST COLUMBIA, TEXAS

*Management's Discussion and Analysis
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Differences between the original budget and the final amended budget resulted in a \$ 35,000 decrease in revenues and can be summarized as follows:

- \$ 35,000 decrease in taxes

Because revenues and expenditures exceeded budgetary estimates, the City's net change (increase) in fund balance was more than the budgeted amount by \$ 261,866 due to the increase in revenues being larger than the increase in expenditures.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017, amounts to \$ 6,817,977 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, water and sewer infrastructure, equipment, vehicles and construction in progress.

**Capital Assets at Year-end
Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2017	2016	2017	2016	2017	2016
Land	\$ 858,072	\$ 432,930	\$ 41,750	\$ 41,750	\$ 899,822	\$ 474,680
Buildings	941,500	977,424	104,268	107,517	1,045,768	1,084,941
Land improvements	939,887				939,887	
Water and sewer infrastructure			3,045,020	3,090,113	3,045,020	3,090,113
Equipment	431,545	406,556	203,723	186,285	635,268	592,841
Vehicles	154,680	188,457	97,532	102,295	252,212	290,752
Construction in progress		204,752				204,752
Total	\$ <u>3,325,684</u>	\$ <u>2,210,119</u>	\$ <u>3,492,293</u>	\$ <u>3,527,960</u>	\$ <u>6,817,977</u>	\$ <u>5,738,079</u>

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2017

Additional information on the City's capital assets can be found in Note 6 on pages 60 through 61 of this report.

Debt Administration

At the end of the current fiscal year, the City had a total long-term debt liability of \$ 235,717. Of this amount, \$ 50,000 of tax notes, \$ 79,827 of notes payable, \$ 72,062 of net pension obligation, \$ 33,064 of compensated absences, and \$ 764 of accrued interest (component of long-term debt) backed by the full faith and credit of the City.

Outstanding Long-Term Debt at Year End

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Tax notes payable	\$ 50,000	\$ 95,000	\$	\$	\$ 50,000	\$ 95,000
Note payable	62,937	109,487	16,890		79,827	109,487
Net pension obligations	72,062	61,311			72,062	61,311
Compensated absences	23,152	17,805	9,912	7,142	33,064	24,947
Components of Debt:						
Accrued interest payable	<u>764</u>	<u>1,443</u>			<u>764</u>	<u>1,443</u>
Total	<u>\$ 208,915</u>	<u>\$ 285,046</u>	<u>\$ 26,802</u>	<u>\$ 7,142</u>	<u>\$ 235,717</u>	<u>\$ 292,188</u>

The City currently does not have any outstanding General Obligation Bonds, but does have a Tax Note and other types of debt outstanding. Additional information on the City's long-term debt can be found in Notes 7 and 8 on pages 61 through 64 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2017-2018 budget, the effects of Hurricane Harvey and the subsequent flooding have caused revenues in permits and sales tax for the new fiscal year to start off slightly behind in comparison to previous years. Damaged properties may cause a slight property value reduction although new property sales may offset that decrease.

Construction of the new well and additional equipment should start again. Finalizing funding with USRDA will require an increase of water rates at some point in the year for repayment of this financing. Negotiations with the Varner Creek Utility District for a new contract for waste water treatment for their district will result in changes to their fees although unknown if there will be an increase or decrease in revenue. This could also result in an increase in waste water rates for the City.

CITY OF WEST COLUMBIA, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2017*

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, P.O. Box 487, 512 E. Brazos, West Columbia, Texas, 77486, or call (979) 345-3123.

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CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF NET POSITION

September 30, 2017

	Governmental Activities	Business- Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 2,928,889	\$ 674,007	\$ 3,602,896
Taxes receivable, net	243,371		243,371
Accounts receivable, net	159,170	192,257	351,427
Receivables from other governments	48,142	53,017	101,159
Internal balances	(20,411)	20,411	-0-
Inventories		58,333	58,333
Prepaid items	21,918		21,918
Restricted Assets:			
Cash and cash equivalents		181,736	181,736
Noncurrent Assets:			
Net pension asset	351,853	92,160	444,013
Capital Assets:			
Land	858,072	41,750	899,822
Buildings, net	941,500	104,268	1,045,768
Land improvements, net	939,887		939,887
Water and sewer infrastructure, net		3,045,020	3,045,020
Equipment, net	431,545	203,723	635,268
Vehicles, net	154,680	97,532	252,212
	<u>7,058,616</u>	<u>4,764,214</u>	<u>11,822,830</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	<u>232,494</u>	<u>69,481</u>	<u>301,975</u>
Total deferred outflows of resources	<u>232,494</u>	<u>69,481</u>	<u>301,975</u>
LIABILITIES:			
Accounts payable	133,577	78,591	212,168
Accrued wages payable	11,452	4,817	16,269
Liabilities payable from restricted assets		109,734	109,734
Noncurrent Liabilities:			
Due within one year	111,984	14,935	126,919
Due in more than one year	96,931	11,867	108,798
	<u>353,944</u>	<u>219,944</u>	<u>573,888</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	<u>40,180</u>	<u>13,229</u>	<u>53,409</u>
Total deferred inflows of resources	<u>40,180</u>	<u>13,229</u>	<u>53,409</u>

(continued)

CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF NET POSITION - Continued

September 30, 2017

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
NET POSITION			
Net investment in capital assets	\$ 4,167,761	\$ 3,475,403	\$ 7,643,164
Restricted For:			
Debt service	17,635		17,635
Sewer replacement		73,377	73,377
Municipal court security and technology	62,729		62,729
Other purposes	2,853		2,853
Unrestricted	<u>2,646,008</u>	<u>1,051,742</u>	<u>3,697,750</u>
Total net position	<u>\$ 6,896,986</u>	<u>\$ 4,600,522</u>	<u>\$ 11,497,508</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government and administration	\$ 521,933	\$ 63,633	\$	\$
Public safety	1,579,404	277,217	46,493	17,677
Public works	459,663	261,486	47,689	745,029
Culture and recreation	334,972	101,704		
Interest on long-term debt	<u>4,582</u>			
Total governmental activities	<u>2,900,554</u>	<u>704,040</u>	<u>94,182</u>	<u>762,706</u>
Business-type Activities:				
Water and sewer	<u>1,377,357</u>	<u>1,482,640</u>		
Total business-type activities	<u>1,377,357</u>	<u>1,482,640</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 4,277,911</u>	<u>\$ 2,186,680</u>	<u>\$ 94,182</u>	<u>\$ 762,706</u>
General Revenues:				
Taxes:				
Property taxes				
Sales taxes				
Franchise fees				
Occupancy taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position – beginning				
Net position – ending				

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business- Type Activities	Total
\$(458,300)	\$	\$(458,300)
(1,238,017)		(1,238,017)
594,541		594,541
(233,268)		(233,268)
(4,582)		(4,582)
<u>(1,339,626)</u>	<u>-0-</u>	<u>(1,339,626)</u>
	<u>105,283</u>	<u>105,283</u>
<u>-0-</u>	<u>105,283</u>	<u>105,283</u>
<u>(1,339,626)</u>	<u>105,283</u>	<u>(1,234,343)</u>
1,227,279		1,227,279
938,298		938,298
107,767		107,767
65,028		65,028
8,942	4,597	13,539
74,651	80,556	155,207
<u>217,241</u>	<u>(217,241)</u>	<u>-0-</u>
<u>2,639,206</u>	<u>(132,088)</u>	<u>2,507,118</u>
1,299,580	(26,805)	1,272,775
<u>5,597,406</u>	<u>4,627,327</u>	<u>10,224,733</u>
<u>\$ 6,896,986</u>	<u>\$ 4,600,522</u>	<u>\$ 11,497,508</u>

CITY OF WEST COLUMBIA
West Columbia, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2017

	General Fund	Economic Development Corporation Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets and Deferred Outflows of Resources</u>					
Assets:					
Cash and cash equivalents	\$ 1,094,370	\$ 688,991	\$ 977,209	\$ 168,319	\$ 2,928,889
Taxes receivable, net	168,980	62,531		11,860	243,371
Receivables from other governments	48,142				48,142
Accounts receivable, net	40,643			1,900	42,543
Due from other funds	3,271		345		3,616
Prepaid items	21,918				21,918
Total assets	1,377,324	751,522	977,554	182,079	3,288,479
Deferred Outflows of Resources:					
Deferred outflows of resources					
Total deferred outflows of resources	-0-	-0-	-0-	-0-	-0-
Total assets and deferred outflows of resources	\$ 1,377,324	\$ 751,522	\$ 977,554	\$ 182,079	\$ 3,288,479
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 111,496	\$ 305	\$ 21,776	\$	\$ 133,577
Accrued wages payable	11,452				11,452
Due to other funds	20,756			3,271	24,027
Total liabilities	143,704	305	21,776	3,271	169,056
Deferred Inflows of Resources:					
Deferred inflows of resources – Property taxes	38,350				38,350
Total deferred inflows of resources	38,350	-0-	-0-	-0-	38,350

(continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS - Continued**

September 30, 2017

	<u>General Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Non-Spendable:					
Prepaid items	\$ 21,918	\$	\$	\$	\$ 21,918
Restricted:					
Economic development		751,217		160,860	912,077
Capital improvement			955,778		955,778
Debt service				17,635	17,635
Contributor purposes				1,684	1,684
Municipal court technology	11,870				11,870
Municipal court security	50,859				50,859
Police department	2,853				2,853
Unassigned	<u>1,107,770</u>	<u> </u>	<u> </u>	<u>(1,371)</u>	<u>1,106,399</u>
Total fund balances	<u>1,195,270</u>	<u>751,217</u>	<u>955,778</u>	<u>178,808</u>	<u>3,081,073</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,377,324</u>	<u>\$ 751,522</u>	<u>\$ 977,554</u>	<u>\$ 182,079</u>	<u>\$ 3,288,479</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA
West Columbia, Texas

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION**

September 30, 2017

Total fund balances – governmental funds balance sheet	\$ 3,081,073
 Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 5,282,530 in assets less \$ 1,956,846 in accumulated depreciation.	3,325,684
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred inflows of resources – property taxes for the general fund and the debt service fund amounted to \$ 38,350 and \$ -0-, respectively.	38,350
Municipal court receivables unavailable to pay for current period expenditures are not recognized in the governmental funds. Municipal court receivables, net of allowance, total \$ 116,627 (\$ 1,166,270 less allowance for uncollectibles of \$ 1,049,643).	116,627
Pension assets are not reported in the funds	351,853
Pension deferred outflows of resources of \$ 232,494 less pension deferred inflows of resources of \$ 40,180.	192,314
Payables for net pension obligation are not reported in the funds.	(72,062)
Payables for tax note principal are not reported in the funds.	(50,000)
Payables for tax note interest are not reported in the funds.	(690)
Payables for note principal are not reported in the funds.	(62,937)
Payables for note interest are not reported in the funds.	(74)
Payables for compensated absences are not reported in the funds.	<u>(23,152)</u>
Net position of governmental activities – statement of net position.	<u>\$ 6,896,986</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA

West Columbia, Texas

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 1,953,167	\$ 312,766	\$	\$ 65,299	\$ 2,331,232
Revenue producing facilities	387,480				387,480
Fines and fees	267,020				267,020
Licenses and permits	39,343				39,343
Intergovernmental revenue	860,352				860,352
Miscellaneous	<u>71,389</u>	<u>4,215</u>	<u>1,995</u>	<u>2,530</u>	<u>80,129</u>
Total revenues	<u>3,578,751</u>	<u>316,981</u>	<u>1,995</u>	<u>67,829</u>	<u>3,965,556</u>
Expenditures:					
Current:					
General Government and Administrative	505,288				505,288
Public safety	1,487,566				1,487,566
Public works	423,514		21,431		444,945
Culture and recreation	234,600	42,876		17,124	294,600
Capital outlay	815,033	421,992			1,237,025
Debt Service:					
Principal	46,550			45,000	91,550
Interest and fiscal charges	<u>2,639</u>			<u>2,622</u>	<u>5,261</u>
Total expenditures	<u>3,515,190</u>	<u>464,868</u>	<u>21,431</u>	<u>64,746</u>	<u>4,066,235</u>
Excess (deficiency) of revenues over expenditures	<u>63,561</u>	<u>(147,887)</u>	<u>(19,436)</u>	<u>3,083</u>	<u>(100,679)</u>
Other Financing Sources (Uses):					
Transfers in	194,008		267,329	47,625	508,962
Transfers out	<u>(167,713)</u>	<u>(91,000)</u>		<u>(33,008)</u>	<u>(291,721)</u>
Total other financial sources (uses)	<u>26,295</u>	<u>(91,000)</u>	<u>267,329</u>	<u>14,617</u>	<u>217,241</u>
Net change in fund balances	89,856	<u>(238,887)</u>	247,893	17,700	116,562
Fund balances – beginning	<u>1,105,414</u>	<u>990,104</u>	<u>707,885</u>	<u>161,108</u>	<u>2,964,511</u>
Fund balances – ending	\$ <u>1,195,270</u>	\$ <u>751,217</u>	\$ <u>955,778</u>	\$ <u>178,808</u>	\$ <u>3,081,073</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA
West Columbia, Texas

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2017

Net change in fund balances – total governmental funds	\$	116,562
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$ 1,237,025 exceeded depreciation expense of \$ 121,460.		1,115,565
Governmental funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 10,245 less than the amount reported in the funds.	(10,245)
Pension deferred outflows of resources of \$(67,186), and pension deferred inflows of resources of \$ 40,665.	(26,521)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund increased by \$ 7,140 and debt service fund had no change.		7,140
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. These amounts were for tax notes of \$ 45,000 and loans of \$ 46,550.		91,550
Municipal court revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the governmental funds. Municipal court receivables, net of allowance, increased by \$ 10,197.		10,197
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of the change in accrued interest on long-term debt of \$ 679.		679
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences of \$ 5,347.	(<u>5,347</u>)
Change in net position of governmental activities	\$	<u><u>1,299,580</u></u>

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND

September 30, 2017

	<u>Enterprise Fund</u>
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 674,007
Accounts receivable, net	192,257
Receivables from other governments	53,017
Due from other funds	20,411
Inventory	<u>58,333</u>
Total current unrestricted assets	<u>998,025</u>
Restricted Assets:	
Cash and cash equivalents	<u>181,736</u>
Total current restricted assets	<u>181,736</u>
Total current assets	<u>1,179,761</u>
Noncurrent Assets:	
Net pension asset	<u>92,160</u>
Total noncurrent assets	<u>92,160</u>
Capital Assets:	
Property, plant and equipment	8,445,482
Accumulated depreciation	<u>(4,953,189)</u>
Net capital assets	<u>3,492,293</u>
Total assets	<u>4,764,214</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows of resources	<u>69,481</u>
Total deferred outflows of resources	<u>69,481</u>

(Continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND - Continued

September 30, 2017

	<u>Enterprise Fund</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	\$ 78,591
Accrued wages payable	4,817
Compensated absences	9,912
Notes payable - current	<u>5,023</u>
Total current unrestricted liabilities	98,343
Current Liabilities Payable From Restricted Assets:	
Customer meter deposits	<u>109,734</u>
Total current liabilities	208,077
Noncurrent Liabilities:	
Notes payable – net	<u>11,867</u>
Total noncurrent liabilities	<u>11,867</u>
Total liabilities	<u>219,944</u>
<u>Deferred Inflows of Resources</u>	
Deferred inflows of resources	<u>13,229</u>
Total deferred inflows of resources	<u>13,229</u>
<u>Net Position</u>	
Net investment in capital assets	3,475,403
Restricted For:	
Sewer replacement	73,377
Unrestricted	<u>1,051,742</u>
Total net position	<u>\$ 4,600,522</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA
West Columbia, Texas

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND**

For the Year Ended September 30, 2017

	<u>Enterprise Fund</u>
Operating Revenues:	
Water service	\$ 662,338
Sewer charges	631,025
Varner Creek Utility District	136,260
Intergovernmental revenue	53,017
Miscellaneous	<u>80,556</u>
Total operating revenues	<u>1,563,196</u>
Operating Expenses:	
Water production	246,884
Water distribution	334,043
Water administration	186,149
Sewer collection	58,610
Sewer treatment plant	367,027
Depreciation	<u>184,216</u>
Total operating expenses	<u>1,376,929</u>
Operating income	<u>186,267</u>
Non-Operating Revenues/(Expenses):	
Interest revenue	4,597
Interest and fiscal charges	<u>(428)</u>
Total non-operating revenues	<u>4,169</u>
Income before contributions and transfers	190,436
Transfers out	<u>(217,241)</u>
Change in net position	<u>(26,805)</u>
Net position – beginning	<u>4,627,327</u>
Net position – ending	<u><u>\$ 4,600,522</u></u>

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST COLUMBIA
West Columbia, Texas

