

**CITY OF WEST COLUMBIA**  
WEST COLUMBIA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
SEPTEMBER 30, 2018

**KENNEMER, MASTERS & LUNSFORD, LLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**8 WEST WAY COURT**  
**LAKE JACKSON, TEXAS 77566**

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**CITY OF WEST COLUMBIA**

West Columbia, Texas

*Annual Financial Report  
For the Year Ended September 30, 2018*

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## **FINANCIAL SECTION**

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# Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

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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, 2018, 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, 2018, 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 required pension schedules on pages 11 through 22 and pages 74 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 20, 2019, 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 & Rungford, LLC*

Lake Jackson, Texas  
February 20, 2019

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## CITY OF WEST COLUMBIA, TEXAS

### *Management's Discussion and Analysis For the Year Ended September 30, 2018*

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, 2018.

#### **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 \$ 12,060,783 (net position). Of this amount, \$ 3,893,808 (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 \$ 563,275 (governmental activities increased by \$ 469,352 and business-type activities increased by \$ 93,923).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 3,525,417. 41.22% of this total amount, \$ 1,453,149 (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 \$ 1,456,484 or 52.46% 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, 2018*

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. The governmental fund financial statements can be found on pages 28 through 32.

## **CITY OF WEST COLUMBIA, TEXAS**

### *Management's Discussion and Analysis For the Year Ended September 30, 2018*

- **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 42 through 71 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 74 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 \$ 12,060,783 as of September 30, 2018.

The largest portion of the City's net position (66.49%) reflects its investments in capital assets (e.g., land, construction in progress, buildings, water and sewer infrastructure, equipment and vehicles), 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, 2018*

**CITY OF WEST COLUMBIA'S NET POSITION**

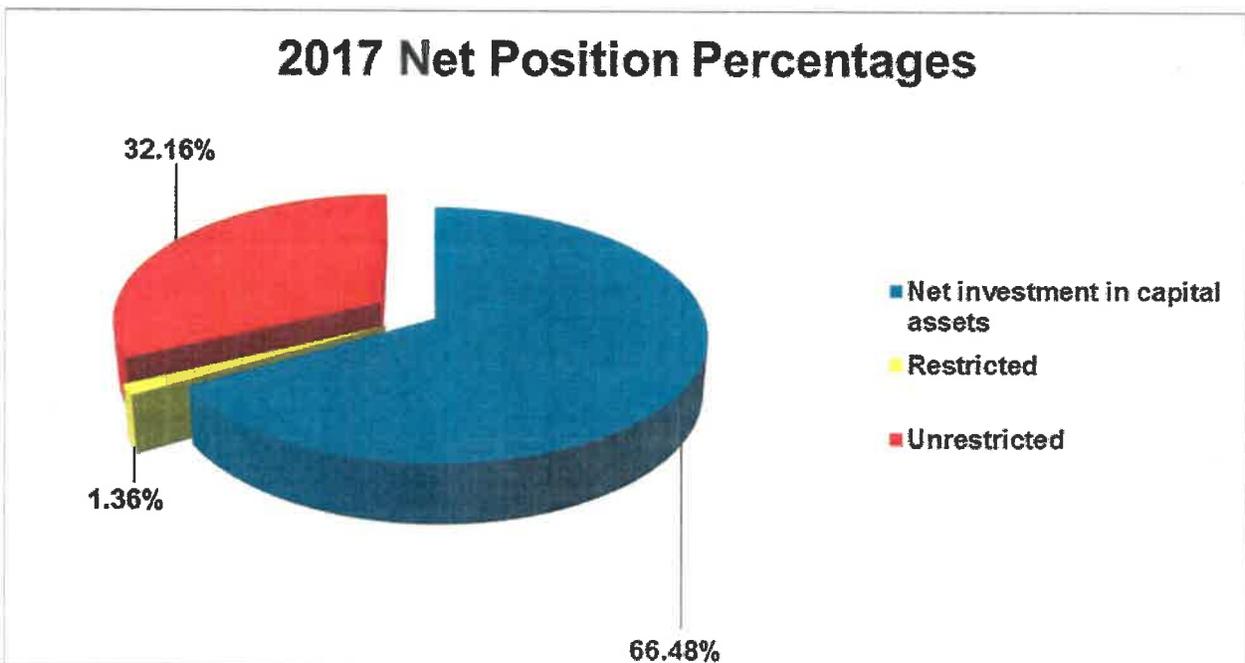
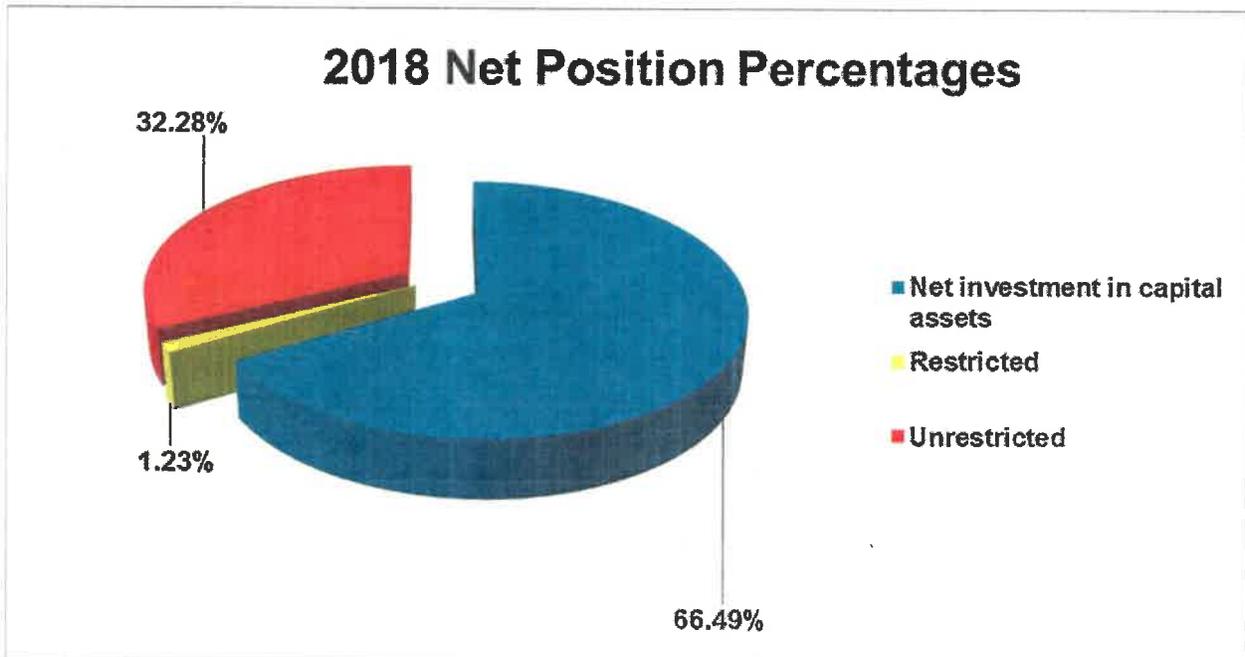
	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30		September 30,	
	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>						
Current and other assets	\$ 3,824,353	\$ 3,381,079	\$ 985,146	\$ 1,179,761	\$ 4,809,499	\$ 4,560,840
Noncurrent assets	530,169	351,853	176,723	92,160	706,892	444,013
Capital assets	<u>3,291,628</u>	<u>3,325,684</u>	<u>3,761,285</u>	<u>3,492,293</u>	<u>7,052,913</u>	<u>6,817,977</u>
Total assets	<u>7,646,150</u>	<u>7,058,616</u>	<u>4,923,154</u>	<u>4,764,214</u>	<u>12,569,304</u>	<u>11,822,830</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources	<u>164,515</u>	<u>232,494</u>	<u>50,795</u>	<u>69,481</u>	<u>215,310</u>	<u>301,975</u>
Total deferred outflows of resources	<u>164,515</u>	<u>232,494</u>	<u>50,795</u>	<u>69,481</u>	<u>215,310</u>	<u>301,975</u>
<b>LIABILITIES</b>						
Current and other liabilities	126,439	145,793	188,768	193,142	315,207	338,935
Long-term liabilities	<u>119,531</u>	<u>208,151</u>	<u>24,572</u>	<u>26,802</u>	<u>144,103</u>	<u>234,953</u>
Total liabilities	<u>245,970</u>	<u>353,944</u>	<u>213,340</u>	<u>219,944</u>	<u>459,310</u>	<u>573,888</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources	<u>198,357</u>	<u>40,180</u>	<u>66,164</u>	<u>13,229</u>	<u>264,521</u>	<u>53,409</u>
Total deferred inflows of resources	<u>198,357</u>	<u>40,180</u>	<u>66,164</u>	<u>13,229</u>	<u>264,521</u>	<u>53,409</u>
<b>NET POSITION</b>						
Net investment in capital assets	4,269,352	4,167,761	3,749,419	3,475,403	8,018,771	7,643,164
Restricted	66,360	83,217	81,844	73,377	148,204	156,594
Unrestricted	<u>3,030,626</u>	<u>2,646,008</u>	<u>863,182</u>	<u>1,051,742</u>	<u>3,893,808</u>	<u>3,697,750</u>
Total net position	<u>\$ 7,366,338</u>	<u>\$ 6,896,986</u>	<u>\$ 4,694,445</u>	<u>\$ 4,600,522</u>	<u>\$ 12,060,783</u>	<u>\$ 11,497,508</u>

An additional portion of the City's net position of \$ 148,204 (1.23%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 3,893,808 (32.28%) 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, 2018

As of September 30, 2018, 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.



