

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

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
SEPTEMBER 30, 2016

**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, 2016*

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report.....	7-9
Management's Discussion and Analysis .....	11-22
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	24-25
Statement of Activities .....	26-27
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	28-29
Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position.....	30
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Governmental Activities Statement of Activities .....	32
Proprietary Fund Financial Statements:	
Statement of Net Position - Proprietary Fund .....	34-35
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund .....	36
Statement of Cash Flows - Proprietary Fund.....	38-39
Notes to the Financial Statements.....	41-75
<b>Required Supplementary Information:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Economic Development Corporation Fund.....	78-81
TMRS Schedule of Changes in Net Pension Asset and Related Ratios.....	82
TMRS Schedule of Contributions.....	83
TESRS Schedule of Changes in Net Pension Liability and Related Ratios .....	84
TESRS Schedule of Investment Returns .....	85

**CITY OF WEST COLUMBIA**

West Columbia, Texas

*Annual Financial Report  
For the Year Ended September 30, 2016*

	<u>Page</u>
<b>Combining and Individual Fund Statements and Schedules:</b>	
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	89
Combining Statement of Revenues, Expenditures and Changes in Fund Balances...	90
Other Supplemental Schedules	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Debt Service Fund.....	91
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Replica and Museum Special Revenue Fund .....	92
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Hotel Occupancy Tax Special Revenue Fund.....	93
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Improvement Fund .....	94
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Park Fund.....	95
Schedule of Revenues, Expenses and Changes in Net Position - Actual Compared to Budgetary Basis - Enterprise Fund .....	96-97

## **FINANCIAL SECTION**

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# Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of West Columbia (the "City"), as of and for the year ended September 30, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2017, 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 & Hunsford, LLC*

Lake Jackson, Texas  
July 5, 2017

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## CITY OF WEST COLUMBIA, TEXAS

### *Management's Discussion and Analysis For the Year Ended September 30, 2016*

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, 2016.

#### **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 \$ 10,224,733 (net position). Of this amount, \$ 3,834,427 (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 \$ 432,508 (governmental activities increased by \$ 379,805 and business-type activities increased by \$ 52,703).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 2,964,511. 34.28% of this total amount, \$ 1,016,145 (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 \$ 1,019,161 or 34.96% 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, 2016*

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

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

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

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

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

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

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

### *Management's Discussion and Analysis For the Year Ended September 30, 2016*

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 through 75 of this report.

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

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

#### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 10,224,733 as of September 30, 2016.

The largest portion of the City's net position (61.03%) reflects its investments in capital assets (e.g., land, buildings, water and sewer infrastructure, equipment, vehicles, and construction in progress, less any debt used to acquire those assets that is still outstanding). The City uses capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF WEST COLUMBIA, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