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND**

For the Year Ended September 30, 2017

	Enterprise Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,502,357
Receipts from other funds	(29,413)
Payments to suppliers	(557,185)
Payments to employees	<u>(671,110)</u>
Net cash provided by operating activities	<u>244,649</u>
Cash Flows from Non-Capital Financing Activities:	
Operating transfers to other funds	<u>(217,241)</u>
Net cash used for non-capital financing activities	<u>(217,241)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from loan	20,560
Principle payments on loan	(3,670)
Purchases of capital assets	(148,549)
Interest and fees	<u>(428)</u>
Net cash used by capital and related financing activities	<u>(132,087)</u>
Cash Flows from Investing Activities:	
Interest received	<u>4,597</u>
Net cash provided by investing activities	<u>4,597</u>
Net decrease in cash and cash equivalents	(100,082)
Balances – beginning of year	<u>955,825</u>
Balances – end of the year	<u>\$ 855,743</u>

(Continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - Continued**

For the Year Ended September 30, 2017

	<u>Enterprise Fund</u>
Reconciliation of Operating Income to Net Cash Provided by	
Operating Activities:	
Operating income	\$ 186,267
Adjustments to Reconcile Operating Income to Net Cash Provided by	
Operating Activities:	
Depreciation	184,216
Changes in Assets and Liabilities:	
Receivable, net	(62,633)
Due from other funds	(7,429)
Inventory	(24,530)
Accounts payable	(24,971)
Accrued expenses payable	3,886
Due to other funds	(21,984)
Pension asset	10,033
Customer deposits	<u>1,794</u>
Net cash provided by operating activities	<u>\$ 244,649</u>
Non-Cash Investing, Capital and Financing Activities:	
Net effect of non-cash transactions	<u>\$ -0-</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

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CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of West Columbia (the "City") operates under General Law as embodied in the Texas Local Government Code and was incorporated in 1938. The City operates under a Council-Mayor form of government and provides the following services as authorized by state law: public, streets and drainage, health and social services, culture-recreation, public services and improvements and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State And Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

Financial Reporting Entity

The basic financial statements of the City include the primary government organizations, for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The decision to include a potential component unit in the reporting entity was made by applying 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*.

Included in the reporting entity:

City of West Columbia (Primary government)

The City operates under a General Law. The City operates under a Council-Manager form of government and provides the following services as authorized by state law: public safety, streets and drainage, health and social services, culture-recreation, public services and improvements and general administrative services.

The following entity was found to be a component unit of the City and is included in the basic financial statements:

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity - Continued

West Columbia Economic Development Corporation (the "Corporation")

The City created the Corporation for the purpose of promoting parks, drainage and street improvements, and economic development within the City. The Corporation's governing board is substantially the same as the governing body of the City. There are seven directors, two of whom are members of the City Council. The remaining five members are residents of the City or the County. All Board members are appointed by the City Council. The Corporation is authorized to sell bonds or other forms of indebtedness. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City. The Corporation provides all of its services to the City. A blended presentation has been used to report the financial information of this component unit. The Corporation is presented as a special revenue fund. The financial information for the Corporation is available from the City.

Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. The City does not have any fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are combined and reported in a separate column in the fund financial statements. The City has only one proprietary fund.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

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

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

Property taxes, franchise taxes, licenses, municipal court revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

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

The City has presented the following major governmental funds:

The *General Fund* 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. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Economic Development Corporation (Special Revenue Fund)* accounts for specific projects and expenditures for the improvement of the City. Sales taxes and private donations provide the resources to fund these projects.

The *Capital Improvement (Capital Projects Fund)* accounts for the various projects ongoing for improvements to the City's infrastructure, primarily water and sewer systems.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - Continued

The City reports the following major proprietary fund:

The Enterprise Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the funds.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. The City also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system.

Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB No. 72, "Fair Value Measurement and Application" was issued February 2015. This standard was implemented and did not have a material effect on the financial statements. This statement is effective for periods beginning after June 15, 2015.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of Statements 67 and 68" was issued June 2015. This standard was implemented and did not have a material effect on the financial statements. This statement is effective for periods beginning after June 15, 2016.

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" was issued June 2015. This standard was implemented and did not have a material effect on the financial statements. This statement is effective for periods beginning after June 15, 2016.

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. The management of the City expects the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2017.

GASB No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued June 2015. This statement was implemented and did not have a material effect on the financial statements. This statement is effective for periods beginning after June 15, 2015.

GASB No. 77 "Tax Abatement Disclosures" was issued in August 2015. This standard was implemented and did not have a material effect on the financial statements. This statement is effective for periods beginning after December 15, 2015.

GASB No. 78 "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" was issued in December 2015. This standard was implemented and did not have a material effect on the financial statements. This statement is effective for periods beginning after December 15, 2015.

GASB No. 79 "Certain External Investment Pools and Pool Participants" was issued in December 2015. This standard was implemented and did not have a material effect on the financial statements. This statement is effective for periods beginning after December 15, 2015.

GASB No. 80 "Blending Requirements for Certain Component Units and amendment of GASB No. 14" was issued in January 2016. This standard was implemented and did not have a material effect on the financial statements. This statement is effective for periods beginning after June 15, 2016.

GASB No. 81 "Irrevocable Split-Interest Agreements" was issued in March 2016. This standard was implemented and did not have a material effect on the financial statements. The requirements of this Statement are effective for periods beginning after December 15, 2016.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB No. 82 “Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73” was issued in March 2016. This standard was implemented and did not have a material effect on the financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2016.

GASB No. 83 “Certain Asset Retirement Obligations” was issued in November 2016. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB No. 84 “Fiduciary Activities” was issued in January 2017. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after December 15, 2018.

GASB No. 85 “Omnibus 2017” was issued in March 2017. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 86 “Certain Debt Extinguishment Issues” was issued in May 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 87 “Leases” was issued in June 2017. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after December 15, 2019.

Budgetary Data

All departments of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to the Mayor and City Council for review. The City Council holds budget workshops and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level. Line item and department budgets may exceed appropriated amounts at the discretion of the City Council as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - Continued

The City adopts annual budgets for all governmental fund types (General Fund, Special Revenue Funds, Capital Improvement Fund, and Debt Service Fund) and the proprietary fund type (Enterprise Fund).

Financial statements in this report are based on the legally enacted basis (modified accrual basis with certain exceptions) and the generally accepted accounting principles (GAAP basis). The financial statements prepared on the legally enacted basis differs from the GAAP basis statements on an individual fund basis as follows:

Enterprise Fund -

1. Principal payments on bonds are recorded as a current year expense as opposed to a reduction of the principal balance on the balance sheet (GAAP).
2. Capital expenditures are recorded as current year expense as opposed to being capitalized and depreciated over the estimated useful life of the asset (GAAP).
3. Capital contributions.

The following schedules reconcile the difference between the City's legally enacted basis and the GAAP basis:

	<u>2017</u>
Enterprise Fund:	
Change in net position - GAAP basis	\$(26,805)
Depreciation	184,216
Actuarial pension adjustments	10,033
Capital outlay	(148,549)
Debt principal payments	(3,670)
Loan proceeds	<u>20,560</u>
Change in net position - budget basis	<u>\$ 35,785</u>

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year-end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no outstanding encumbrances at September 30, 2017.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements, and other such securities or obligations as allowed in the Public Funds Investment Act (PFIA) as amended and approved by the City's Council. The City's management believes it complied with the requirements of the PFIA and the City's investment policies.

Inventory

Inventory is valued at cost and consists primarily of utility meters and supplies. The consumption method of inventory is employed by the City, whereby the purchases of these supplies are charged directly to inventory for control and then expended as consumed.

Compensated Absences

The City's sick leave policy provides twelve paid sick days per year. The City does not pay for any unused sick leave upon termination, resignation or retirement. The City pays full time personnel 50% of their unused sick time the last month of the calendar year. The amount of any expense, which may occur, resulting from utilization of unused sick leave, cannot be determined as of September 30, 2017.

Eligible City employees accrue vacation time annually at various rates based on length of service with the City. Vacation time can be accrued on January 1 of each year.

The City offers comp time for hours actually worked above 40 hours per week, at the discretion of each Department Head. Comp time reported is the amount of time to be paid at the employee's regular rate. For example, if an employee works 42 hours in a work week, he/she may be paid for 40 hours at their regular rate and earn 3 hours of comp time or be paid 40 hours at their regular rate and 2 hours at 1 ½ times their regular rate. This is a voluntary program and employees have the option to be paid for overtime hours or receive comp time. Employees may accumulate up to 240 hours of comp time for all departments, except the police department. The police department employees may accumulate up to 480 hours of comp time. At the end of the fiscal year (September 30), employees will be paid for any comp time accumulated over the maximums. Employees who leave the employment of the City will receive payment for any unused comp time at the time of their departure.