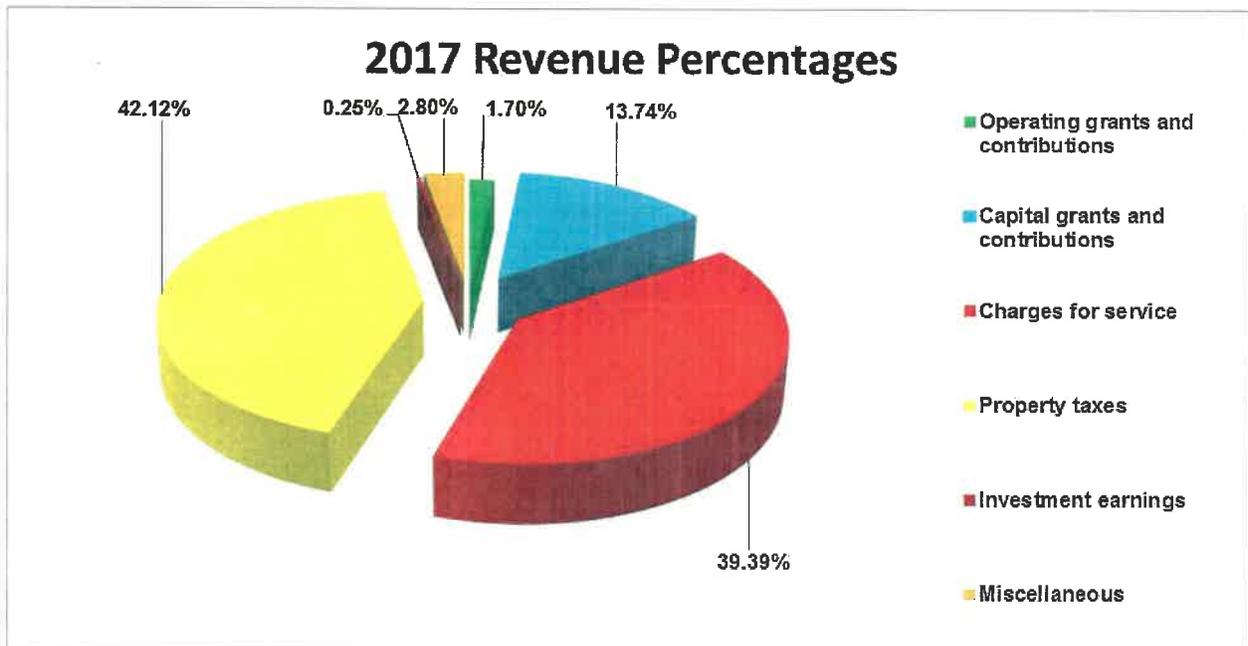
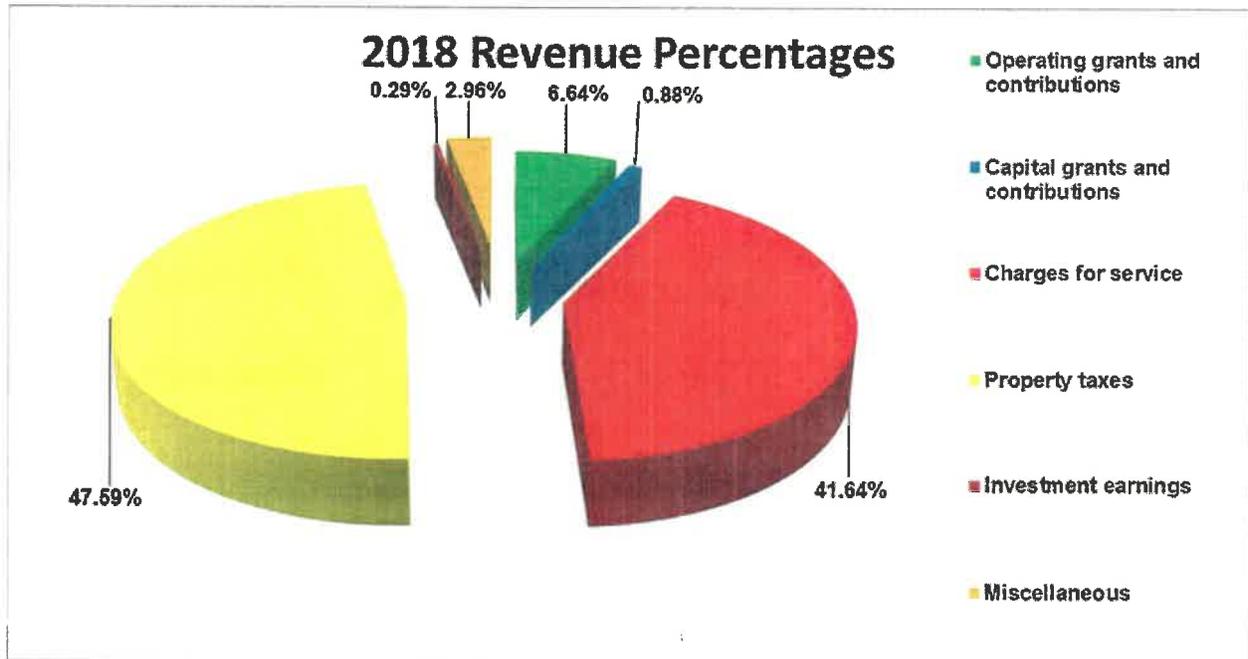
**Analysis of the City's Operations.** The following table provides a summary of the City's operations for the year ended September 30, 2018. Business-type activities increased the City's net position by \$ 93,923. Governmental activities increased the City's net position by \$ 469,352.