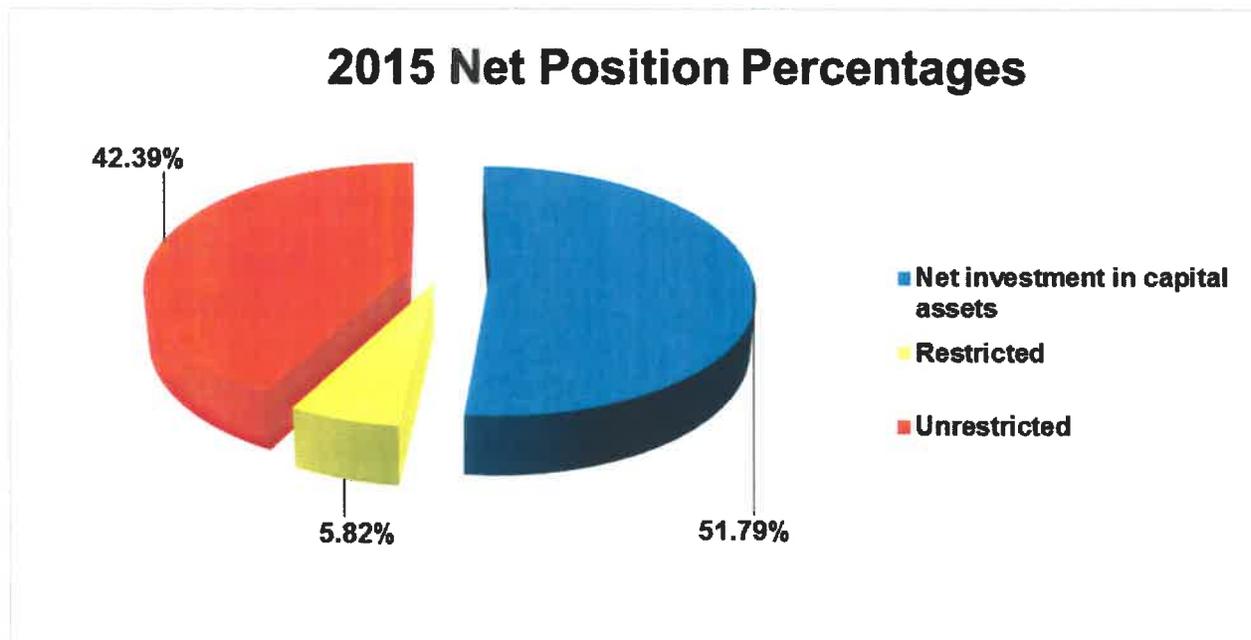
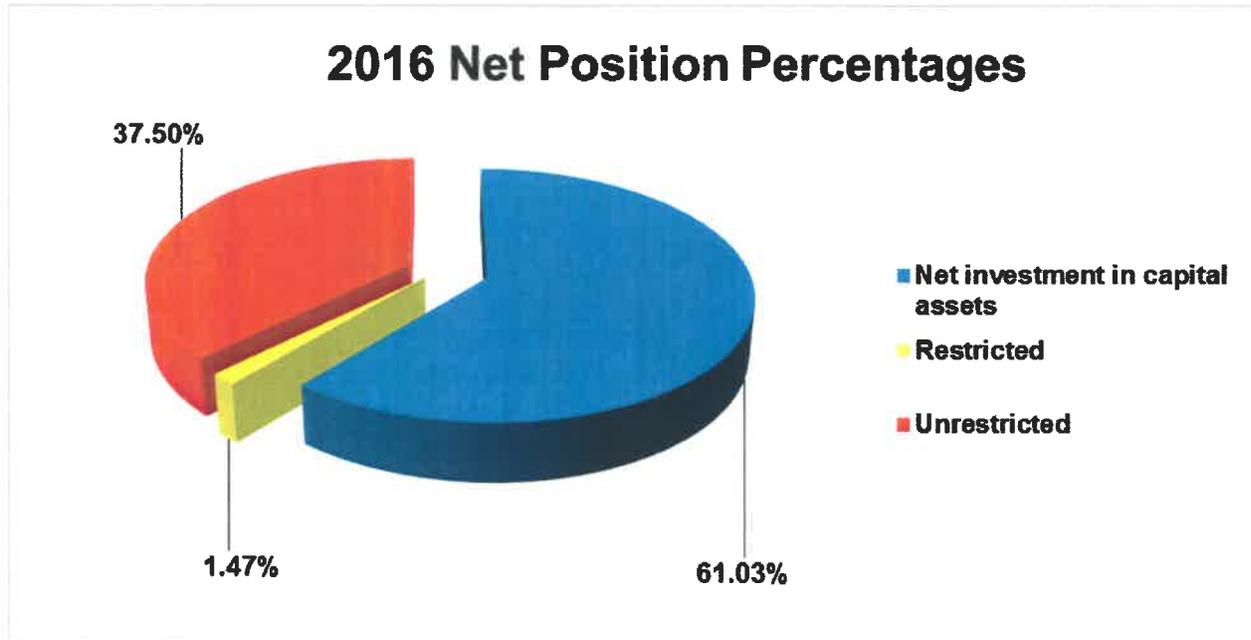
**CITY OF WEST COLUMBIA'S NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30		September 30,	
	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>						
Current and other assets	\$ 3,215,056	\$ 2,780,219	\$ 1,163,267	\$ 1,561,359	\$ 4,378,323	\$ 4,341,578
Noncurrent assets	351,347	573,195	91,991	168,325	443,338	741,520
Capital assets	<u>2,210,119</u>	<u>2,229,510</u>	<u>3,527,960</u>	<u>3,063,278</u>	<u>5,738,079</u>	<u>5,292,788</u>
Total assets	<u>5,776,522</u>	<u>5,582,924</u>	<u>4,783,218</u>	<u>4,792,962</u>	<u>10,559,740</u>	<u>10,375,886</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows of resources	<u>299,680</u>	<u>56,353</u>	<u>92,157</u>	<u>15,030</u>	<u>391,837</u>	<u>71,383</u>
Total deferred outflows of resources	<u>299,680</u>	<u>56,353</u>	<u>92,157</u>	<u>15,030</u>	<u>391,837</u>	<u>71,383</u>
<b>LIABILITIES</b>						
Current and other liabilities	112,905	96,939	215,203	212,762	328,108	309,701
Long-term liabilities	<u>285,046</u>	<u>275,858</u>	<u>7,142</u>	<u>8,283</u>	<u>292,188</u>	<u>284,141</u>
Total liabilities	<u>397,951</u>	<u>372,797</u>	<u>222,345</u>	<u>221,045</u>	<u>620,296</u>	<u>593,842</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources	<u>80,845</u>	<u>48,879</u>	<u>25,703</u>	<u>12,323</u>	<u>106,548</u>	<u>61,202</u>
Total deferred inflows of resources	<u>80,845</u>	<u>48,879</u>	<u>25,703</u>	<u>12,323</u>	<u>106,548</u>	<u>61,202</u>
<b>NET POSITION</b>						
Net investment in capital assets	\$ 2,712,074	\$ 2,008,139	\$ 3,527,960	\$ 3,063,278	\$ 6,240,034	\$ 5,071,417
Restricted	89,135	522,582	61,137	46,940	150,272	569,522
Unrestricted	<u>2,796,197</u>	<u>2,686,880</u>	<u>1,038,230</u>	<u>1,464,406</u>	<u>3,834,427</u>	<u>4,151,286</u>
Total net position	<u>\$ 5,597,406</u>	<u>\$ 5,217,601</u>	<u>\$ 4,627,327</u>	<u>\$ 4,574,624</u>	<u>\$ 10,224,733</u>	<u>\$ 9,792,225</u>

An additional portion of the City's net position of \$ 150,272 (1.47%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 3,834,427 (37.50%) 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, 2016*

As of September 30, 2016, 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.