The estimated liabilities include required salary related payments. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and is included in wages and benefits payable. As of September 30, 2017, there were no matured compensated absences reported in the governmental funds. Maturing compensated absences payable in the Governmental Activities totaled \$ 23,152 at September 30, 2017. Accrued compensated absences reported in the Enterprise Fund at September 30, 2017 totaled \$ 9,912.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and water and sewer infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. During the year ended September 30, 2017, no capitalized interest was recorded.

Assets capitalized have an original cost of \$ 5,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 Years
Equipment	15 Years
Vehicles	7-15 Years
Water and Sewer Infrastructure	30 Years

Salvage values are utilized to eliminate the complete depreciation of assets that remain in use beyond their estimated useful lives.

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the City is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the City, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value of the property tax roll on July 14, 2016, upon which the levy for the 2016-17 fiscal year was based, was \$ 133,929,206. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rate assessed to finance general fund operations was \$ 0.830000 per \$ 100 valuation for the year ended September 30, 2017.

Current tax collections for the year ended September 30, 2017 were 96.99% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting 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. As of September 30, 2017, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 43,918 and \$ -0- for the general and debt service funds, respectively.

Pension Plans

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 Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and TESRS. 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.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The City has not recorded any bond premiums and discounts. Bond issuance costs are reported as expenditures or expenses in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

The City Council meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The City's Unassigned General Fund Balance is maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the City Council. Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action by the City Council. When it is appropriate for fund balance to be assigned, the City Council has delegated authority to the Mayor or City Manager. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, followed by assigned fund balance, and lastly, unassigned fund balance.

The City implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

Non-spendable Fund Balance – Includes amounts that cannot be spent because they are either not spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity - Continued

Restricted Fund Balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions enabling legislation).

Committed Fund Balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

Assigned Fund Balance – Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all government funds with positive balances.

Unassigned Fund Balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

As of September 30, 2017, non-spendable fund balances include \$ 21,918 for prepaid items. Restricted fund balances include \$ 912,077 for economic development, \$ 955,778 for capital improvement, \$ 17,635 for debt service, \$ 1,684 for contributor purposes, \$ 11,870 for municipal court technology, \$ 50,859 for municipal court security and \$ 2,853 for the police department. There were no committed and assigned fund balances. Unassigned fund balance includes \$ 1,106,399.

Net Position

Net position represents the differences between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The City classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of more than one year. See Note 1 for additional Governmental Accounting Standards Board Statement No. 3 disclosures.

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net position at September 30, 2017 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Temporary Investments:			
Cash (petty cash accounts)	\$ 750	\$	\$ 750
Financial Institution Deposits:			
Demand deposits	<u>3,602,146</u>	<u>181,736</u>	<u>3,783,882</u>
Total	<u>\$ 3,602,896</u>	<u>\$ 181,736</u>	<u>\$ 3,784,632</u>

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

At September 30, 2017, in addition to petty cash of \$ 750, the carrying amount of the City's cash, savings, and time deposits was \$ 3,783,882. The financial institutions balances were \$ 3,878,699 at September 30, 2017. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 3,628,699 was covered by collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

The City's deposits and investments are invested pursuant to the investment policy, which is approved by City Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

The City's Investment Officer submits an investment report each quarter to the City Council. The report details the investment positions of the City and the compliance of the investment portfolio as they relate to both the adopted investment strategy statements and Texas State law.

The City is authorized to invest in the following investment instruments provided they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. A securities lending program as permitted by Government Code 2256.0115;
5. Banker's acceptances as permitted by Government Code 2256.012;
6. Commercial paper as permitted by Government Code 2256.013;
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
9. Public funds investment pools as permitted by Government Code 2256.016.

At September 30, 2017, the City held no investments.

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by GASB No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The City made no direct investments in derivatives during the year ended September 30, 2017, and holds no direct investments in derivatives at September 30, 2017.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Receivables as of September 30, 2017 for the government's individual governmental major funds and proprietary fund including the applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			
	General Fund	Economic Development Corporation Fund	Other Governmental Funds	Total
Receivables:				
Property taxes	\$ 84,660	\$	\$ 2,974	\$ 87,634
Hotel occupancy tax			11,860	11,860
Sales taxes	125,062	62,531		187,593
Receivables from other governments	48,142			48,142
Other	40,643		1,900	42,543
Gross receivables	298,507	62,531	16,734	377,772
Less Allowance for Uncollectibles:				
Property taxes	40,742		2,974	43,716
Net total receivables	\$ 257,765	\$ 62,531	\$ 13,760	\$ 334,056
				Proprietary Fund
Receivables:				
Accounts:				
Customers				\$ 255,315
Receivables from other governments				53,017
Other				11,870
Gross receivables				320,202
Less Allowance for Uncollectibles:				
Customers				74,928
Net total receivables				\$ 245,274

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS - Continued

Municipal Court Receivables

Municipal court receivables are reported in the governmental activities statement of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The allowance for uncollectible receivables for the year ended September 30, 2017 was \$ 1,049,643.

NOTE 4 - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES AND UNEARNED REVENUE

Governmental funds defer the recognition of revenue in connection with receivables for revenues that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2017, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources (Unavailable)</u>
Delinquent property taxes receivable (general fund)	\$ <u>38,350</u>
Total deferred inflows of resources	\$ <u><u>38,350</u></u>

Governmental and Business-Type Activities

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date (December 31, 2016) to the current year-end of September 30, 2017 and report these as deferred outflows of resources. Governmental and business-type activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental and business-type activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2017, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 4 - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES AND UNEARNED REVENUE -
Continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Governmental Activities</u>		
TMRS deferred inflows and outflows of resources less current amortization	\$ 176,407	\$ 40,180
TESRS deferred inflows and outflows of resources less current amortization	22,869	
Pension contributions subsequent to the measurement date	<u>33,218</u>	
Totals	\$ <u>232,494</u>	\$ <u>40,180</u>

There were no unearned revenues reported in the governmental activities as of September 30, 2017.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Business-Type Activities</u>		
TMRS deferred inflows and outflows of resources less current amortization	\$ 59,860	\$ 13,229
Pension contributions subsequent to the measurement date	<u>9,621</u>	
Totals	\$ <u>69,481</u>	\$ <u>13,229</u>

There were no unearned revenues reported in the business-type activities as of September 30, 2017.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2017 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Capital Improvement Fund	\$	\$ 345
Capitol Park Fund	3,271	
Enterprise Fund		<u>20,411</u>
Total General Fund	<u>3,271</u>	<u>20,756</u>
Capital Improvement Fund:		
General Fund	<u>345</u>	
Capitol Park Fund:		
General Fund		<u>3,271</u>
Total Special Revenue Funds	<u>-0-</u>	<u>3,371</u>
Enterprise Fund:		
General Fund	<u>20,411</u>	
Total Enterprise Fund	<u>20,411</u>	<u>-0-</u>
Total	\$ <u>24,027</u>	\$ <u>24,027</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

Interfund transfers for the year ended September 30, 2017 consisted of the following individual fund transfers in and transfers out:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Funds:		
Economic Development Corporation Fund	\$ 91,000	\$
Hotel Occupancy Tax Fund	33,008	
Capital Improvement Fund		123,588
Debt Service Fund		44,125
Enterprise Fund	<u>70,000</u>	<u> </u>
Total General Fund	<u>194,008</u>	<u>167,713</u>
Debt Service Fund:		
General Fund	44,125	
Enterprise Fund	<u>3,500</u>	<u> </u>
Total Debt Service Fund	<u>47,625</u>	<u>-0-</u>
Special Revenue Funds:		
Economic Development Corporation Fund:		
General Fund		91,000
Hotel Occupancy Tax:		
General Fund	<u> </u>	<u>33,008</u>
Total Special Revenue Funds	<u>-0-</u>	<u>124,008</u>
Capital Improvement Fund:		
General Fund	123,588	
Debt Service Fund	<u>143,741</u>	<u> </u>
Total Capital Improvement Fund	<u>267,329</u>	<u>-0-</u>
Enterprise Fund:		
General Fund		70,000
Debt Service Fund		3,500
Capital Improvement Fund	<u> </u>	<u>143,741</u>
Total Enterprise Fund	<u>-0-</u>	<u>217,241</u>
Total	<u>\$ 508,962</u>	<u>\$ 508,962</u>

These transfers were approved by the City Council as transfers of operational funds to cover planned expenditures/expenses.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 6 - CAPITAL ASSETS