**CITY OF WEST COLUMBIA, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2018*

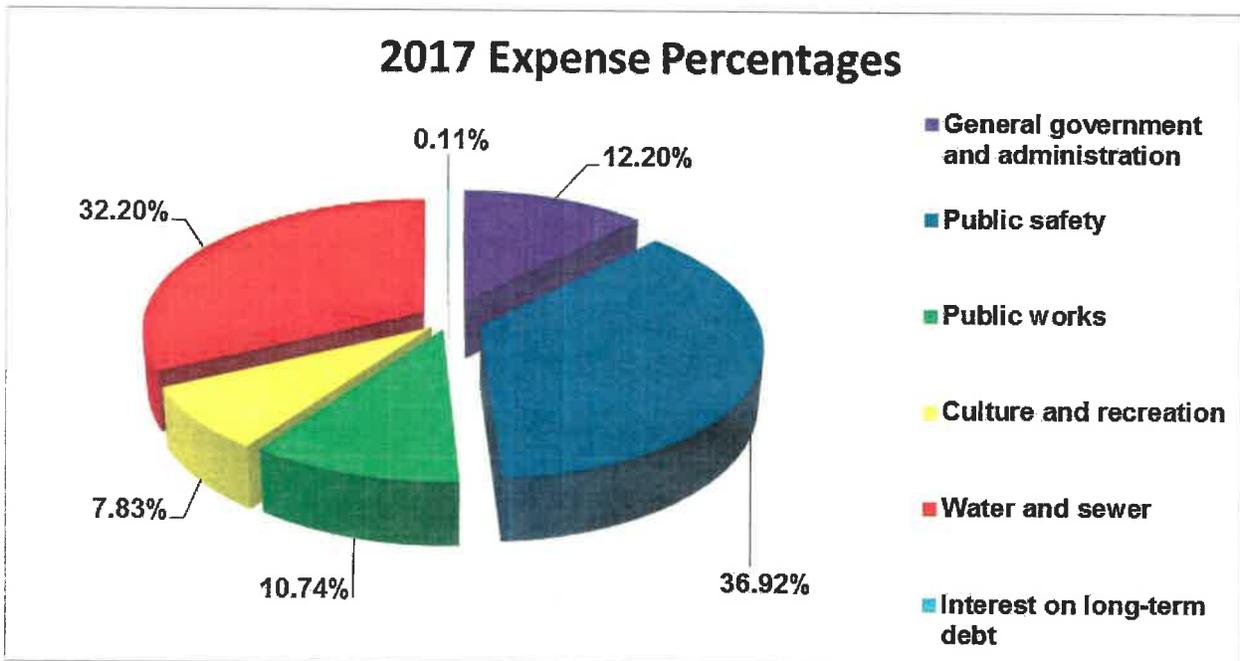
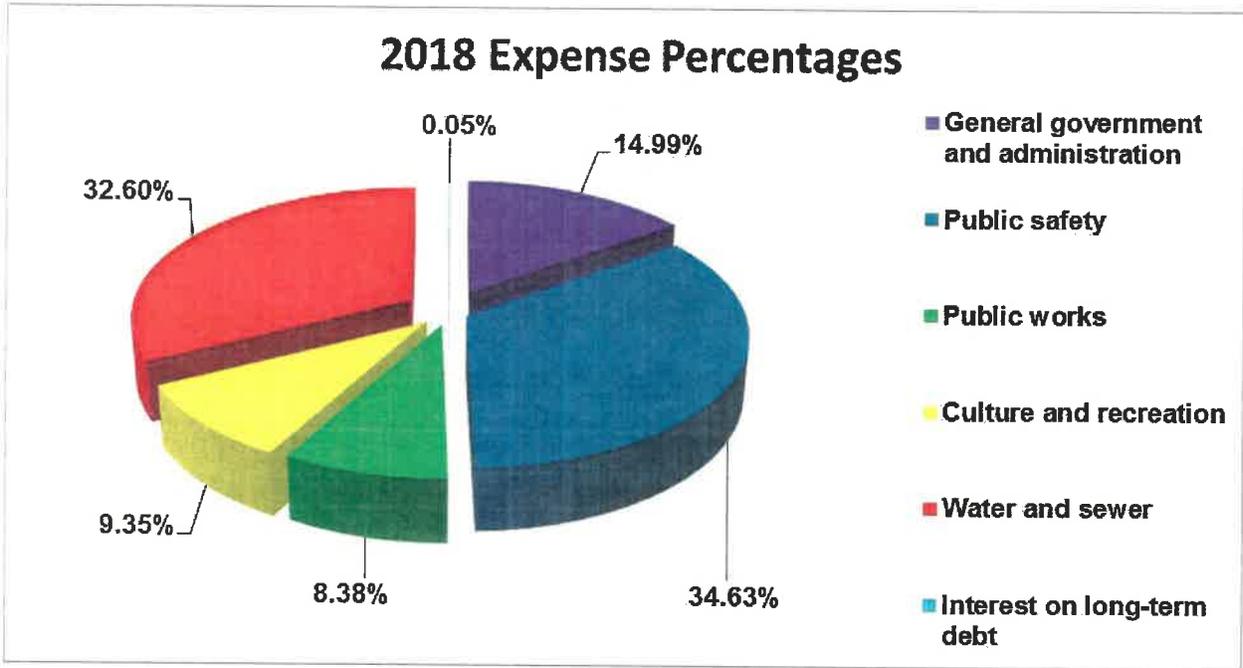
**CITY OF WEST COLUMBIA'S CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	September 30,		September 30,		September 30,	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 677,614	\$ 704,040	\$ 1,378,915	\$ 1,482,640	\$ 2,056,529	\$ 2,186,680
Operating grants and contributions	273,460	94,182	54,230		327,690	94,182
Capital grants and contributions	43,376	762,706			43,376	762,706
General Revenues:						
Taxes:						
Property taxes	1,298,113	1,227,279			1,298,113	1,227,279
Sales tax	884,502	938,298			884,502	938,298
Franchise taxes	105,560	107,767			105,560	107,767
Occupancy taxes	62,646	65,028			62,646	65,028
Investment earnings	10,711	8,942	3,518	4,597	14,229	13,539
Miscellaneous	75,171	74,651	70,771	80,556	145,942	155,207
Total revenues	<u>3,431,153</u>	<u>3,982,893</u>	<u>1,507,434</u>	<u>1,567,793</u>	<u>4,938,587</u>	<u>5,550,686</u>
Expenses:						
General government and administration	655,692	521,933			655,692	521,933
Public safety	1,515,132	1,579,404			1,515,132	1,579,404
Public works	366,582	459,663			366,582	459,663
Culture and recreation	409,174	334,972			409,174	334,972
Water and sewer			1,426,602	1,377,357	1,426,602	1,377,357
Interest on long-term debt	2,130	4,582			2,130	4,582
Total expenses	<u>2,948,710</u>	<u>2,900,554</u>	<u>1,426,602</u>	<u>1,377,357</u>	<u>4,375,312</u>	<u>4,277,911</u>
Increase in net position before transfers	482,443	1,082,339	80,832	190,436	563,275	1,272,775
Transfers	(13,091)	217,241	13,091	(217,241)	-0-	-0-
Changes in net position	469,352	1,299,580	93,923	(26,805)	563,275	1,272,775
Net position – beginning	<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>
Net position – ending	<u>\$ 7,366,338</u>	<u>\$ 6,896,986</u>	<u>\$ 4,694,445</u>	<u>\$ 4,600,522</u>	<u>\$ 12,060,783</u>	<u>\$ 11,497,508</u>

**CITY OF WEST COLUMBIA, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2018*



**CITY OF WEST COLUMBIA, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2018*



## CITY OF WEST COLUMBIA, TEXAS

Management's Discussion and Analysis  
For the Year Ended September 30, 2018

### 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 \$ 3,525,417. 41.22% of this total amount, \$ 1,453,149 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 expenditures \$ 21,918, 2) economic development \$ 979,667, 3) capital improvement \$ 1,002,593, 4) debt service \$ 692, 5) contributor purposes \$ 1,730, 6) municipal court technology \$ 11,911, 7) municipal court security \$ 51,038 and 8) police department \$ 2,719.

The General Fund balance increased by \$ 348,800; Economic Development Corporation Fund balance increased by \$ 62,337, and the Capital Improvement Fund balance increased by \$ 46,815. The non-major governmental funds fund balance decreased by \$ 13,608.

**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, 2018 amounted to \$ 4,694,445. Total net position increased \$ 93,923 (or 2.04%).

**General Fund Budgetary Highlights.** Differences between the original budget and the final amended budget resulted in a \$ 76,595 decrease in appropriations and can be summarized as follows:

- \$ 69,115 increase in general government and administration
- \$ 22,815 increase in public safety
- \$ 160,185 decrease in public works
- \$ 41,265 decrease in culture and recreation
- \$ 42,825 increase in capital outlay
- \$ 9,900 decrease in debt service

**CITY OF WEST COLUMBIA, TEXAS**

*Management's Discussion and Analysis  
For the Year Ended September 30, 2018*

Differences between the original budget and the final amended budget resulted in a \$ 93,805 increase in revenues and can be summarized as follows:

- \$ 50,900 increase in taxes
- \$ 27,890 increase in revenue producing facilities
- \$ 7,500 decrease in licenses and permits
- \$ 19,150 decrease in intergovernmental revenues
- \$ 41,665 increase in miscellaneous revenue

Because revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, the City's net change (increase) in fund balance was more than the budgeted amount by \$ 287,025 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, 2018, amounts to \$ 7,052,913 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, land improvements, water and sewer infrastructure, equipment and vehicles.

**Capital Assets at Year End  
Net of Accumulated Depreciation**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	September 30,		September 30,		September 30,	
	2018	2017	2018	2017	2018	2017
Land	\$ 858,072	\$ 858,072	\$ 41,750	\$ 41,750	\$ 899,822	\$ 899,822
Construction in progress			199,166		199,166	
Buildings	905,575	941,500	101,018	104,268	1,006,593	1,045,768
Land improvements	916,143	939,887			916,143	939,887
Water and sewer infrastructure			3,164,653	3,045,020	3,164,653	3,045,020
Equipment	440,115	431,545	184,070	203,723	624,185	635,268
Vehicles	171,723	154,680	70,628	97,532	242,351	252,212
Total	<u>\$ 3,291,628</u>	<u>\$ 3,325,684</u>	<u>\$ 3,761,285</u>	<u>\$ 3,492,293</u>	<u>\$ 7,052,913</u>	<u>\$ 6,817,977</u>

Additional information on the City's capital assets can be found in Note 6 on pages 58 through 59 of this report.

**CITY OF WEST COLUMBIA, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2018*

**Debt Administration**

At the end of the current fiscal year, the City had a total long-term debt liability of \$ 144,103. Of this amount, \$ 36,735 of notes payable, \$ 73,445 of net pension liability, \$ 33,923 of compensated absences, backed by the full faith and credit of the City.

**Outstanding Long-Term Debt at Year End**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Tax notes payable	\$	\$ 50,000	\$	\$	\$	\$ 50,000
Note payable	24,869	62,937	11,866	16,890	36,735	79,827
Net pension liability	73,445	72,062			73,445	72,062
Compensated absences	<u>21,217</u>	<u>23,152</u>	<u>12,706</u>	<u>9,912</u>	<u>33,923</u>	<u>33,064</u>
Total	<u>\$ 119,531</u>	<u>\$ 208,151</u>	<u>\$ 24,572</u>	<u>\$ 26,802</u>	<u>\$ 144,103</u>	<u>\$ 234,953</u>

The City currently does not have any outstanding General Obligation Bonds, but does have other types of debt outstanding. Additional information on the City's long-term debt can be found in Notes 7 on pages 59 through 61 of this report.

**Economic Factors and Next Year's Budgets and Rates**

In the 2018-2019 budget, the City saw a drop in sales tax revenues. No isolated cause has been identified but the trend for online shopping may be a contributing factor. Any property values decreased due to Hurricane Harvey damage was offset in other areas as the City saw an increase in values at 3.35%. City Council maintained the tax rate at \$ 0.820000 per \$ 100 value to offset increased costs in providing services.

Construction of the new well is nearing completion with City Council opting to fund the project in house. Utility rates were increased to cover this project and more accurately reflect the cost to maintain the utility system.