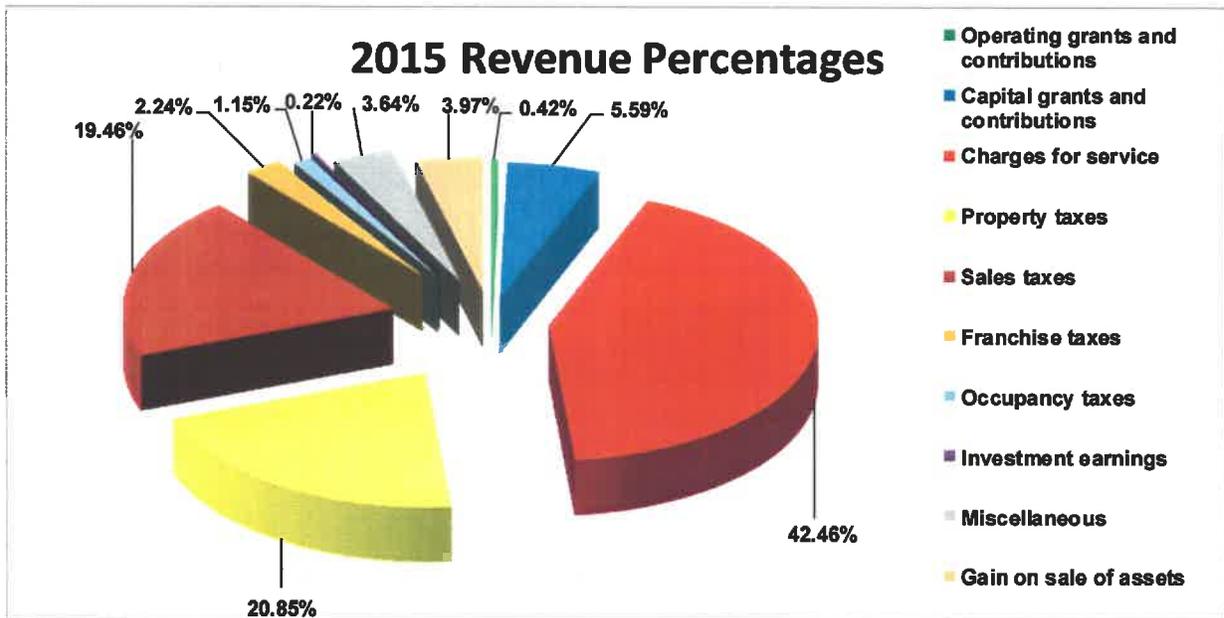
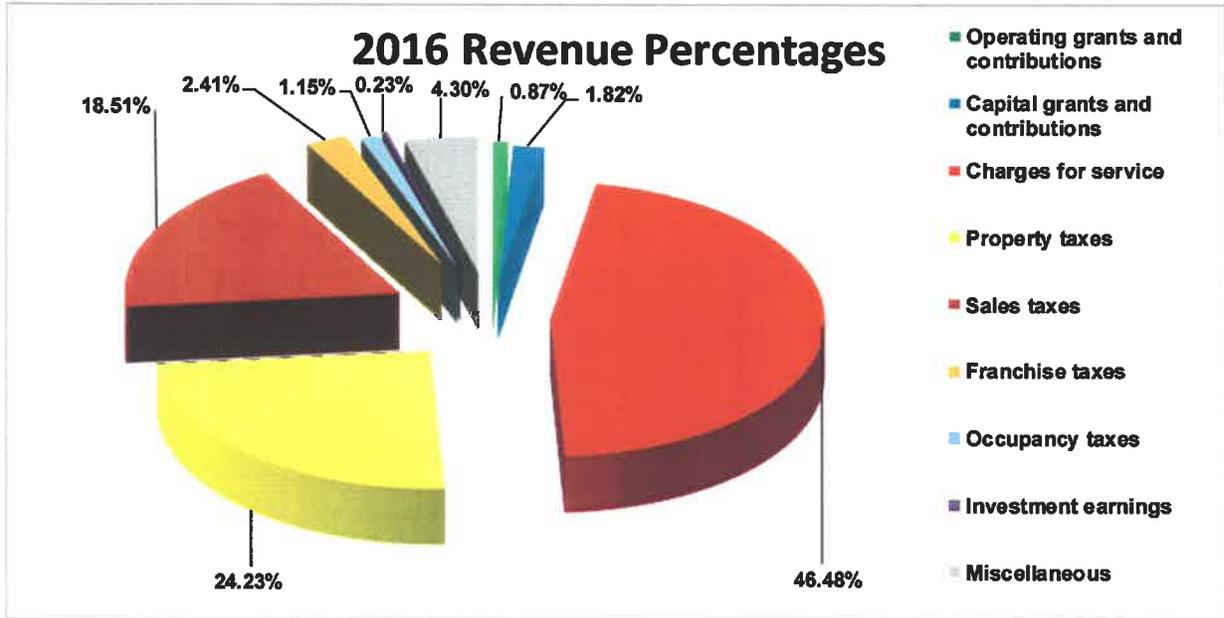
**Analysis of the City's Operations.** The following table provides a summary of the City's operations for the year ended September 30, 2016. Business-type activities increased the City's net position by \$ 52,703. Governmental activities increased the City's net position by \$ 379,805.