Capital Asset Activity

Capital asset activity for the year ended September 30, 2017, was as follows:

	<u>Balance</u> <u>10/01/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/17</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 432,930	\$ 425,142	\$	\$ 858,072
Construction in progress	<u>204,752</u>	<u>745,029</u>	<u>949,781</u>	<u></u>
Total capital assets, not being depreciated	<u>637,682</u>	<u>1,170,171</u>	<u>949,781</u>	<u>858,072</u>
Capital Assets:				
Buildings	1,868,930			1,868,930
Land improvements		949,781		949,781
Equipment	703,723	66,854		770,577
Vehicles	<u>835,170</u>	<u></u>	<u></u>	<u>835,170</u>
Total capital assets, being depreciated	<u>3,407,823</u>	<u>1,016,635</u>	<u>-0-</u>	<u>4,424,458</u>
Accumulated Depreciation:				
Buildings	891,506	35,924		927,430
Land improvements		9,894		9,894
Equipment	297,167	41,865		339,032
Vehicles	<u>646,713</u>	<u>33,777</u>	<u></u>	<u>680,490</u>
Total accumulated depreciation	<u>1,835,386</u>	<u>121,460</u>	<u>-0-</u>	<u>1,956,846</u>
Total capital assets being depreciated, net	<u>1,572,437</u>	<u>895,175</u>	<u>-0-</u>	<u>2,467,612</u>
Governmental activities capital assets, net	\$ <u>2,210,119</u>	\$ <u>2,065,346</u>	\$ <u>949,781</u>	\$ <u>3,325,684</u>
	<u>Balance</u> <u>10/01/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/17</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ <u>41,750</u>	\$ <u></u>	\$ <u></u>	\$ <u>41,750</u>
Total capital assets, not being depreciated	<u>41,750</u>	<u>-0-</u>	<u>-0-</u>	<u>41,750</u>
Capital Assets:				
Buildings	238,000			238,000
Equipment	311,531	35,325		346,856
Vehicles	231,985	21,778		253,763
Water and sewer infrastructure	<u>7,473,667</u>	<u>91,446</u>	<u></u>	<u>7,565,113</u>
Total capital assets being depreciated	<u>8,255,183</u>	<u>148,549</u>	<u>-0-</u>	<u>8,403,732</u>

(continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 6 - CAPITAL ASSETS - Continued

Capital Asset Activity - Continued

	<u>Balance</u> <u>10/01/16</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/17</u>
Accumulated Depreciation:				
Buildings	\$ 130,483	\$ 3,249	\$	\$ 133,732
Equipment	125,246	17,887		143,133
Vehicles	129,690	26,541		156,231
Water and sewer infrastructure	<u>4,383,554</u>	<u>136,539</u>		<u>4,520,093</u>
Total accumulated depreciation	<u>4,768,973</u>	<u>184,216</u>	<u>-0-</u>	<u>4,953,189</u>
Total capital assets being depreciated, net	<u>3,486,210</u>	<u>(35,667)</u>	<u>-0-</u>	<u>3,450,543</u>
Business-type activities capital assets, net	\$ <u>3,527,960</u>	\$ <u>(35,667)</u>	\$ <u>-0-</u>	\$ <u>3,492,293</u>

Depreciation

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General administration	\$ 4,271
Public safety	61,735
Public works	13,892
Culture and recreation	<u>41,562</u>
Total depreciation expense-governmental activities	\$ <u>121,460</u>

Business-type Activities:

Water and sewer	\$ <u>184,216</u>
Total depreciation expense-business-type activities	\$ <u>184,216</u>

NOTE 7 - LONG-TERM DEBT

General Long-Term Debt

General long-term debt, which consists of tax notes and notes payable, which are summarized as follows:

Tax Note:

In June 2011, the City was approved for a tax note for \$ 300,000 with an interest rate of 2.76%. The proceeds of this tax note were used for the repair and replacement of the City's water and sewer lines.

Tax note payable transactions for the year ended September 30, 2017 are as follows:

Tax note payable, October 1, 2016	\$ 95,000
Maturities	<u>(45,000)</u>
Tax note outstanding, September 30, 2017	\$ <u>50,000</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

Presented below is a summary of tax note payable requirements to maturity:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ <u>50,000</u>	\$ <u>1,380</u>	\$ <u>51,380</u>
Total	\$ <u>50,000</u>	\$ <u>1,380</u>	\$ <u>51,380</u>

In June 2014, the City was approved for a loan for \$ 37,837 with an interest rate of 2.99%. The proceeds of this loan were used to purchase a police vehicle. The City is required to make forty-eight monthly payments of \$ 838 beginning in July 2014.

In December 2013, the City was approved for a loan for \$ 36,661 with an interest rate of 2.99%. The proceeds of this loan were used to purchase a police vehicle. The City is required to make forty-eight monthly payments of \$ 811 beginning in January 2014.

In November 2015, the City was approved for a loan for \$ 73,745 with an interest rate of 5.00%. The proceeds of this loan were used to purchase two police vehicles. The City is required to make forty-eight monthly payments of \$ 1,634 beginning in December 2015.

In December 2014, the City was approved for a loan for \$ 36,985 with an interest rate of 2.99%. The proceeds of this loan were used to purchase a police vehicle. The City is required to make forty-eight monthly payments of \$ 819 beginning in January 2015.

Note payable transactions for the year ended September 30, 2017 are as follows:

Note payable, October 1, 2016	\$ 109,487
Maturities	<u>(46,550)</u>
Note payable, September 30, 2017	\$ <u>62,937</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

Aggregate maturities of these notes payable for the years subsequent to September 30, 2017 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 38,068	\$ 1,307	\$ 39,375
2019	21,618	421	22,039
2020	<u>3,251</u>	<u>12</u>	<u>3,263</u>
Total	<u>\$ 62,937</u>	<u>\$ 1,740</u>	<u>\$ 64,677</u>

Total interest paid for the year ended September 30, 2017 was \$ 2,639.

Enterprise Debt

In December 2016, the City was approved for a loan for \$ 20,560 with an interest rate of 2.99%. The proceeds of this loan were used to purchase a utility vehicle. The City is required to make forty-eight monthly payments of \$ 455 beginning in January 2017.

Aggregate maturities of these notes payable for the years subsequent to September 30, 2017 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,023	\$ 437	\$ 5,460
2019	5,176	284	5,460
2020	5,333	127	5,460
2021	<u>1,358</u>	<u>7</u>	<u>1,365</u>
Total	<u>\$ 16,890</u>	<u>\$ 855</u>	<u>\$ 17,745</u>

Total interest paid for the year ended September 30, 2017 was \$ 428.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 7 - LONG-TERM DEBT - Continued

Summary of Long-Term Debt Transactions

Transactions for the year ended September 30, 2017 are summarized as follows:

	<u>Balance</u> <u>10/01/16</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>09/30/17</u>	<u>Due Within</u> <u>One Year</u>
Governmental Type Activities:					
Tax note payable	\$ 95,000	\$	\$ 45,000	\$ 50,000	\$ 50,000
Note payable	109,487		46,550	62,937	38,068
Net pension obligation	61,311	27,687	16,936	72,062	-0-
Compensated absences	17,805	23,152	17,805	23,152	23,152
Component of Bonded Debt:					
Accrued interest payable	<u>1,443</u>	<u>764</u>	<u>1,443</u>	<u>764</u>	<u>764</u>
Total governmental activities	<u>285,046</u>	<u>51,603</u>	<u>127,734</u>	<u>208,915</u>	<u>111,984</u>
Business Type Activities:					
Note payable		20,560	3,670	16,890	5,023
Compensated absences	<u>7,142</u>	<u>9,912</u>	<u>7,142</u>	<u>9,912</u>	<u>9,912</u>
Total business type activities	<u>7,142</u>	<u>30,472</u>	<u>10,812</u>	<u>26,802</u>	<u>14,935</u>
Total government (net)	<u>\$ 292,188</u>	<u>\$ 82,075</u>	<u>\$ 138,546</u>	<u>\$ 235,717</u>	<u>\$ 126,919</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The City of West Columbia participates as one of 872 plans in the nontraditional, join 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 publically available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. 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 payment options. Member 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.

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. Members in most cities can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Some cities have elected retirement eligibility with 25 years of service regardless of age. Most plans also provide death benefits and all provide disability benefits. Effective January 1, 2002, members are vested after 5 years, unless a city opted to maintain 10-year vesting. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Employees covered by benefit terms. At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	26
Active employees	<u>34</u>
	82

C. 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 (asset).

Employees of the City of West Columbia were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of West Columbia were 2.44% and 2.94% in the calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$ 36,544, and were equal to the required contributions.

D. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2016, and the Total Pension Liability used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions.

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

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 Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in the fiscal year 2017 are summarized in the following table:

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Asset Class	Target Allocation	Long-Term Expected Net Real Rate of Return
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. 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 benefits 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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Balance at 12/31/2015	\$ 3,824,007	\$ 4,267,345	\$(443,338)
Changes for the Year:			
Service cost	155,463		155,463
Interest	257,090		257,090
Difference between expected and actual experience	(16,906)		(16,906)
Contributions – employer		36,544	(36,544)
Contributions – employee		74,886	(74,886)
Net investment income		288,324	(288,324)
Benefit payment, including refunds of			
Employee contributions	(185,996)	(185,996)	-0-
Administrative expense		(3,257)	3,257
Other changes		(175)	175
Net changes	209,651	210,326	(675)
Balance at 12/31/2015	\$ 4,033,658	\$ 4,477,671	\$(444,013)

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Sensitivity of the net pension liability (asset) to changes in the discount rate.

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what's the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease In Discount Rate <u>(5.75%)</u>	Discount Rate <u>(6.75%)</u>	1% Increase In Discount Rate <u>(7.75%)</u>
City's Net Pension Liability (Asset) Changes For the Year:	\$ 16,393	\$(444,013)	\$(831,342)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2017, the city recognized pension expense of \$ 84,511.

At September 30, 2017, 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	\$	\$ 53,187
Difference between projected and actual investment earnings	200,526	222
Changes in assumptions	35,741	
Contributions subsequent to the measurement date	<u>36,723</u>	
Total	<u>\$ 272,990</u>	<u>\$ 53,409</u>

\$ 36,723 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

<u>Year Ended</u> <u>September 30,</u>		
2017	\$	58,364
2018		66,092
2019		58,456
2020	(54)
2021		-0-
Thereafter		-0-

NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the "System") established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. On August 31 of the following years, contributing fire and/or emergency services department members participating in TESRS were:

	Contributing Departments
2015	197
2016	199

Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

B. Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vested requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

C. Covered Membership

On August 31, the pension system membership consisted of:

	<u>2015</u>	<u>2016</u>
Retirees and beneficiaries currently receiving benefits	2,991	3,167
Terminated members entitled to benefits but not yet receiving them	2,211	2,200
Active participants (vested and non-vested)	4,016	3,634

D. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$ 36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who are pensioners when their respective departments merged with the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

E. Contributions

The contribution requirement per active emergency services personnel members per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2016, the total contributions (dues, prior service, and interest on prior service financing) of \$ 16,936 were paid into TESRS by the City.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in Section I(B)(1)

The most recent completed biennial actuarial valuation as of August 31, 2016 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$ 725,000 each year to pay for part of the System's administrative expenses.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

F. Net Pension Liability (Asset)

The System's Net Pension Liability (Asset) was measured as of August 31, 2016, and the Total Pension Liability used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of August 31, 2015 and rolled forward to August 31, 2016.

	<u>City's Portion</u>	<u>System</u>
Total pension liability (asset)	\$ 216,150	\$ 123,092,111
Plan fiduciary net position	<u>144,088</u>	<u>93,964,008</u>
Net pension liability (asset)	\$ <u>72,062</u>	\$ <u>29,128,103</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	66.7%	76.3%

Actuarial Assumptions

The Total Pension Liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00% per year
Salary increases	N/A
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption reflected a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities:		
Large cap domestic	32%	5.72%
Small cap domestic	10%	5.96%
Developed international	21%	6.21%
Emerging markets	6%	7.18%
Master limited partnerships	5%	7.61%
Fixed Income:		
Domestic	21%	1.61%
International	5%	1.81%
Cash	<u>0%</u>	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2016 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. 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.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	<u>1% Decrease In Discount Rate (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase In Discount Rate (8.75%)</u>
City's Net Pension Liability (Asset)	\$ 182,463	\$ 72,062	\$ 60,186

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At September 30, 2017, the City reported \$ 28,985 deferred outflows of resources related to the pension. Of this amount, \$ 6,116 was from contributions subsequent to the measurement date and \$ 22,869 was net difference between projected and actual investment earning.

\$ 6,116 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) for the year ending September 30, 2017. \$ 22,869 reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>September 30,</u>		
2017	\$	5,982
2018		5,982
2019		9,469
2020		1,436

NOTE 10 - RISK- POOL PARTICIPATION

The City is a participant in the Texas Municipal League Intergovernmental Risk Pool for coverage of property and worker's compensation claims. The City pays monthly/annual premiums to the pool for the coverage stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Therefore, the City's exposure for claims is designated to be limited to their deductible.

NOTE 11 - DEFICIT FUND BALANCES

As of September 30, 2017, the City had a deficit fund balance as itemized below:

	<u>2017</u>
Fund Balances:	
Special Revenues Funds:	
Capitol Park	\$ 1,371

Deficit fund balances will either be offset by future revenues or reimbursed by other funds. The special revenue funds would be reimbursed by the General Fund.

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2017, the City incurred expenditures in excess of appropriations in the general fund of \$ 661,805 and in the economic development corporation fund of \$ 305,268.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

NOTE 13 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 1, 2018, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST COLUMBIA

West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND AND ECONOMIC DEVELOPMENT CORPORATION
FUND**

For the Year Ended September 30, 2017

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes	\$ 1,850,300	\$ 1,815,300	\$ 1,953,167	\$ 137,867
Revenue producing facilities	308,200	308,200	387,480	79,280
Fines and fees	281,900	281,900	267,020	(14,880)
Licenses and permits	24,255	24,255	39,343	15,088
Intergovernmental revenue	168,200	168,200	860,352	692,152
Miscellaneous	40,575	40,575	71,389	30,814
Total revenues	2,673,430	2,638,430	3,578,751	940,321
Expenditures:				
Current:				
General Government and Administrative:				
Administrative	159,915	195,245	205,143	(9,898)
Legislative	222,400	49,700	47,552	2,148
Legal	34,635	34,980	34,920	60
Municipal court	149,665	158,200	135,114	23,086
Finance	80,880	86,440	82,559	3,881
Public Safety:				
Police	1,216,080	1,361,785	1,327,371	34,414
Fire	58,525	91,665	69,200	22,465
Fire marshal	64,380	65,015	58,376	6,639
Emergency medical services	33,048	33,048	32,619	429
Public Works:				
Streets and drainage	222,895	137,195	142,720	(5,525)
Sanitation	257,000	257,000	280,794	(23,794)
Culture and Recreation:				
Community development				
Library	45,190	45,430	40,417	5,013
Parks and recreation	184,762	215,187	194,183	21,004
Capital outlay	3,000	85,495	815,033	(729,538)
Debt Service:				
Principal	46,550	34,550	46,550	(12,000)
Interest and fiscal charges	2,450	2,450	2,639	(189)
Total expenditures	2,781,375	2,853,385	3,515,190	(661,805)

CITY OF WEST COLUMBIA

West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND AND ECONOMIC DEVELOPMENT CORPORATION
FUND - Continued**

For the Year Ended September 30, 2017

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Excess (deficiency) of revenues over expenditures	\$(107,945)	\$(214,955)	\$ 63,561	\$ 278,516
Other Financing Sources (Uses):				
Transfers in	187,070	187,070	194,008	6,938
Transfers out	(144,125)	(144,125)	(167,713)	(23,588)
Total other financing sources	42,945	42,945	26,295	(16,650)
Net change in fund balances	(65,000)	(172,010)	89,856	261,866
Fund balances – beginning	1,105,414	1,105,414	1,105,414	-0-
Fund balances – ending	<u>\$ 1,040,414</u>	<u>\$ 933,404</u>	<u>\$ 1,195,270</u>	<u>\$ 261,866</u>

Economic Development Corporation Fund

<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Original</u>	<u>Final</u>		
\$ <u>91,000</u>	\$ <u>91,000</u>	\$(<u>147,887</u>)	\$(<u>238,887</u>)
(<u>91,000</u>)	(<u>91,000</u>)	(<u>91,000</u>)	-0-
(<u>91,000</u>)	(<u>91,000</u>)	(<u>91,000</u>)	-0-
-0-	-0-	(<u>238,887</u>)	(<u>238,887</u>)
<u>990,104</u>	<u>990,104</u>	<u>990,104</u>	<u>-0-</u>
\$ <u><u>990,104</u></u>	\$ <u><u>990,104</u></u>	\$ <u><u>751,217</u></u>	\$(<u><u>238,887</u></u>)