**CITY OF WEST COLUMBIA, TEXAS**

*Management's Discussion and Analysis  
For the Year Ended September 30, 2018*

**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, 2018

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 3,347,229	\$ 501,666	\$ 3,848,895
Taxes receivable, net	198,699		198,699
Accounts receivable, net	160,454	198,871	359,325
Receivables from other governments	48,958	53,017	101,975
Internal balances	47,095	( 47,095)	-0-
Inventories		79,374	79,374
Prepaid items	21,918		21,918
Restricted Assets:			
Cash and cash equivalents		199,313	199,313
Noncurrent Assets:			
Net pension asset	530,169	176,723	706,892
Capital Assets:			
Land	858,072	41,750	899,822
Construction in progress		199,166	199,166
Buildings, net	905,575	101,018	1,006,593
Land improvements, net	916,143		916,143
Water and sewer infrastructure, net		3,164,653	3,164,653
Equipment, net	440,115	184,070	624,185
Vehicles, net	171,723	70,628	242,351
	<u>7,646,150</u>	<u>4,923,154</u>	<u>12,569,304</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources	<u>164,515</u>	<u>50,795</u>	<u>215,310</u>
Total deferred outflows of resources	<u>164,515</u>	<u>50,795</u>	<u>215,310</u>
<b>LIABILITIES:</b>			
Accounts payable	89,056	56,091	145,147
Accrued wages payable	28,624	13,833	42,457
Unearned revenue	8,759		8,759
Liabilities payable from restricted assets		118,844	118,844
Noncurrent Liabilities:			
Due within one year	42,835	17,882	60,717
Due in more than one year	3,251	6,690	9,941
Net pension liability	73,445		73,445
	<u>245,970</u>	<u>213,340</u>	<u>459,310</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources	<u>198,357</u>	<u>66,164</u>	<u>264,521</u>
Total deferred inflows of resources	<u>198,357</u>	<u>66,164</u>	<u>264,521</u>

(continued)

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

STATEMENT OF NET POSITION - Continued

September 30, 2018

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
NET POSITION			
Net investment in capital assets	\$ 4,269,352	\$ 3,749,419	\$ 8,018,771
Restricted For:			
Debt service	692		692
Sewer replacement		81,844	81,844
Municipal court security and technology	62,949		62,949
Other purposes	2,719		2,719
Unrestricted	<u>3,030,626</u>	<u>863,182</u>	<u>3,893,808</u>
Total net position	<u>\$ 7,366,338</u>	<u>\$ 4,694,445</u>	<u>\$ 12,060,783</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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government and administration	\$ 655,692	\$ 45,598	\$ 253,535	\$
Public safety	1,515,132	266,081	19,925	43,376
Public works	366,582	261,980		
Culture and recreation	409,174	103,955		
Interest on long-term debt	2,130			
Total governmental activities	2,948,710	677,614	273,460	43,376
<b>Business-type Activities:</b>				
Water and sewer	1,426,602	1,378,915	54,230	
Total business-type activities	1,426,602	1,378,915	54,230	-0-
Total	\$ 4,375,312	\$ 2,056,529	\$ 327,690	\$ 43,376
<b>General Revenues:</b>				
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
\$( 356,559)	\$	\$( 356,559)
( 1,185,750)		( 1,185,750)
( 104,602)		( 104,602)
( 305,219)		( 305,219)
( 2,130)		( 2,130)
<u>( 1,954,260)</u>	<u>-0-</u>	<u>( 1,954,260)</u>
	<u>6,543</u>	<u>6,543</u>
<u>-0-</u>	<u>6,543</u>	<u>6,543</u>
<u>( 1,954,260)</u>	<u>6,543</u>	<u>( 1,947,717)</u>
1,298,113		1,298,113
884,502		884,502
105,560		105,560
62,646		62,646
10,711	3,518	14,229
75,171	70,771	145,942
( 13,091)	13,091	-0-
<u>2,423,612</u>	<u>87,380</u>	<u>2,510,992</u>
469,352	93,923	563,275
<u>6,896,986</u>	<u>4,600,522</u>	<u>11,497,508</u>
<u>\$ 7,366,338</u>	<u>\$ 4,694,445</u>	<u>\$ 12,060,783</u>

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

September 30, 2018

	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	\$ 1,448,747	\$ 768,175	\$ 968,248	\$ 162,059	\$ 3,347,229
Taxes receivable, net	146,844	45,379		6,476	198,699
Receivables from other governments	48,958				48,958
Accounts receivable, net	34,666				34,666
Due from other funds	42,259		34,345		76,604
Prepaid expenditures	21,918				21,918
	<u>1,743,392</u>	<u>813,554</u>	<u>1,002,593</u>	<u>168,535</u>	<u>3,728,074</u>
Deferred Outflows of Resources:					
Deferred outflows of resources					
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 1,743,392</u>	<u>\$ 813,554</u>	<u>\$ 1,002,593</u>	<u>\$ 168,535</u>	<u>\$ 3,728,074</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 89,056	\$	\$	\$	\$ 89,056
Accrued wages payable	28,624				28,624
Due to other funds	26,174			3,335	29,509
Unearned revenue	8,759				8,759
	<u>152,613</u>	<u>-0-</u>	<u>-0-</u>	<u>3,335</u>	<u>155,948</u>
Deferred Inflows of Resources:					
Deferred inflows of resources –					
Property taxes	46,709				46,709
	<u>46,709</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>46,709</u>

(continued)

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS - Continued**

September 30, 2018

	General Fund	Economic Development Corporation Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Non-Spendable:					
Prepaid items	\$ 21,918	\$	\$	\$	\$ 21,918
Restricted:					
Economic development		813,554		166,113	979,667
Capital improvement			1,002,593		1,002,593
Debt service				692	692
Contributor purposes				1,730	1,730
Municipal court technology	11,911				11,911
Municipal court security	51,038				51,038
Police department	2,719				2,719
Unassigned	1,456,484	_____	_____	( 3,335)	1,453,149
Total fund balances	1,544,070	813,554	1,002,593	165,200	3,525,417
Total liabilities, deferred inflows of resources and fund balances	\$ 1,743,392	\$ 813,554	\$ 1,002,593	\$ 168,535	\$ 3,728,074

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, 2018

Total fund balances – governmental funds balance sheet	\$	3,525,417
 <b>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 5,384,099 in assets less \$ 2,092,471 in accumulated depreciation.		3,291,628
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 \$ 46,709 and \$ -0-, respectively.		46,709
Municipal court receivables unavailable to pay for current period expenditures are not recognized in the governmental funds. Municipal court receivables, net of allowance, total \$ 125,788 (\$ 1,257,880 less allowance for uncollectibles of \$ 1,132,092).		125,788
Net pension assets are not reported in the funds		530,169
Pension deferred outflows of resources of \$ 164,515 less pension deferred inflows of resources of \$ 198,357.	(	33,842)
Payables for net pension liability are not reported in the funds.	(	73,445)
Payables for note principal are not reported in the funds.	(	24,869)
Payables for compensated absences are not reported in the funds.	(	<u>21,217)</u>
Net position of governmental activities – statement of net position.	\$	<u>7,366,338</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, 2018

	General Fund	Economic Development Corporation Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 1,984,383	\$ 294,834	\$	\$ 63,245	\$ 2,342,462
Revenue producing facilities	385,516				385,516
Fines and fees	256,920				256,920
Licenses and permits	26,013				26,013
Intergovernmental revenue	308,836				308,836
Miscellaneous	<u>86,407</u>	<u>3,641</u>	<u>3,188</u>	<u>650</u>	<u>93,886</u>
<b>Total revenues</b>	<u>3,048,075</u>	<u>298,475</u>	<u>3,188</u>	<u>63,895</u>	<u>3,413,633</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government and Administrative	644,146				644,146
Public safety	1,416,151				1,416,151
Public works	337,898				337,898
Culture and recreation	237,117	115,138		13,217	365,472
Capital outlay	101,569		247,504		349,073
<b>Debt Service:</b>					
Principal	38,068			50,000	88,068
Interest and fiscal charges	<u>1,514</u>			<u>1,380</u>	<u>2,894</u>
<b>Total expenditures</b>	<u>2,776,463</u>	<u>115,138</u>	<u>247,504</u>	<u>64,597</u>	<u>3,203,702</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>271,612</u>	<u>183,337</u>	<u>( 244,316)</u>	<u>( 702)</u>	<u>209,931</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	237,720		291,131	33,814	562,665
Transfers out	<u>( 160,532)</u>	<u>( 121,000)</u>		<u>( 46,720)</u>	<u>( 328,252)</u>
<b>Total other financial sources (uses)</b>	<u>77,188</u>	<u>( 121,000)</u>	<u>291,131</u>	<u>( 12,906)</u>	<u>234,413</u>
<b>Net change in fund balances</b>	348,800	62,337	46,815	( 13,608)	444,344
<b>Fund balances – beginning</b>	<u>1,195,270</u>	<u>751,217</u>	<u>955,778</u>	<u>178,808</u>	<u>3,081,073</u>
<b>Fund balances – ending</b>	<u>\$ 1,544,070</u>	<u>\$ 813,554</u>	<u>\$ 1,002,593</u>	<u>\$ 165,200</u>	<u>\$ 3,525,417</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, 2018

Net change in fund balances – total governmental funds	\$	444,344
<b>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</b>		
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 \$ 349,073 exceeded depreciation expense of \$ 135,625.		213,448
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 \$ 49,223 less than the amount reported in the funds.	(	49,223)
Contributions of capital assets are not reported in the funds, however, contributions of capital assets are reported as a transfer in the governmental activities statement of activities. During the current year, \$ 247,504 of water and sewer infrastructure were contributed to the proprietary funds of the City.	(	247,504)
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 \$ 8,359 and debt service fund had no change.		8,359
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 \$ 50,000 and loans of \$ 38,068.		88,068
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 \$ 9,161.		9,161
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 \$ 764.		764
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 \$ 1,935.		<u>1,935</u>
Change in net position of governmental activities	\$	<u><u>469,352</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, 2018