**CITY OF WEST COLUMBIA, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

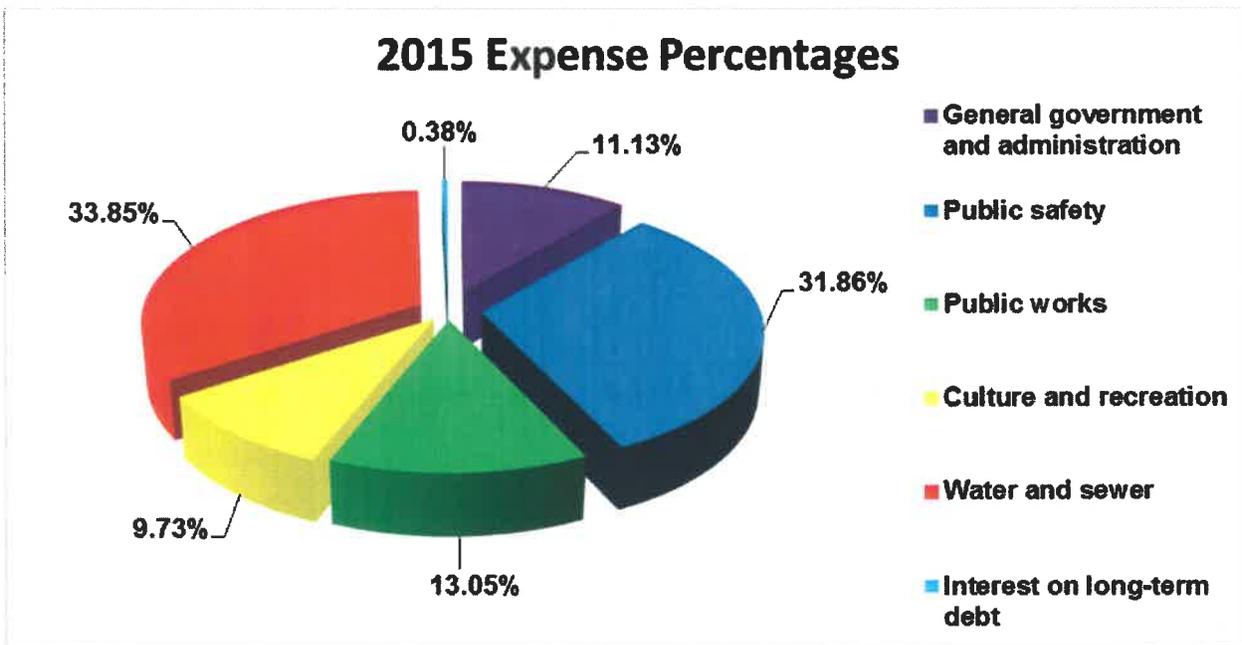
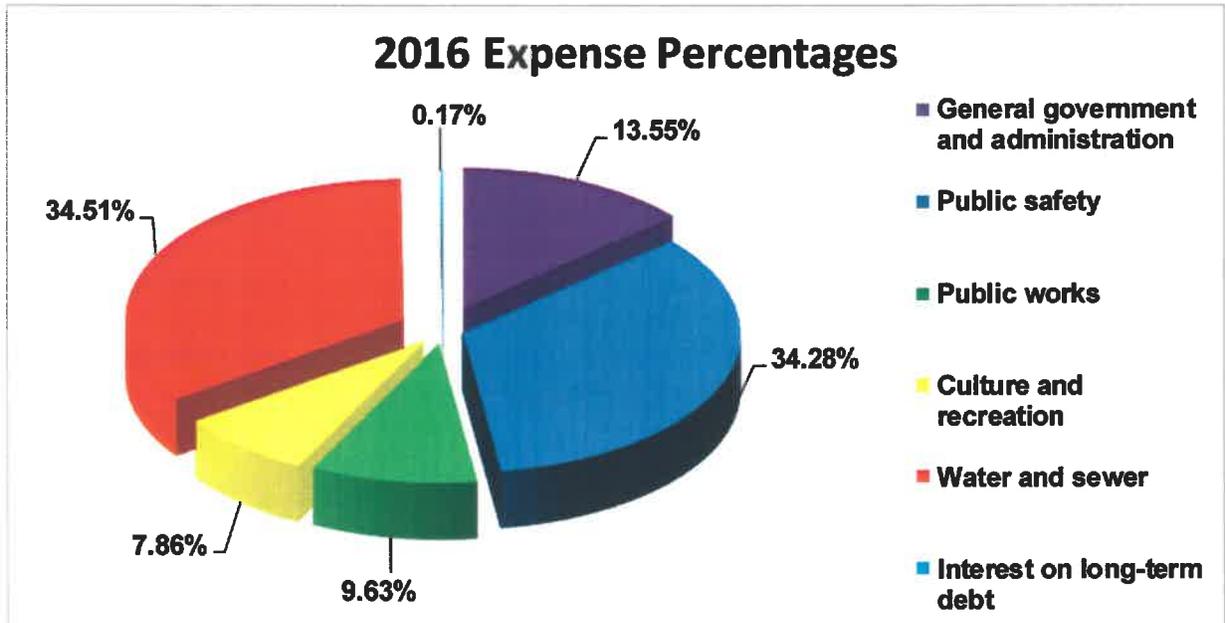
**CITY OF WEST COLUMBIA'S CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 727,850	\$ 678,196	\$ 1,432,547	\$ 1,456,007	\$ 2,160,397	\$ 2,134,203
Operating grants and contributions	40,382	21,050			40,382	21,050
Capital grants and contributions	84,790	75,628		205,500	84,790	281,128
<b>General Revenues:</b>						
<b>Taxes:</b>						
Property taxes	1,126,302	1,047,887			1,126,302	1,047,887
Sales tax	860,196	977,960			860,196	977,960
Franchise taxes	112,216	112,505			112,216	112,505
Occupancy taxes	53,596	57,913			53,596	57,913
Investment earnings	7,310	7,140	3,385	4,241	10,695	11,381
Miscellaneous	107,459	65,129	92,431	117,954	199,890	183,083
Gain on sale of assets		199,756				199,756
<b>Total revenues</b>	<u>3,120,101</u>	<u>3,243,164</u>	<u>1,528,363</u>	<u>1,783,702</u>	<u>4,648,464</u>	<u>5,026,866</u>
<b>Expenses:</b>						
General government and administration	571,079	415,296			571,079	415,296
Public safety	1,445,287	1,188,749			1,445,287	1,188,749
Public works	406,249	486,914			406,249	486,914
Culture and recreation	331,259	363,225			331,259	363,225
Water and sewer			1,455,116	1,263,107	1,455,116	1,263,107
Interest on long-term debt	6,966	14,148			6,966	14,148
<b>Total expenses</b>	<u>2,760,840</u>	<u>2,468,332</u>	<u>1,455,116</u>	<u>1,263,107</u>	<u>4,215,956</u>	<u>3,731,439</u>
Increase (decrease) in net position before transfers	359,261	774,832	73,247	520,595	432,508	1,295,427
Transfers	20,544	248,503	( 20,544 )	( 248,503 )	-0-	-0-
Increase (decrease) in net position	379,805	1,023,335	52,703	272,092	432,508	1,295,427
Net position – beginning	5,217,601	4,194,266	4,574,624	4,302,532	9,792,225	8,496,798
Net position – ending	<u>\$ 5,597,406</u>	<u>\$ 5,217,601</u>	<u>\$ 4,627,327</u>	<u>\$ 4,574,624</u>	<u>\$ 10,224,733</u>	<u>\$ 9,792,225</u>

**CITY OF WEST COLUMBIA, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*



**CITY OF WEST COLUMBIA, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*



**CITY OF WEST COLUMBIA, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

**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 \$ 2,964,511. 34.28% of this total amount, \$ 1,016,145 constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, restricted or assigned* to indicate that it is not available for spending because it has already been classified 1) for prepaid items \$ 14,418, 2) economic development \$ 1,135,263, 3) capital improvement \$ 707,885, 4) debt service \$ 17,300, 5) contributor purposes \$ 1,665, 6) municipal court technology \$ 11,816, 7) municipal court security \$ 50,915, 8) child safety \$ 2,663, 9) police department \$ 4,742 and 10) vehicle replacement \$ 1,699.