CITY OF WEST COLUMBIA
West Columbia, Texas

**TMRS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2017 WITH MEASUREMENT DATE OF DECEMBER 31, 2016**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Service cost	\$ 119,823	\$ 138,231	\$ 155,463
Interest (on the Total Pension Liability)	247,297	250,732	257,090
Changes in benefit terms	14,964		
Difference between expected and actual experience	(135,474)	(76,686)	(16,906)
Changes in assumptions		98,447	
Benefit payments, including refunds of employee contributions	<u>(184,600)</u>	<u>(198,971)</u>	<u>(185,996)</u>
Net Change in Total Pension Liability	62,010	211,753	209,651
Total Pension Liability – Beginning	<u>3,550,244</u>	<u>3,612,254</u>	<u>3,824,007</u>
Total Pension Liability – Ending (a)	<u>\$ 3,612,254</u>	<u>\$ 3,824,007</u>	<u>\$ 4,033,658</u>
Contributions – Employer	\$ 36,818	\$ 41,248	\$ 36,544
Contributions – Employee	61,775	68,977	74,886
Net Investment Income	240,348	6,424	288,324
Benefit payments, including refunds of employee contributions	(184,600)	(198,971)	(185,996)
Administrative expense	(2,510)	(3,913)	(3,257)
Other	<u>(205)</u>	<u>(194)</u>	<u>(175)</u>
Net Change in Plan Fiduciary Net Position	151,626	(86,429)	210,326
Plan Fiduciary Net Position – Beginning	<u>4,202,148</u>	<u>4,353,774</u>	<u>4,267,345</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 4,353,774</u>	<u>\$ 4,267,345</u>	<u>\$ 4,477,671</u>
Net Pension Liability/(Asset) (a-b)	\$(741,520)	\$(443,338)	\$(444,013)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	120.53%	111.59%	111.01%
Covered Employee Payroll	\$ 1,235,509	\$ 1,379,550	\$ 1,497,715
Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll	(60.02%)	(32.14%)	(29.65%)

Notes to Schedule:
N/A

(1) The first TMRS actuarial report was completed for the year ended December 31, 2014 (measurement date), therefore, only three years of required supplemental information is available.

CITY OF WEST COLUMBIA
West Columbia, Texas

TMRS SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2017 WITH MEASUREMENT DATE OF DECEMBER 31, 2016

	2015	2016	2017
Actuarially determined contribution	\$ 36,818	\$ 41,248	\$ 36,544
Contributions in relation to the actuarially determined contribution	36,818	41,248	36,544
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-
Covered-employee payroll	\$ 1,235,509	\$ 1,379,550	\$ 1,497,715
Contributions as a percentage of covered-employee payroll	2.98%	2.99%	2.44%

Notes to Schedule of Contributions

Valuation Date:

Notes 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	25 years
Asset valuation method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.50% to 10.50% including inflation
Investment rate of return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
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 generated basis with scale BB

Other Information

Notes There were no benefit changes during the year

(1) The first TMRS actuarial report was completed for the year ended December 31, 2014 (measurement date), therefore, only three years of required supplemental information is available.

CITY OF WEST COLUMBIA
West Columbia, Texas

**TESRS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2017 WITH MEASUREMENT DATE OF DECEMBER 31, 2016**

	2017	2016	2015
Service cost	\$ 2,796	\$ 5,998	\$ 6,269
Interest (on the Total Pension Liability)	12,318	29,986	32,937
Changes in benefit terms			2,671
Difference between expected and actual experience			239
Changes in assumptions			3,293
Benefit payments, including refunds of employee contributions	(6,377)	(15,926)	(17,397)
Net Change in Total Pension Liability	8,737	20,058	28,012
Total Pension Liability – Beginning (2)	<u>159,343</u>	<u>168,080</u>	<u>188,138</u>
Total Pension Liability – Ending (a)	<u>\$ 168,080</u>	<u>\$ 188,138</u>	<u>\$ 216,150</u>
Contributions by the City	\$ 6,912	\$ 16,716	\$ 16,936
Contributions by the State			
Net Investment Income	18,221	(11,657)	18,340
Benefit payments, including refunds of employee contributions	(6,377)	(15,926)	(17,397)
Administrative expense	(255)	(764)	(618)
Other	(0)	(0)	(0)
Net Change in Plan Fiduciary Net Position	18,501	(11,631)	17,261
Plan Fiduciary Net Position – Beginning	<u>119,957</u>	<u>138,458</u>	<u>126,827</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 138,458</u>	<u>\$ 126,827</u>	<u>\$ 144,088</u>
Net Pension Liability (a-b)	\$ 29,622	\$ 61,311	\$ 72,062
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.38%	67.41%	66.66%
Number of Active Members (3)	N/A	N/A	N/A
City's Net Pension Liability per Active Member	N/A	N/A	N/A

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
- (2) Determined from the end of year total pension liability using the roll back procedure allowed for the initial year of implementing GASB 67.
- (3) There is no compensation for active members, so number of active members is used instead.
- (4) Determined from the beginning of year total pension liability using the roll forward procedure allowed by GASB 67.

CITY OF WEST COLUMBIA
West Columbia, Texas

TESRS SCHEDULE OF INVESTMENT RETURNS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2017 WITH MEASUREMENT DATE OF AUGUST 31, 2016

Fiscal Year Ending	Annual Money-Weighted Net Real Rate of Return (2)
August 31, 2013	13.84%
August 31, 2014	14.92%
August 31, 2015	(3.58%)
August 31, 2016	5.57%

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
- (2) The money-weighted rate of return expresses investment performance, net of investment expenses, reflecting changing amounts actually invested during the year.

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

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CITY OF WEST COLUMBIA
West Columbia, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

September 30, 2017

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Replica and Museum Fund	Hotel Occupancy Tax Fund	Capitol Park Fund	Debt Service Fund	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash and cash equivalents	\$ 1,684	\$ 149,000	\$	\$ 17,635	\$ 168,319
Taxes receivable, net		11,860			11,860
Accounts receivable, net			1,900		1,900
Total assets	1,684	160,860	1,900	17,635	182,079
Deferred Outflows of Resources:					
Deferred outflows of resources					
Total deferred outflows of resources	-0-	-0-	-0-	-0-	-0-
Total assets and deferred outflows of resources	\$ 1,684	\$ 160,860	\$ 1,900	\$ 17,635	\$ 182,079
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$	\$	\$ 3,271	\$	\$ 3,271
Total liabilities	-0-	-0-	3,271	-0-	3,271
Deferred Inflows of Resources:					
Deferred inflows of resources					
Total deferred inflows of resources	-0-	-0-	-0-	-0-	-0-
Fund Balances:					
Restricted:					
Contributor purposes	1,684				1,684
Economic development		160,860			160,860
Debt service				17,635	17,635
Unassigned			(1,371)		(1,371)
Total fund balances	1,684	160,860	(1,371)	17,635	178,808
Total liabilities, deferred inflows of resources and fund balances	\$ 1,684	\$ 160,860	\$ 1,900	\$ 17,635	\$ 182,079

CITY OF WEST COLUMBIA
West Columbia, Texas

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2017

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Replica and Museum Fund	Hotel Occupancy Tax Fund	Capitol Park Fund	Debt Service Fund	
<u>Revenues</u>					
Taxes	\$	\$ 65,028	\$	\$ 271	\$ 65,299
Miscellaneous	<u>19</u>	<u>550</u>	<u>1,900</u>	<u>61</u>	<u>2,530</u>
Total revenues	<u>19</u>	<u>65,578</u>	<u>1,900</u>	<u>332</u>	<u>67,829</u>
<u>Expenditures</u>					
Current:					
Culture and Recreation:					
Community development		16,869	255		17,124
Debt Service:					
Principal				45,000	45,000
Interest and fiscal charges				<u>2,622</u>	<u>2,622</u>
Total expenditures	<u>-0-</u>	<u>16,869</u>	<u>255</u>	<u>47,622</u>	<u>64,746</u>
Excess (deficiency) of revenues over expenditures	<u>19</u>	<u>48,709</u>	<u>1,645</u>	<u>(47,290)</u>	<u>3,083</u>
Other Financing Sources (Uses):					
Transfers in				47,625	47,625
Transfer out		<u>(33,008)</u>			<u>(33,008)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>(33,008)</u>	<u>-0-</u>	<u>47,625</u>	<u>14,617</u>
Net change in fund balances	19	15,701	1,645	335	17,700
Fund balances – beginning	<u>1,665</u>	<u>145,159</u>	<u>(3,016)</u>	<u>17,300</u>	<u>161,108</u>
Fund balances – ending	<u>\$ 1,684</u>	<u>\$ 160,860</u>	<u>\$ (1,371)</u>	<u>\$ 17,635</u>	<u>\$ 178,808</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
DEBT SERVICE FUND**