	<u>Enterprise Fund</u>
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 501,666
Accounts receivable, net	198,871
Receivables from other governments	53,017
Due from other funds	25,829
Inventory	<u>79,374</u>
Total current unrestricted assets	<u>858,757</u>
Restricted Assets:	
Cash and cash equivalents	<u>199,313</u>
Total current restricted assets	<u>199,313</u>
Total current assets	<u>1,058,070</u>
Noncurrent Assets:	
Net pension asset	<u>176,723</u>
Total noncurrent assets	<u>176,723</u>
Capital Assets:	
Property, plant and equipment	8,892,152
Accumulated depreciation	<u>( 5,130,867 )</u>
Net capital assets	<u>3,761,285</u>
Total assets	<u>4,996,078</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows of resources	<u>50,795</u>
Total deferred outflows of resources	<u>50,795</u>

(Continued)

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND - Continued

September 30, 2018

	<u>Enterprise Fund</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	\$ 56,091
Accrued wages payable	13,833
Compensated absences	12,706
Due to other funds	72,924
Notes payable - current	<u>5,176</u>
Total current unrestricted liabilities	160,730
Current Liabilities Payable From Restricted Assets:	
Customer meter deposits	<u>118,844</u>
Total current liabilities	279,574
Noncurrent Liabilities:	
Notes payable – net	<u>6,690</u>
Total noncurrent liabilities	<u>6,690</u>
Total liabilities	<u>286,264</u>
<u>Deferred Inflows of Resources</u>	
Deferred inflows of resources	<u>66,164</u>
Total deferred inflows of resources	<u>66,164</u>
<u>Net Position</u>	
Net investment in capital assets	3,749,419
Restricted For:	
Sewer replacement	81,844
Unrestricted	<u>863,182</u>
Total net position	<u>\$ 4,694,445</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, 2018

	<u>Enterprise Fund</u>
Operating Revenues:	
Water service	\$ 667,059
Sewer charges	588,583
Varner Creek Utility District	123,273
Intergovernmental revenue	54,230
Miscellaneous	<u>70,771</u>
Total operating revenues	<u>1,503,916</u>
Operating Expenses:	
Water production	258,125
Water distribution	334,791
Water administration	218,767
Sewer collection	91,628
Sewer treatment plant	345,172
Depreciation	<u>177,678</u>
Total operating expenses	<u>1,426,161</u>
Operating income	<u>77,755</u>
Non-Operating Revenues/(Expenses):	
Interest revenue	3,518
Interest and fiscal charges	<u>( 441 )</u>
Total non-operating revenues	<u>3,077</u>
Income before contributions and transfers	80,832
Capital contributions	247,504
Transfers out	<u>( 234,413 )</u>
Change in net position	93,923
Net position – beginning	<u>4,600,522</u>
Net position – ending	<u>\$ 4,694,445</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, 2018

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,506,412
Receipts from other funds	67,506
Payments to suppliers	( 629,495 )
Payments to employees	( 663,661 )
Net cash provided by operating activities	<u>280,762</u>
Cash Flows from Non-Capital Financing Activities:	
Operating transfers to other funds	( 234,413 )
Net cash used for non-capital financing activities	<u>( 234,413 )</u>
Cash Flows from Capital and Related Financing Activities:	
Principle payments on loan	( 5,024 )
Purchases of capital assets	( 199,166 )
Interest and fees	( 441 )
Net cash used by capital and related financing activities	<u>( 204,631 )</u>
Cash Flows from Investing Activities:	
Interest received	<u>3,518</u>
Net cash provided by investing activities	<u>3,518</u>
Net decrease in cash and cash equivalents	( 154,764 )
Balances – beginning of year	<u>855,743</u>
Balances – end of the year	<u>\$ 700,979</u>

(Continued)

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

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

For the Year Ended September 30, 2018

	<u>Enterprise Fund</u>
Reconciliation of Operating Income to Net Cash Provided by	
Operating Activities:	
Operating income	\$ 77,755
Adjustments to Reconcile Operating Income to Net Cash Provided by	
Operating Activities:	
Depreciation	177,678
Changes in Assets and Liabilities:	
Receivable, net	( 6,614)
Due from other funds	( 5,418)
Inventory	( 21,041)
Accounts payable	( 22,500)
Accrued expenses payable	11,810
Due to other funds	72,924
Net pension asset	( 12,942)
Customer deposits	<u>9,110</u>
Net cash provided by operating activities	<u>\$ 280,762</u>
Non-Cash Investing, Capital and Financing Activities:	
Capital improvements – Government	\$ 247,504
Capital contributions	<u>( 247,504)</u>
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, 2018

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CITY OF WEST COLUMBIA  
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018

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).

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, 2018

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, 2018

**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, 2018

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. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. This statement was implemented and did not have a material effect on the City's financial statements. This statement is effective for periods beginning after June 15, 2017.

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**New Pronouncements - Continued**

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. This statement was implemented and did not have a material effect on the City’s financial statements. 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. This statement was implemented and did not have a material effect on the City’s financial statements. 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.

GASB No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. 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 reporting periods beginning after December 15, 2019.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. 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 reporting periods beginning after December 15, 2019.

GASB No. 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61” was issued in August 2018. 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 reporting periods beginning after December 15, 2018.

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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:

	2018
Enterprise Fund:	
Change in net position - GAAP basis	\$ 93,923
Depreciation	177,678
Actuarial pension adjustments	12,942
Capital outlay	( 199,166)
Debt principal payments	( 5,024)
	\$ 80,353
Change in net position - budget basis	\$ 80,353

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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, 2018.

**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, 2018.

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.

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences - Continued

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, 2018, there were no matured compensated absences reported in the governmental funds. Maturing compensated absences payable in the Governmental Activities totaled \$ 21,217 at September 30, 2018. Accrued compensated absences reported in the Enterprise Fund at September 30, 2018 totaled \$ 12,706.

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 acquisition 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, 2018, 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
Land improvements	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.

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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).

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 12, 2017, upon which the levy for the 2017-18 fiscal year was based, was \$ 157,207,673. 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 \$ 0.820000 per \$ 100 valuation for the year ended September 30, 2018.

Current tax collections for the year ended September 30, 2018 were 96.36% 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, 2018, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 56,086 and \$ -0- for the general and debt service funds, respectively.

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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.

**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:

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity - Continued

Non-spendable Fund Balance – Includes amounts that cannot be spent because they are either not in 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.

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 (City 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, 2018, non-spendable fund balances include \$ 21,918 for prepaid expenditures. Restricted fund balances include \$ 979,667 for economic development, \$ 1,002,593 for capital improvement, \$ 692 for debt service, \$ 1,730 for contributor purposes, \$ 11,911 for municipal court technology, \$ 51,038 for municipal court security and \$ 2,719 for the police department. There were no committed and assigned fund balances. Unassigned fund balance includes \$ 1,453,149.

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, 2018

### 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, 2018 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>3,848,145</u>	<u>199,313</u>	<u>4,047,458</u>
Total	<u>\$ 3,848,895</u>	<u>\$ 199,313</u>	<u>\$ 4,048,208</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, 2018, in addition to petty cash of \$ 750, the carrying amount of the City's cash, savings, and time deposits was \$ 4,047,458. The financial institutions balances were \$ 4,098,614 at September 30, 2018. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 3,848,614 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, 2018

**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, 2018, 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). As of September 30, 2018, the City had no assets or liabilities within the fair value hierarchy established by GASB No. 72.

**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, 2018, and holds no direct investments in derivatives at September 30, 2018.

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

**NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS**

Receivables as of September 30, 2018 for the government's individual governmental major funds and proprietary fund including the applicable allowances for uncollectible accounts are as follows:

	Governmental Funds			Total
	General Fund	Economic Development Corporation Fund	Other Governmental Funds	
Receivables:				
Property taxes	\$ 99,221	\$	\$ 2,689	\$ 101,910
Hotel occupancy tax			6,476	6,476
Sales taxes	90,758	45,379		136,137
Receivables from other governments	48,958			48,958
Other	34,666			34,666
Gross receivables	273,603	45,379	9,165	328,147
Less Allowance for Uncollectibles:				
Property taxes	43,135		2,689	45,824
Net total receivables	\$ 230,468	\$ 45,379	\$ 6,476	\$ 282,323
			Proprietary Fund	
Receivables:				
Accounts:				
Customers				\$ 282,272
Receivables from other governments				53,017
Other				3,378
Gross receivables				338,667
Less Allowance for Uncollectibles:				
Customers				86,779
Net total receivables				\$ 251,888

**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 municipal court receivable and allowance for uncollectible receivables for the year ended September 30, 2018 were \$ 1,257,880 and \$ 1,132,092, respectively.