The General Fund balance decreased by \$ 57,517; Economic Development Corporation Fund balance increased by \$ 165,751, and the Capital Improvement Fund balance increased by \$ 280,231. The non-major governmental funds fund balance increased by \$ 30,816.

**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, 2016 amounted to \$ 4,627,327. Total net position increased \$ 52,703 (or 1.15%).

**General Fund Budgetary Highlights.** Differences between the original budget and the final amended budget resulted in a \$ 179,950 increase in appropriations and can be summarized as follows:

- \$ 72,905 increase in general government and administration
- \$ 125,428 increase in public safety
- \$ 61,335 decrease in public works
- \$ 5,048 decrease in culture and recreation
- \$ 34,000 increase in capital outlay
- \$ 14,000 increase in debt service

## CITY OF WEST COLUMBIA, TEXAS

### Management's Discussion and Analysis For the Year Ended September 30, 2016

Differences between the original budget and the final amended budget resulted in a \$ 54,080 increase in revenues and can be summarized as follows:

- \$ 19,000 decrease in taxes
- \$ 14,300 decrease in revenue producing facilities
- \$ 23,500 increase in fines and fees
- \$ 15,000 increase in licenses and permits
- \$ 800 increase in intergovernmental revenues
- \$ 19,480 increase in miscellaneous income

Because revenues and expenditures exceeded budgetary estimates, the City's net change (increase) in fund balance was more than the budgeted amount by \$ 152,983 due to increase in revenues and decrease in expenditures.

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$ 5,738,079 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer infrastructure, equipment, vehicles and construction in progress.

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

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2016	2015	2016	2015	2016	2015
Land	\$ 432,930	\$ 432,930	\$ 41,750	\$ 41,750	\$ 474,680	\$ 474,680
Buildings	977,424	1,013,635	107,517	110,766	1,084,941	1,124,401
Water and sewer infrastructure			3,090,113	2,593,192	3,090,113	2,593,192
Equipment	406,556	409,191	186,285	204,076	592,841	613,267
Vehicles	188,457	156,005	102,295	58,464	290,752	214,469
Construction in progress	<u>204,752</u>	<u>217,749</u>		<u>55,030</u>	<u>204,752</u>	<u>272,779</u>
Total	<u>\$ 2,210,119</u>	<u>\$ 2,229,510</u>	<u>\$ 3,527,960</u>	<u>\$ 3,063,278</u>	<u>\$ 5,738,079</u>	<u>\$ 5,292,788</u>

**CITY OF WEST COLUMBIA, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

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

**Debt Administration**

At the end of the current fiscal year, the City had a total long-term debt liability of \$ 292,188. Of this amount, \$ 95,000 of tax notes, \$ 109,487 of notes payable, \$ 61,311 of net pension obligation, \$ 24,947 of compensated absences, and \$ 1,443 of accrued interest (component of long-term debt) backed by the full faith and credit of the City.

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Tax notes payable	\$ 95,000	\$ 140,000	\$	\$	\$ 95,000	\$ 140,000
Note payable	109,487	78,037			109,487	78,037
Capital leases		1,294				1,294
Net pension obligations	61,311	29,622			61,311	29,622
Compensated absences	17,805	24,865	7,142	8,283	24,947	33,148
Components of Debt:						
Accrued interest payable	<u>1,443</u>	<u>2,040</u>			<u>1,443</u>	<u>2,040</u>
Total	<u>\$ 285,046</u>	<u>\$ 275,858</u>	<u>\$ 7,142</u>	<u>\$ 8,283</u>	<u>\$ 292,188</u>	<u>\$ 284,141</u>

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

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

In the 2016-2017 budget, construction at area plants continues; however, revenues have been slow to show increases in local sales taxes as expected. New construction of local retail developments will probably result in increases in the following fiscal year. Building permits have increases significantly and a full time building inspector/code enforcements officer was hired to handle the added workload. Ad Valorem values are increasing as property is sold. The TxDOT sidewalk improvements were completed.

The new well is taking longer than expected, so the funding from the US Rural Development and Agriculture is delayed, possibly into the next fiscal year. Potential rate increase will be considered at that time

**CITY OF WEST COLUMBIA, TEXAS**  
*Management's Discussion and Analysis*  
*For the Year Ended September 30, 2016*

**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, 2016

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,848,390	\$ 788,123	\$ 3,636,513
Taxes receivable, net	187,004		187,004
Accounts receivable, net	155,759	182,641	338,400
Receivables from other governments	483		483
Internal balances	9,002	( 9,002)	-0-
Inventories		33,803	33,803
Prepaid items	14,418		14,418
Restricted Assets:			
Cash and cash equivalents		167,702	167,702
Noncurrent Assets:			
Net pension asset	351,347	91,991	443,338
Capital Assets:			
Land	432,930	41,750	474,680
Buildings, net	977,424	107,517	1,084,941
Water and sewer infrastructure, net		3,090,113	3,090,113
Equipment, net	406,556	186,285	592,841
Vehicles, net	188,457	102,295	290,752
Construction in progress	204,752		204,752
Total assets	<u>5,776,522</u>	<u>4,783,218</u>	<u>10,559,740</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources	<u>299,680</u>	<u>92,157</u>	<u>391,837</u>
Total deferred outflows of resources	<u>299,680</u>	<u>92,157</u>	<u>391,837</u>
<b>LIABILITIES:</b>			
Accounts payable	101,691	103,562	205,253
Accrued wages payable	11,214	3,701	14,915
Liabilities payable from restricted assets		107,940	107,940
Noncurrent Liabilities:			
Due within one year	120,734	7,142	127,876
Due in more than one year	164,312		164,312
Total liabilities	<u>397,951</u>	<u>222,345</u>	<u>620,296</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources	<u>80,845</u>	<u>25,703</u>	<u>106,548</u>
Total deferred inflows of resources	<u>80,845</u>	<u>25,703</u>	<u>106,548</u>

(continued)