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$	\$	\$ 271	\$ 271
Miscellaneous			61	61
Total revenues	<u>-0-</u>	<u>-0-</u>	<u>332</u>	<u>332</u>
Expenditures:				
Debt Service:				
Principal on long-term debt	89,155	89,155	45,000	44,155
Interest on long-term debt	<u>2,625</u>	<u>2,625</u>	<u>2,622</u>	<u>3</u>
Total expenditures	<u>91,780</u>	<u>91,780</u>	<u>47,622</u>	<u>44,158</u>
Excess of revenues over (under) expenditures	(91,780)	(91,780)	(47,290)	44,490
Other Financing Sources:				
Transfers in	<u>91,780</u>	<u>91,780</u>	<u>47,625</u>	<u>(44,155)</u>
Total other financing sources	<u>91,780</u>	<u>91,780</u>	<u>47,625</u>	<u>(44,155)</u>
Net change in fund balances	-0-	-0-	335	335
Fund balances – beginning	<u>17,300</u>	<u>17,300</u>	<u>17,300</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 17,300</u>	<u>\$ 17,300</u>	<u>\$ 17,635</u>	<u>\$ 335</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
REPLICA AND MUSEUM SPECIAL REVENUE FUND**

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 50	\$ 50	\$ 19	\$(31)
Total revenues	<u>50</u>	<u>50</u>	<u>19</u>	<u>(31)</u>
Expenditures:				
Current:				
Culture and Recreation:				
Community development	<u>50</u>	<u>50</u>		<u>50</u>
Total expenditures	<u>50</u>	<u>50</u>	<u>-0-</u>	<u>50</u>
Net change in fund balances	-0-	-0-	19	19
Fund balances – beginning	<u>1,665</u>	<u>1,665</u>	<u>1,665</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 1,665</u>	<u>\$ 1,665</u>	<u>\$ 1,684</u>	<u>\$ 19</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
HOTEL OCCUPANCY TAX SPECIAL REVENUE FUND**

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 60,000	\$ 60,000	\$ 65,028	\$ 5,028
Miscellaneous	100	100	550	450
Total revenues	<u>60,100</u>	<u>60,100</u>	<u>65,578</u>	<u>5,478</u>
Expenditures:				
Current:				
Culture and Recreation:				
Community development	<u>25,640</u>	<u>25,640</u>	<u>16,869</u>	<u>8,771</u>
Total expenditures	<u>25,640</u>	<u>25,640</u>	<u>16,869</u>	<u>8,771</u>
Excess of revenues over expenditures	<u>34,460</u>	<u>34,460</u>	<u>48,709</u>	<u>14,249</u>
Other Financing Sources (Uses):				
Transfers out	<u>(34,460)</u>	<u>(34,460)</u>	<u>(33,008)</u>	<u>1,452</u>
Total other financing sources (uses)	<u>(34,460)</u>	<u>(34,460)</u>	<u>(33,008)</u>	<u>1,452</u>
Net change in fund balances			15,701	15,701
Fund balances – beginning	<u>145,159</u>	<u>145,159</u>	<u>145,159</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 145,159</u>	<u>\$ 145,159</u>	<u>\$ 160,860</u>	<u>\$ 15,701</u>

CITY OF WEST COLUMBIA
West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
CAPITAL IMPROVEMENT FUND**

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 500	\$ 500	\$ 1,995	\$ 1,495
Total revenues	500	500	1,995	1,495
Expenditures:				
Current:				
Public Works:				
Streets and drainage	225,500	225,500	21,431	204,069
Total expenditures	225,500	225,500	21,431	-0-
Excess (deficiency) of revenues over expenditures	(225,000)	(225,000)	(19,436)	1,495
Other Financing Sources (Uses):				
Transfers in	225,000	225,000	267,329	42,329
Total other financing sources (uses)	225,000	225,000	267,329	42,329
Net change in fund balances	-0-	-0-	247,893	43,824
Fund balances – beginning	707,885	707,885	707,885	-0-
Fund balances – ending	\$ 707,885	\$ 707,885	\$ 955,778	\$ 43,824

CITY OF WEST COLUMBIA

West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
CAPITOL PARK FUND**

For the Year Ended September 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Miscellaneous	\$ <u>1,500</u>	\$ <u>1,500</u>	\$ <u>1,900</u>	\$ <u>400</u>
Total revenues	<u>1,500</u>	<u>1,500</u>	<u>1,900</u>	<u>400</u>
Expenditures:				
Current:				
Culture and Recreation:				
Community development	<u>1,500</u>	<u>1,500</u>	<u>255</u>	<u>1,245</u>
Total expenditures	<u>1,500</u>	<u>1,500</u>	<u>255</u>	<u>1,245</u>
Excess of revenues over expenditures			<u>1,645</u>	<u>1,645</u>
Other Financing Sources (Uses):				
Transfers in				<u>-0-</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	<u>-0-</u>	<u>-0-</u>	<u>1,645</u>	<u>1,645</u>
Fund balances – beginning	<u>(3,016)</u>	<u>(3,016)</u>	<u>(3,016)</u>	<u>-0-</u>
Fund balances – ending	<u>\$(3,016)</u>	<u>\$(3,016)</u>	<u>\$(1,371)</u>	<u>\$ 1,645</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET POSITION - ACTUAL COMPARED TO BUDGETARY BASIS
ENTERPRISE FUND**

For the Year Ended September 30, 2017

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 662,705	\$ 662,705
Sewer charges	626,000	626,000
Varner Creek Utility District	140,000	140,000
Intergovernmental revenue		
Miscellaneous	<u>80,100</u>	<u>80,100</u>
Total operating revenues	<u>1,508,805</u>	<u>1,508,805</u>
Operating Expenses:		
Water production	203,518	203,518
Water distribution	376,415	401,365
Water administration	154,911	154,911
Sewer collection	140,711	140,711
Sewer treatment plant	456,170	456,170
Depreciation		
Total operating expenses	<u>1,331,725</u>	<u>1,356,675</u>
Operating income	<u>177,080</u>	<u>152,130</u>
Nonoperating Revenues (Expenses):		
Interest revenue	3,800	3,800
Interest and fiscal charges		
Capital outlay		
Debt principal payments		
Total nonoperating revenues (expenses)	<u>3,800</u>	<u>3,800</u>
Net income (loss) before contributions and operating transfers	180,880	155,930
Loan proceeds		
Transfers out	<u>(180,880)</u>	<u>(180,880)</u>
Change in net position	-0-	(24,950)
Net position – beginning	<u>4,627,327</u>	<u>4,627,327</u>
Net position – ending	<u>\$ 4,627,327</u>	<u>\$ 4,602,377</u>

Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
\$ 662,338	\$	\$ 662,338	\$ (367)
631,025		631,025	5,025
136,260		136,260	(3,740)
53,017		53,017	53,017
<u>80,556</u>		<u>80,556</u>	<u>456</u>
<u>1,563,196</u>	<u>-0-</u>	<u>1,563,196</u>	<u>54,391</u>
246,884	(1,581)	245,303	(41,785)
334,043	(3,321)	330,722	70,643
186,149	(1,091)	185,058	(30,147)
58,610	(816)	57,794	82,917
367,027	(3,224)	363,803	92,367
<u>184,216</u>	<u>(184,216)</u>	<u>-0-</u>	<u>-0-</u>
<u>1,376,929</u>	<u>(194,249)</u>	<u>1,182,680</u>	<u>173,995</u>
<u>186,267</u>	<u>194,249</u>	<u>380,516</u>	<u>228,386</u>
4,597		4,597	797
(428)		(428)	(428)
	(148,549)	(148,549)	(148,549)
	<u>(3,670)</u>	<u>(3,670)</u>	<u>(3,760)</u>
<u>4,169</u>	<u>(152,219)</u>	<u>(148,050)</u>	<u>(151,850)</u>
190,436	42,030	232,466	76,536
	20,560	20,560	20,560
<u>(217,241)</u>		<u>(217,241)</u>	<u>(36,361)</u>
(26,805)	62,590	35,785	60,735
<u>4,627,327</u>		<u>4,627,327</u>	<u>-0-</u>
<u>\$ 4,600,522</u>	<u>\$ 62,590</u>	<u>\$ 4,663,112</u>	<u>\$ 60,735</u>

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