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

**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, 2018, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Unearned Revenue</u>	<u>Deferred Inflows of Resources</u>
Delinquent property taxes receivable (general fund)	\$	\$ 46,709
Federal grants	<u>8,759</u>	<u>          </u>
Totals	<u>\$ 8,759</u>	<u>\$ 46,709</u>

**Governmental and Business-Type Activities**

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date to the current year-end of September 30, 2018 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, 2018, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

	<u>Unearned Revenue</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<b><u>Governmental Activities</u></b>			
TMRS deferred inflows and outflows of resources	\$	\$ 121,998	\$ 198,357
TESRS deferred inflows and outflows of resources		8,000	
Pension contributions subsequent to the measurement date		34,517	
Federal grants	<u>8,759</u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 8,759</u>	<u>\$ 164,515</u>	<u>\$ 198,357</u>

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

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

<u>Business-Type Activities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
TMRS deferred inflows and outflows of resources less current amortization	\$ 41,325	\$ 66,164
Pension contributions subsequent to the measurement date	<u>9,470</u>	<u>          </u>
Totals	<u>\$ 50,795</u>	<u>\$ 66,164</u>

There were no unearned revenues reported in the business-type activities as of September 30, 2018.

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances at September 30, 2018 consisted of the following individual fund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>9-30-18</u>
General Fund	Enterprise Fund	\$ 38,924
General Fund	Other Governmental Funds	3,335
Capital Improvement Fund	General Fund	345
Capital Improvement Fund	Enterprise Fund	34,000
Enterprise Fund	General Fund	<u>25,829</u>
		<u>\$ 102,433</u>

Interfund transfers for the year ended September 30, 2018 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Capital Improvement Fund	\$ 130,218
General Fund	Other Governmental Funds	30,314
Economic Development Fund	General Fund	121,000
Other Governmental Fund	General Fund	46,720
Enterprise Fund	General Fund	70,000
Enterprise Fund	Capital Improvement Fund	160,913
Enterprise Fund	Other Governmental Fund	<u>3,500</u>
		<u>\$ 562,665</u>

These transfers were approved by the City Council as transfers of operational funds to cover planned expenditures/expenses. In addition to the above fund transfers, \$ 247,504 of capital assets were transferred from the governmental activities to the business-type activities.

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

**NOTE 6 - CAPITAL ASSETS**

**Capital Asset Activity**

Capital asset activity for the year ended September 30, 2018, was as follows:

	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Retirements &amp;</u> <u>Adjustments</u>	<u>Balance</u> <u>09/30/18</u>
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 858,072	\$	\$	\$ 858,072
Construction in progress		<u>247,504</u>	<u>247,504</u>	
Total capital assets, not being depreciated	<u>858,072</u>	<u>247,504</u>	<u>247,504</u>	<u>858,072</u>
<b>Capital Assets:</b>				
Buildings	1,868,930			1,868,930
Land improvements	949,781			949,781
Equipment	770,577	52,693		823,270
Vehicles	<u>835,170</u>	<u>48,876</u>		<u>884,046</u>
Total capital assets, being depreciated	<u>4,424,458</u>	<u>101,569</u>	<u>-0-</u>	<u>4,526,027</u>
<b>Accumulated Depreciation:</b>				
Buildings	927,430	35,925		963,355
Land improvements	9,894	23,744		33,638
Equipment	339,032	44,123		383,155
Vehicles	<u>680,490</u>	<u>31,833</u>		<u>712,323</u>
Total accumulated depreciation	<u>1,956,846</u>	<u>135,625</u>	<u>-0-</u>	<u>2,092,471</u>
Total capital assets being depreciated, net	<u>2,467,612</u>	<u>( 34,056)</u>	<u>-0-</u>	<u>2,433,556</u>
Governmental activities capital assets, net	<u>\$ 3,325,684</u>	<u>\$ 213,448</u>	<u>\$ 247,504</u>	<u>\$ 3,291,628</u>
	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Retirements &amp;</u> <u>Adjustments</u>	<u>Balance</u> <u>09/30/18</u>
<b>Business-Type Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 41,750	\$	\$	\$ 41,750
Construction in progress		<u>199,166</u>		<u>199,166</u>
Total capital assets, not being depreciated	<u>41,750</u>	<u>199,166</u>	<u>-0-</u>	<u>240,916</u>
<b>Capital Assets:</b>				
Buildings	238,000			238,000
Equipment	346,856			346,856
Vehicles	253,763			253,763
Water and sewer infrastructure	<u>7,565,113</u>	<u>247,504</u>		<u>7,812,617</u>
Total capital assets being depreciated	<u>8,403,732</u>	<u>247,504</u>	<u>-0-</u>	<u>8,651,236</u>

(continued)

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018

NOTE 6 - CAPITAL ASSETS - Continued

Capital Asset Activity - Continued

	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/18</u>
Accumulated Depreciation:				
Buildings	\$ 133,732	\$ 3,250	\$	\$ 136,982
Equipment	143,133	19,653		162,786
Vehicles	156,231	26,904		183,135
Water and sewer infrastructure	<u>4,520,093</u>	<u>127,871</u>		<u>4,647,964</u>
Total accumulated depreciation	<u>4,953,189</u>	<u>177,678</u>	-0-	<u>5,130,867</u>
Total capital assets being depreciated, net	<u>3,450,543</u>	<u>69,826</u>	-0-	<u>3,520,369</u>
Business-Type activities capital assets, net	<u>\$ 3,492,293</u>	<u>\$ 268,992</u>	<u>\$ -0-</u>	<u>\$ 3,761,285</u>

Depreciation

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

Governmental Activities:	
General administration	\$ 4,271
Public safety	60,380
Public works	27,743
Culture and recreation	<u>43,321</u>
Total depreciation expense-governmental activities	<u>\$ 135,625</u>
Business-Type Activities:	
Water and sewer	<u>\$ 177,678</u>
Total depreciation expense-business-Type activities	<u>\$ 177,678</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, 2018 are as follows:

Tax note payable, October 1, 2017	\$ 50,000
Maturities	<u>( 50,000)</u>
Tax note outstanding, September 30, 2018	<u>\$ -0-</u>

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018

NOTE 7 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

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, 2018 are as follows:

Note payable, October 1, 2017	\$	62,937
Maturities		<u>( 38,068 )</u>
 Note payable, September 30, 2018	 \$	 <u>24,869</u>

Aggregate maturities of these notes payable for the years subsequent to September 30, 2018 are as follows:

Year Ended September 30,	Principal	Interest	Total
2019	\$ 21,618	\$ 421	\$ 22,039
2020	<u>3,251</u>	<u>12</u>	<u>3,263</u>
 Total	 <u>\$ 24,869</u>	 <u>\$ 433</u>	 <u>\$ 25,302</u>

Total interest paid for the year ended September 30, 2018 was \$ 1,514.

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

NOTE 7 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

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, 2018 are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,176	\$ 284	\$ 5,460
2020	5,333	127	5,460
2021	<u>1,357</u>	<u>8</u>	<u>1,365</u>
Total	<u>\$ 11,866</u>	<u>\$ 419</u>	<u>\$ 12,285</u>

Total interest paid for the year ended September 30, 2018 was \$ 441.

Summary of Long-Term Debt Transactions

Transactions for the year ended September 30, 2018 are summarized as follows:

	<u>Balance</u> <u>10/01/17</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>09/30/18</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Type Activities:</b>					
Tax note payable	\$ 50,000	\$	\$ 50,000	\$ -0-	\$ -0-
Note payable	62,937		38,068	24,869	21,618
Net pension liability	72,062	16,179	14,796	73,445	-0-
Compensated absences	<u>23,152</u>	<u>21,217</u>	<u>23,152</u>	<u>21,217</u>	<u>21,217</u>
Total governmental activities	<u>208,151</u>	<u>37,396</u>	<u>126,016</u>	<u>119,531</u>	<u>42,835</u>
<b>Business Type Activities:</b>					
Note payable	16,890		5,023	11,867	5,176
Compensated absences	<u>9,912</u>	<u>12,706</u>	<u>9,912</u>	<u>12,706</u>	<u>12,706</u>
Total business type activities	<u>26,802</u>	<u>12,706</u>	<u>14,935</u>	<u>24,573</u>	<u>17,882</u>
Total government (net)	<u>\$ 234,953</u>	<u>\$ 50,102</u>	<u>\$ 140,951</u>	<u>\$ 144,104</u>	<u>\$ 60,717</u>

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018

**NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN**

**A. Plan Description**

The City participates as one of 883 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 publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.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 the City, within the options available in the state statutes governing TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Effective January 1, 2002, members are vested after 5 years. 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.

**Employees covered by benefit terms**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	28
Active employees	<u>35</u>
	86

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

**NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued**

**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.

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.16% and 3.26% in the calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$ 50,526, and were equal to the required contributions.

**D. Net Pension Asset**

The City's Net Pension Asset (NPA) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The Total Pension Liability in the December 31, 2017 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

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 Health 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

**NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued**

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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 fiscal year 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	<u>5.0%</u>	7.50%
Total	100%	

**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.

**CITY OF WEST COLUMBIA**

West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended September 30, 2018

**NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued**

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balance at 12/31/2016	\$ 4,033,658	\$ 4,477,671	\$( 444,013)
Changes for the Year:			
Service cost	176,880		176,880
Interest	271,022		271,022
Difference between expected and actual experience	42,634		42,634
Contributions – employer		50,526	( 50,526)
Contributions – employee		85,864	( 85,864)
Net investment income		620,404	( 620,404)
Benefit payment, including refunds of employee contributions	( 213,918)	( 213,918)	-0-
Administrative expense		( 3,216)	3,216
Other changes		( 163)	163
Net changes	276,618	539,497	( 262,879)
Balance at 12/31/2017	\$ 4,310,276	\$ 5,017,168	\$( 706,892)

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what's the City's net pension liability 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 (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	\$( 204,528)	\$( 706,892)	\$( 1,127,661)

*Pension Plan Fiduciary Net Position*

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

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NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

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

For the year ended September 30, 2018, the City recognized pension expense of \$ 71,703.