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

STATEMENT OF NET POSITION - Continued

September 30, 2016

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
NET POSITION			
Net investment in capital assets	\$ 2,712,074	\$ 3,527,960	\$ 6,240,034
Restricted For:			
Debt service	17,300		17,300
Sewer replacement		61,137	61,137
Vehicle replacement	1,699		1,699
Municipal court security and technology	62,731		62,731
Child safety	2,663		2,663
Other purposes	4,742		4,742
Unrestricted	<u>2,796,197</u>	<u>1,038,230</u>	<u>3,834,427</u>
Total net position	<u>\$ 5,597,406</u>	<u>\$ 4,627,327</u>	<u>\$ 10,224,733</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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government and administration	\$ 571,079	\$ 53,593	\$	\$
Public safety	1,445,287	313,135	38,354	
Public works	406,249	261,528	2,028	84,790
Culture and recreation	331,259	99,594		
Interest on long-term debt	6,966			
Total governmental activities	<u>2,760,840</u>	<u>727,850</u>	<u>40,382</u>	<u>84,790</u>
<b>Business-type Activities:</b>				
Water and sewer	1,455,116	1,432,547		
Total business-type activities	<u>1,455,116</u>	<u>1,432,547</u>	<u>-0-</u>	<u>-0-</u>
Total	<u>\$ 4,215,956</u>	<u>\$ 2,160,397</u>	<u>\$ 40,382</u>	<u>\$ 84,790</u>
<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
\$( 517,486)	\$	\$( 517,486)
( 1,093,798)		( 1,093,798)
( 57,903)		( 57,903)
( 231,665)		( 231,665)
( 6,966)		( 6,966)
( 1,907,818)	-0-	( 1,907,818)
	( 22,569)	( 22,569)
-0-	( 22,569)	( 22,569)
( 1,907,818)	( 22,569)	( 1,930,387)
1,126,302		1,126,302
860,196		860,196
112,216		112,216
53,596		53,596
7,310	3,385	10,695
107,459	92,431	199,890
20,544	( 20,544)	-0-
2,287,623	75,272	2,362,895
379,805	52,703	432,508
5,217,601	4,574,624	9,792,225
\$ 5,597,406	\$ 4,627,327	\$ 10,224,733

**CITY OF WEST COLUMBIA**

West Columbia, Texas

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

September 30, 2016

	<u>General Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets and Deferred Outflows of Resources</u>					
Assets:					
Cash and cash equivalents	\$ 1,042,013	\$ 942,782	\$ 707,885	\$ 155,710	\$ 2,848,390
Taxes receivable, net	131,063	47,535		8,406	187,004
Receivables from other governments	475			8	483
Accounts receivable, net	49,329				49,329
Due from other funds	25,000				25,000
Prepaid items	<u>14,418</u>				<u>14,418</u>
 Total assets	 <u>1,262,298</u>	 <u>990,317</u>	 <u>707,885</u>	 <u>164,124</u>	 <u>3,124,624</u>
Deferred Outflows of Resources:					
Deferred outflows of resources					
 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>\$ 1,262,298</u>	 <u>\$ 990,317</u>	 <u>\$ 707,885</u>	 <u>\$ 164,124</u>	 <u>\$ 3,124,624</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 101,478	\$ 213			\$ 101,691
Accrued wages payable	11,214				11,214
Due to other funds	<u>12,982</u>			<u>3,016</u>	<u>15,998</u>
 Total liabilities	 <u>125,674</u>	 <u>213</u>	 <u>-0-</u>	 <u>3,016</u>	 <u>128,903</u>
Deferred Inflows of Resources:					
Deferred inflows of resources – Property taxes	<u>31,210</u>				<u>31,210</u>
 Total deferred inflows of resources	 <u>31,210</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>31,210</u>

(continued)

**CITY OF WEST COLUMBIA**

West Columbia, Texas

**BALANCE SHEET  
GOVERNMENTAL FUNDS - Continued**

September 30, 2016

	<u>General Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Non-Spendable:					
Prepaid items	\$ 14,418	\$	\$	\$	\$ 14,418
Restricted:					
Economic development		990,104		145,159	1,135,263
Capital improvement			707,885		707,885
Debt service				17,300	17,300
Contributor purposes				1,665	1,665
Municipal court technology	11,816				11,816
Municipal court security	50,915				50,915
Child safety	2,663				2,663
Police department	4,742				4,742
Assigned:					
Vehicle replacement	1,699				1,699
Unassigned	<u>1,019,161</u>			<u>( 3,016)</u>	<u>1,016,145</u>
Total fund balances	<u>1,105,414</u>	<u>990,104</u>	<u>707,885</u>	<u>161,108</u>	<u>2,964,511</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,262,298</u>	<u>\$ 990,317</u>	<u>\$ 707,885</u>	<u>\$ 164,124</u>	<u>\$ 3,124,624</u>

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

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

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

September 30, 2016

Total fund balances – governmental funds balance sheet	\$ 2,964,511
 <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 \$ 4,045,505 in assets less \$ 1,835,386 in accumulated depreciation.	2,210,119
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 \$ 31,210 and \$ -0-, respectively.	31,210
Municipal court receivables unavailable to pay for current period expenditures are not recognized in the governmental funds. Municipal court receivables, net of allowance, total \$ 106,430 (\$ 1,064,300 less allowance for uncollectibles of \$ 957,870).	106,430
Pension assets are not reported in the funds	351,347
Pension deferred outflows of resources of \$ 299,680 pension deferred inflows of resources of \$ 80,845.	218,835
Payables for net pension obligation are not reported in the funds.	( 61,311)
Payables for tax note principal are not reported in the funds.	( 95,000)
Payables for tax note interest are not reported in the funds.	( 1,311)
Payables for note principal are not reported in the funds.	( 109,487)
Payables for note interest are not reported in the funds.	( 132)
Payables for compensated absences are not reported in the funds.	( <u>17,805</u> )
Net position of governmental activities – statement of net position.	\$ <u>5,597,406</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, 2016