At September 30, 2018, 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 experience	\$ 158,935	\$ 264,355
Difference between projected and actual earnings		166
Differences in assumption changes	4,388	
Contributions subsequent to the measurement date	<u>43,987</u>	<u>                    </u>
Total	<u>\$ 207,310</u>	<u>\$ 264,521</u>

\$ 43,987 reported as deferred outflows of resources related to pension contributions subsequent to the measurement date will be recognized as an addition of the net pension asset for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2019	\$ 16,257
2020	8,621
2021	( 62,443)
2022	<u>( 63,633)</u>
Total	<u>\$( 101,198)</u>

NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

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 standalone financial report that is available to the public at [www.tesrs.org](http://www.tesrs.org).

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**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

**NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued**

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, 2017, there were 235 contributing fire and/or emergency services department members participating in TESRS. 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 vesting 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.

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 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**  
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

**NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - 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 every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

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 were pensioners when their respective departments merged into 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.

**D Contributions Required and Contributions Made**

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2017, total contributions of \$ 5,012,131 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state appropriated \$ 1,583,825 for the fiscal year ending August 31, 2017.

The City is not an employer of the members under the TESRS Plan. However, the City makes contributions directly to the TESRS Plan for members of the participating fire or emergency services departments in the City. During the measurement period of 2017 for fiscal 2018 reporting, the amount of the City's contributions recognized by the plan was \$ 14,976.

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 subsection below.

The most recently 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, 2018

**NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued**

**E Net Pension Liability**

The System's net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016 and rolled forwarded to August 31, 2017. The City's proportionate share of net pension liability was \$ 73,445.

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	3.0%
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 (3.0%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby 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:

<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
Development international	21	6.21
Emerging markets	6	7.18
Master limited partnership	5	7.61
Fixed Income:		
Domestic	21	1.61
International	5	1.81
Cash	<u>0</u>	0.00
Total	100%	
Weighted average	.	4.97%

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2018

**NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued**

**Discount Rate**

The discount rate used to measure the total pension liability 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, 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 to Changes in the Discount Rate**

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) 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	\$ 137,153	\$ 73,445	\$ 33,255

**F Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

At September 30, 2018, 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 experience	\$ 78	\$
Differences between projected and actual earnings	6,849	
Differences in assumption changes	<u>1,073</u>	
Total	<u>\$ 8,000</u>	<u>\$ -0-</u>

Amounts reported as deferred outflows 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, 2018

**NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued**

<u>Year Ended</u> <u>September 30,</u>			
2019	\$	3,456	
2020		6,340	
2021	(	304)	
2022	(	1,492)	

For the year ended September 30, 2018, the City recognized pension expense of \$ 15,410.

**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, 2018, the City had a deficit fund balance as itemized below:

	2018
Fund Balances:	
Special Revenues Funds:	
Capitol Park	\$ 3,335

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 - 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.

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**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, 2018

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 1,945,829	\$ 1,996,729	\$ 1,984,383	\$( 12,346)
Revenue producing facilities	370,850	398,740	385,516	( 13,224)
Fines and fees	279,500	279,500	256,920	( 22,580)
Licenses and permits	36,000	28,500	26,013	( 2,487)
Intergovernmental revenue	87,700	68,550	308,836	240,286
Miscellaneous	45,760	87,425	86,407	( 1,018)
<b>Total revenues</b>	<b>2,765,639</b>	<b>2,859,444</b>	<b>3,048,075</b>	<b>188,631</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government and Administrative:</b>				
Administrative	242,175	362,105	339,267	22,838
Legislative	94,400	51,600	63,548	( 11,948)
Legal	34,900	37,540	36,524	1,016
Municipal court	137,044	123,014	118,755	4,259
Finance	81,220	84,595	86,052	( 1,457)
<b>Public Safety:</b>				
Police	1,312,700	1,336,645	1,292,342	44,303
Fire	58,525	62,435	55,664	6,771
Fire marshal	77,185	72,145	68,145	4,000
<b>Public Works:</b>				
Streets and drainage	288,665	128,480	100,313	28,167
Sanitation	260,000	260,000	237,585	22,415
<b>Culture and Recreation:</b>				
Community development				
Library	32,875	48,710	43,998	4,712
Parks and recreation	253,481	196,381	193,119	3,262
Capital outlay	32,000	74,825	101,569	( 26,744)
<b>Debt Service:</b>				
Principal	47,607	38,068	38,068	-0-
Interest and fiscal charges	1,893	1,532	1,514	18
<b>Total expenditures</b>	<b>2,954,670</b>	<b>2,878,075</b>	<b>2,776,463</b>	<b>101,612</b>



**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, 2018

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Excess (deficiency) of revenues over expenditures	\$( 189,031 )	\$( 18,631 )	\$ 271,612	\$ 290,243
Other Financing Sources (Uses):				
Transfers in	274,245	237,720	237,720	-0-
Transfers out	( 148,314 )	( 157,314 )	( 160,532 )	( 3,218 )
Total other financing sources	125,931	80,406	77,188	( 3,218 )
Net change in fund balances	( 63,100 )	61,775	348,800	287,025
Fund balances – beginning	1,195,270	1,195,270	1,195,270	-0-
Fund balances – ending	\$ 1,132,170	\$ 1,257,045	\$ 1,544,070	\$ 287,025

Economic Development Corporation Fund

Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 91,000	\$ 86,950	\$ 183,337	\$ 96,387
( 91,000)	( 121,000)	( 121,000)	-0-
( 91,000)	( 121,000)	( 121,000)	-0-
-0-	( 34,050)	62,337	96,387
<u>751,217</u>	<u>751,217</u>	<u>751,217</u>	<u>-0-</u>
<u>\$ 751,217</u>	<u>\$ 717,167</u>	<u>\$ 813,554</u>	<u>\$ 96,387</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, 2018 WITH MEASUREMENT DATE OF DECEMBER 31, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Pension Liability:			
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	( 184,600)	( 198,971)	( 185,996)
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>
Total Fiduciary Net Position:			
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	( 205)	( 194)	( 175)
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 Payroll	\$ 1,235,509	\$ 1,379,550	\$ 1,497,715
Net Pension Liability/(Asset) as a Percentage of Covered 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 four years of required supplemental information is available.

2018

\$ 176,880  
271,022

42,634

( 213,918 )

276,618

4,033,658

\$ 4,310,276

\$ 50,526  
85,864  
620,404

( 213,918 )

( 3,216 )

( 163 )

539,497

4,477,671

\$ 5,017,168

\$( 706,892 )

116.40%

\$ 1,717,285

( 41.16% )

**CITY OF WEST COLUMBIA**

West Columbia, Texas

**TMRS SCHEDULE OF CONTRIBUTIONS  
FOR THE LAST TEN YEARS (1)  
SEPTEMBER 30, 2018**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 36,818	\$ 41,248	\$ 36,544
Contributions in relation to the actuarially determined contribution	<u>36,818</u>	<u>41,248</u>	<u>36,544</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered payroll	<u>\$ 1,235,509</u>	<u>\$ 1,379,550</u>	<u>\$ 1,497,715</u>
Contributions as a percentage of covered 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 four years of required supplemental information is available.

2018

\$ 50,526

50,526

\$ -0-

\$ 1,717,285

2.94%

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

TESRS SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS – THE CITY AS NON-EMPLOYER CONTRIBUTION ENTITY  
FOR THE LAST TEN YEARS (1)  
SEPTEMBER 30, 2018 WITH MEASUREMENT DATE OF AUGUST 31, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
City's proportion of the net pension liability (asset)	0.153%	0.354%	0.370%
City's proportionate share of the net pension liability (asset)	\$ 29,622	\$ 61,311	\$ 72,062
Plan fiduciary net position as a percentage of total pension liability	83.46%	76.89%	76.34%

Notes to Schedule:

(1) Currently only four years of information is available. Information for future years will be added when it becomes available.

2018

0.306%

\$ 73,445

81.41%

**CITY OF WEST COLUMBIA**  
West Columbia, Texas

**TESRS SCHEDULE OF REQUIRED CONTRIBUTIONS  
THE CITY AS NON-EMPLOYER CONTRIBUTION ENTITY  
FOR THE LAST TEN YEARS (1)  
SEPTEMBER 30, 2018**

	2015	2016	2017
Contractually required contributions	\$ 6,912	\$ 16,716	\$ 16,936
Contributions in relation to the contractually required contribution	6,912	16,716	16,936
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-

Notes to Schedule:

(1) Currently only four years of information is available. Information for future years will be added when it becomes available.