	<u>General Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	\$ 1,818,652	\$ 286,733	\$	\$ 55,824	\$ 2,161,209
Revenue producing facilities	382,826				382,826
Fines and fees	304,646				304,646
Licenses and permits	31,889				31,889
Intergovernmental revenue	125,172				125,172
Miscellaneous	<u>46,304</u>	<u>64,119</u>	<u>1,710</u>	<u>2,636</u>	<u>114,769</u>
<b>Total revenues</b>	<u>2,709,489</u>	<u>350,852</u>	<u>1,710</u>	<u>58,460</u>	<u>3,120,511</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General Government and Administrative	558,160				558,160
Public safety	1,351,093				1,351,093
Public works	404,725				404,725
Culture and recreation	241,995	34,101		14,839	290,935
Capital outlay	312,203				312,203
<b>Debt Service:</b>					
Principal	43,589			45,000	88,589
Interest and fiscal charges	<u>3,699</u>			<u>3,864</u>	<u>7,563</u>
<b>Total expenditures</b>	<u>2,915,464</u>	<u>34,101</u>	<u>-0-</u>	<u>63,703</u>	<u>3,013,268</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>( 205,975 )</u>	<u>316,751</u>	<u>1,710</u>	<u>( 5,243 )</u>	<u>107,243</u>
<b>Other Financing Sources (Uses):</b>					
Transfers in	233,841		278,521	48,900	561,262
Transfers out	( 159,128 )	( 151,000 )		( 12,841 )	( 322,969 )
Issuance of loan	<u>73,745</u>				<u>73,745</u>
<b>Total other financial sources (uses)</b>	<u>148,458</u>	<u>( 151,000 )</u>	<u>278,521</u>	<u>36,059</u>	<u>312,038</u>
<b>Net change in fund balances</b>	<u>( 57,517 )</u>	<u>165,751</u>	<u>280,231</u>	<u>30,816</u>	<u>419,281</u>
<b>Fund balances – beginning</b>	<u>1,162,931</u>	<u>824,353</u>	<u>427,654</u>	<u>130,292</u>	<u>2,545,230</u>
<b>Fund balances – ending</b>	<u>\$ 1,105,414</u>	<u>\$ 990,104</u>	<u>\$ 707,885</u>	<u>\$ 161,108</u>	<u>\$ 2,964,511</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, 2016

Net change in fund balances – total governmental funds	\$	419,281
<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 \$ 312,203 exceeded depreciation expense of \$ 113,845.		198,358
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 \$ 255,057 less than the amount reported in the funds.	(	255,057)
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, \$ 217,749 of water and sewer infrastructure were contributed to the proprietary funds of the City.	(	217,749)
Note proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. The amount of proceeds is \$ 73,745.	(	73,745)
Pension deferred outflows of resources of \$ 188,606, and pension deferred inflows of resources of \$ 24,275.		212,881
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 decreased by \$ 8,352 and decreased for the debt service fund by \$ 547.	(	8,899)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. These amounts were for tax notes of \$ 45,000, loans of \$ 42,295 and capital leases of \$ 1,294.		88,589
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 \$ 8,489.		8,489
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 \$ 597.		597
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 \$ 7,060.		<u>7,060</u>
Change in net position of governmental activities	\$	<u><u>379,805</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, 2016

	<u>Enterprise Fund</u>
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 788,123
Accounts receivable, net	182,641
Due from other funds	12,982
Inventory	<u>33,803</u>
Total current unrestricted assets	<u>1,017,549</u>
Restricted Assets:	
Cash and cash equivalents	<u>167,702</u>
Total current restricted assets	<u>167,702</u>
Total current assets	<u>1,185,251</u>
Noncurrent Assets:	
Net pension asset	<u>91,991</u>
Total noncurrent assets	<u>91,991</u>
Capital Assets:	
Property, plant and equipment	8,296,933
Accumulated depreciation	<u>( 4,768,973 )</u>
Net capital assets	<u>3,527,960</u>
Total assets	<u>4,805,202</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows of resources	<u>92,157</u>
Total deferred outflows of resources	<u>92,157</u>

(Continued)

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

STATEMENT OF NET POSITION - PROPRIETARY FUND - Continued

September 30, 2016

	<u>Enterprise Fund</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	\$ 103,562
Accrued wages payable	3,701
Compensated absences	7,142
Due to other funds	<u>21,984</u>
Total current unrestricted liabilities	136,389
Current Liabilities Payable From Restricted Assets:	
Customer meter deposits	<u>244,329</u>
Total liabilities	<u>244,329</u>
<u>Deferred Inflows of Resources</u>	
Deferred inflows of resources	<u>25,703</u>
Total deferred inflows of resources	<u>25,703</u>
<u>Net Position</u>	
Net investment in capital assets	3,527,960
Restricted For:	
Sewer replacement	61,137
Unrestricted	<u>1,038,230</u>
Total net position	<u>\$ 4,627,327</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, 2016

	Enterprise Fund
Operating Revenues:	
Water service	\$ 643,695
Sewer charges	639,834
Varner Creek Utility District	149,018
Miscellaneous	<u>92,431</u>
Total operating revenues	<u>1,524,978</u>
Operating Expenses:	
Water production	264,413
Water distribution	362,172
Water administration	129,195
Sewer collection	201,776
Sewer treatment plant	342,082
Depreciation	<u>155,478</u>
Total operating expenses	<u>1,455,116</u>
Operating income	<u>69,862</u>
Non-Operating Revenues:	
Interest revenue	<u>3,385</u>
Total non-operating revenues	<u>3,385</u>
Income before contributions and transfers	73,247
Capital contributions	217,749
Transfers out	<u>( 238,293 )</u>
Change in net position	52,703
Net position – beginning	<u>4,574,624</u>
Net position – ending	<u>\$ 4,627,327</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, 2016

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,545,371
Receipts from other funds	( 19,138)
Payments to suppliers	( 691,349)
Payments to employees	<u>( 589,642)</u>
Net cash provided by operating activities	<u>245,242</u>
Cash Flows from Non-Capital Financing Activities:	
Operating transfers to other funds	<u>( 238,293)</u>
Net cash used for non-capital financing activities	<u>( 238,293)</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	<u>( 402,411)</u>
Net cash used by capital and related financing activities	<u>( 402,411)</u>
Cash Flows from Investing Activities:	
Interest received	<u>3,385</u>
Net cash provided by investing activities	<u>3,385</u>
Net decrease in cash and cash equivalents	( 392,077)
Balances – beginning of year	<u>1,347,902</u>
Balances – end of the year	<u>\$ 955,825</u>