2018

\$ 14,796

\$ 6,912

\$ -0-

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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, 2018

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Replica and Museum Fund	Hotel Occupancy Tax Fund	Capitol Park Fund	Debt Service Fund	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
Assets:					
Cash and cash equivalents	\$ 1,730	\$ 159,637	\$	\$ 692	\$ 162,059
Taxes receivable, net	<u>                    </u>	<u>6,476</u>	<u>                    </u>	<u>                    </u>	<u>6,476</u>
Total assets	<u>1,730</u>	<u>166,113</u>	<u>-0-</u>	<u>692</u>	<u>168,535</u>
Deferred Outflows of Resources:					
Deferred outflows of resources	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 1,730</u>	<u>\$ 166,113</u>	<u>\$ -0-</u>	<u>\$ 692</u>	<u>\$ 168,535</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Due to other funds	\$	\$	\$ 3,335	\$	\$ 3,335
Total liabilities	<u>-0-</u>	<u>-0-</u>	<u>3,335</u>	<u>-0-</u>	<u>3,335</u>
Deferred Inflows of Resources:					
Deferred inflows of resources	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balances:					
Restricted:					
Economic development		166,113			166,113
Debt service				692	692
Contributor purposes	1,730				1,730
Unassigned	<u>                    </u>	<u>                    </u>	<u>( 3,335)</u>	<u>                    </u>	<u>( 3,335)</u>
Total fund balances	<u>1,730</u>	<u>166,113</u>	<u>( 3,335)</u>	<u>692</u>	<u>165,200</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,730</u>	<u>\$ 166,113</u>	<u>\$ -0-</u>	<u>\$ 692</u>	<u>\$ 168,535</u>

**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, 2018

	Special Revenue Funds				
	Replica and Museum Fund	Hotel Occupancy Tax Fund	Capitol Park Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<u>Revenues</u>					
Taxes	\$	\$ 62,646	\$	\$ 599	\$ 63,245
Miscellaneous	46	577	3	24	650
 Total revenues	46	63,223	3	623	63,895
 <u>Expenditures</u>					
Current:					
Culture and Recreation:					
Community development		11,250	1,967		13,217
Debt Service:					
Principal				50,000	50,000
Interest and fiscal charges				1,380	1,380
 Total expenditures	-0-	11,250	1,967	51,380	64,597
 Excess (deficiency) of revenues over expenditures	46	51,973	( 1,964)	( 50,757)	( 702)
 Other Financing Sources (Uses):					
Transfers in				33,814	33,814
Transfer out		( 46,720)			( 46,720)
 Total other financing sources (uses)	-0-	( 46,720)	-0-	33,814	( 12,906)
 Net change in fund balances	46	5,253	( 1,964)	( 16,943)	( 13,608)
 Fund balances – beginning	1,684	160,860	( 1,371)	17,635	178,808
 Fund balances – ending	\$ 1,730	\$ 166,113	\$( 3,335)	\$ 692	\$ 165,200

**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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$	\$ 605	\$ 599	\$( 6)
Miscellaneous		25	24	( 1)
Total revenues	-0-	630	623	( 7)
Expenditures:				
Debt Service:				
Principal on long-term debt	50,000	50,000	50,000	-0-
Interest on long-term debt	1,380	1,380	1,380	-0-
Total expenditures	51,380	51,380	51,380	-0-
Excess of revenues over (under) expenditures	( 51,380)	( 50,750)	( 50,757)	( 7)
Other Financing Sources:				
Transfers in	33,814	33,815	33,814	( 1)
Total other financing sources	33,814	33,815	33,814	( 1)
Net change in fund balances	( 17,566)	( 16,935)	( 16,943)	( 8)
Fund balances – beginning	17,635	17,635	17,635	-0-
Fund balances – ending	\$ 69	\$ 700	\$ 692	\$( 8)

**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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 50	\$ 50	\$ 46	\$( 4)
Total revenues	<u>50</u>	<u>50</u>	<u>46</u>	<u>( 4)</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-	46	46
Fund balances – beginning	<u>1,684</u>	<u>1,684</u>	<u>1,684</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 1,684</u>	<u>\$ 1,684</u>	<u>\$ 1,730</u>	<u>\$ 46</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 60,000	\$ 62,000	\$ 62,646	\$ 646
Miscellaneous	100	500	577	77
Total revenues	<u>60,100</u>	<u>62,500</u>	<u>63,223</u>	<u>723</u>
Expenditures:				
Current:				
Culture and Recreation:				
Community development	<u>25,640</u>	<u>14,500</u>	<u>11,250</u>	<u>3,250</u>
Total expenditures	<u>25,640</u>	<u>14,500</u>	<u>11,250</u>	<u>3,250</u>
Excess of revenues over expenditures	<u>34,460</u>	<u>48,000</u>	<u>51,973</u>	<u>3,973</u>
Other Financing Sources (Uses):				
Transfers out	<u>( 34,460)</u>	<u>( 60,000)</u>	<u>( 46,720)</u>	<u>13,280</u>
Total other financing sources (uses)	<u>( 34,460)</u>	<u>( 60,000)</u>	<u>( 46,720)</u>	<u>13,280</u>
Net change in fund balances		<u>( 12,000)</u>	<u>5,253</u>	<u>17,253</u>
Fund balances – beginning	<u>160,860</u>	<u>160,860</u>	<u>160,860</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 160,860</u>	<u>\$ 148,860</u>	<u>\$ 166,113</u>	<u>\$ 17,253</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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 500	\$ 2,250	\$ 3,188	\$ 938
Total revenues	<u>500</u>	<u>2,250</u>	<u>3,188</u>	<u>938</u>
Expenditures:				
Current:				
Capital outlay	<u>225,500</u>	<u>272,235</u>	<u>247,504</u>	<u>24,731</u>
Total expenditures	<u>225,500</u>	<u>272,235</u>	<u>247,504</u>	<u>24,731</u>
Excess (deficiency) of revenues over expenditures	<u>( 225,000)</u>	<u>( 269,985)</u>	<u>( 244,316)</u>	<u>25,669</u>
Other Financing Sources (Uses):				
Transfers in	<u>225,000</u>	<u>281,075</u>	<u>291,131</u>	<u>10,056</u>
Total other financing sources (uses)	<u>225,000</u>	<u>281,075</u>	<u>291,131</u>	<u>10,056</u>
Net change in fund balances	-0-	11,090	46,815	35,725
Fund balances – beginning	<u>955,778</u>	<u>955,778</u>	<u>955,778</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 955,778</u>	<u>\$ 966,868</u>	<u>\$ 1,002,593</u>	<u>\$ 35,725</u>

**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, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 1,500	\$ 1,500	\$ 3	\$ (1,497)
Total revenues	1,500	1,500	3	(1,497)
Expenditures:				
Current:				
Culture and Recreation:				
Community development	1,500	1,500	1,967	(467)
Total expenditures	1,500	1,500	1,967	(467)
Excess of revenues over expenditures			(1,964)	(1,964)
Other Financing Sources (Uses):				
Transfers in				-0-
Total other financing sources (uses)	-0-	-0-	-0-	-0-
Net change in fund balances	-0-	-0-	(1,964)	(1,964)
Fund balances – beginning	(1,371)	(1,371)	(1,371)	-0-
Fund balances – ending	\$(1,371)	\$(1,371)	\$(3,335)	\$(1,964)

**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, 2018

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 673,500	\$ 643,500
Sewer charges	604,500	632,000
Varner Creek Utility District	140,000	133,275
Intergovernmental revenue		
Miscellaneous	88,500	74,200
Total operating revenues	1,506,500	1,482,975
Operating Expenses:		
Water production	189,175	289,780
Water distribution	383,770	341,075
Water administration	156,555	230,820
Sewer collection	181,005	105,810
Sewer treatment plant	471,025	476,950
Depreciation		
Total operating expenses	1,381,530	1,444,435
Operating income	124,970	38,540
Nonoperating Revenues (Expenses):		
Interest revenue	4,000	4,200
Interest and fiscal charges	( 446 )	( 446 )
Capital outlay		( 210,610 )
Debt principal payments	( 5,024 )	( 5,024 )
Total nonoperating revenues (expenses)	( 1,470 )	( 211,880 )
Net income (loss) before contributions and operating transfers	123,500	( 173,340 )
Capital contributions		258,160
Transfers out	( 143,500 )	( 157,500 )
Change in net position	( 20,000 )	( 72,680 )
Net position – beginning	4,660,522	4,660,522
Net position – ending	\$ 4,640,522	\$ 4,587,842

Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
\$ 667,059	\$	\$ 667,059	\$ 23,559
588,583		588,583	( 43,417)
123,273		123,273	( 10,002)
54,230		54,230	54,230
70,771		70,771	( 3,429)
<u>1,503,916</u>	<u>-0-</u>	<u>1,503,916</u>	<u>20,941</u>
258,125	( 2,071)	256,054	33,726
334,791	( 4,141)	330,650	10,425
218,767	( 1,554)	217,213	13,607
91,628	( 1,035)	90,593	15,217
345,172	( 4,141)	341,031	135,919
177,678	( 177,678)	-0-	-0-
<u>1,426,161</u>	<u>( 190,620)</u>	<u>1,235,541</u>	<u>208,894</u>
<u>77,755</u>	<u>190,620</u>	<u>268,375</u>	<u>229,835</u>
3,518		3,518	( 682)
( 441)		( 441)	5
	( 199,166)	( 199,166)	11,444
	( 5,024)	( 5,024)	
<u>3,077</u>	<u>( 204,190)</u>	<u>( 201,113)</u>	<u>10,767</u>
80,832	( 13,570)	67,262	240,602
247,504		247,504	( 10,656)
( 234,413)		( 234,413)	( 76,913)
93,923	( 13,570)	80,353	153,033
<u>4,660,522</u>		<u>4,660,522</u>	<u>-0-</u>
<u>\$ 4,754,445</u>	<u>\$ ( 13,570)</u>	<u>\$ 4,740,875</u>	<u>\$ 153,033</u>

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