(Continued)

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

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

For the Year Ended September 30, 2016

	Enterprise Fund
Reconciliation of Operating Income to Net Cash Provided by	
Operating Activities:	
Operating income	\$ 69,862
Adjustments to Reconcile Operating Income to Net Cash Provided by	
Operating Activities:	
Depreciation	155,478
Changes in Assets and Liabilities:	
Receivable, net	14,731
Due from other funds	( 5,864)
Inventory	10,422
Accounts payable	369
Accrued expenses payable	( 4,731)
Due to other funds	( 13,274)
Pension asset	12,587
Customer deposits	<u>5,662</u>
Net cash provided by operating activities	<u>\$ 245,242</u>
Non-Cash Investing, Capital and Financing Activities:	
Capital improvements – Government	\$ 217,749
Capital contributions	<u>( 217,749)</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, 2016

**INDEX**

Note	Page
1. Summary of Significant Accounting Policies .....	42
2. Deposits, Investments and Derivatives.....	54
3. Receivables and Uncollectible Accounts .....	56
4. Deferred Inflows and Outflows of Resources and Unearned Revenue .....	57
5. Interfund Receivables, Payables and Transfers.....	58
6. Capital Assets.....	60
7. Long-Term Debt .....	61
8. Leases .....	64
9. Texas Municipal Retirement System Pension Plan .....	64
10. Texas Emergency Services Retirement System Pension Plan.....	69
11. Risk-Pool Participation .....	74
12. Deficit Fund Balances.....	74
13. Excess of Expenditures over Appropriations .....	74
14. Repurchase Option on Real Estate .....	75
15. Evaluation of Subsequent Events.....	75

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

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

**General Statement**

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

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

**Financial Reporting Entity**

The basic financial statements of the City include the primary government organizations, for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The decision to include a potential component unit in the reporting entity was made by applying the criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*.

Included in the reporting entity:

City of West Columbia (Primary government)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

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, 2016

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, 2016

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 Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", was issued June 2012. The statement was implemented and did have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2014.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", was issued January 2013. The statement was implemented and did not have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2013.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", was issued April 2013. The 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, 2013.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68", was issued November 2013. The statement was implemented and did have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2014.

GASB No. 72, "Fair Value Measurement and Application" was issued February 2015. The 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, 2015.

GASB No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of Statements 67 and 68" was issued June 2015. 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. This statement is effective for periods beginning after June 15, 2016.

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" was issued June 2015. 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. This statement is effective for periods beginning after June 15, 2016.

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2017.

GASB No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued June 2015. The 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, 2015.

GASB No. 77 "Tax Abatement Disclosures" was issued in August 2015. 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. This statement is effective for periods beginning after December 15, 2015.

GASB No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" was issued in December 2015. 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. This statement is effective for periods beginning after December 15, 2015.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB No. 79, "Certain External Investment Pools and Pool Participants" was issued in December 2015. The 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, 2015.

GASB No. 80 "Blending Requirements for Certain Component Units and amendment of GASB No. 14" was issued in January 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. This statement is effective for period beginning after June 15, 2016.

GASB No. 81 "Irrevocable Split-Interest Agreements" was issued in March 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 December 15, 2016.

GASB No. 82 "Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73" was issued in March 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, 2016.

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 2016. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after June 18, 2018.

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

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

GASB No. 86 "Certain Debt Extinguishment Issues" was issued in May 2017. The management of the 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, 2017.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

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:

	2016
Enterprise Fund:	
Change in net position - GAAP basis	\$ 52,703
Depreciation	155,478
Actuarial pension adjustments	12,587
Capital contribution	( 217,749)
Capital outlay	( 402,411)
Change in net position - budget basis	\$( 399,392)

## CITY OF WEST COLUMBIA

West Columbia, Texas

### NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

#### 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, 2016.

##### 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, 2016.

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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - 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, 2016, there were no matured compensated absences reported in the governmental funds. Maturing compensated absences payable in the Governmental Activities totaled \$ 17,805 at September 30, 2016. Accrued compensated absences reported in the Enterprise Fund at September 30, 2016 totaled \$ 7,142.

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. During the year ended September 30, 2016, no capitalized interest was recorded.

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

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

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

Deferred Outflows and Inflows of Resources

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

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

**Property Taxes**

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

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

The assessed value of the property tax roll on July 17, 2015, upon which the levy for the 2015-16 fiscal year was based, was \$ 132,390,198. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rate assessed to finance general fund operations was \$ 0.830000 per \$ 100 valuation for the year ended September 30, 2016.

Current tax collections for the year ended September 30, 2016 were 97.49% 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, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 35,993 and \$ 84 for the general and debt service funds, respectively.

**Pension Plans**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations

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

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

Fund Equity

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity - Continued

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

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

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

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

As of September 30, 2016, non-spendable fund balances include \$ 14,418 for prepaid items in the general fund. Restricted fund balances include \$ 1,135,263 for economic development, \$ 707,885 for the capital improvement fund, \$ 17,300 for the debt service fund, \$ 1,665 for contributor purposes, \$ 11,816 for municipal court technology, \$ 50,915 for municipal court security, \$ 2,663 for child safety, and \$ 4,742 for the police department. There were no committed fund balances. Assigned fund balances include \$ 1,699 for vehicle replacement. Unassigned fund balance includes \$ 1,016,145 in the general fund.

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, 2016

**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, 2016 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	3,635,763	167,702	3,803,465
Total	\$ 3,636,513	\$ 167,702	\$ 3,804,215

**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, 2016, in addition to petty cash of \$ 750, the carrying amount of the City's cash, savings, and time deposits was \$ 3,803,465. The financial institutions balances were \$ 3,885,888 at September 30, 2016. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 3,635,888 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, 2016

**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, 2016, the City held no investments.

**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, 2016, and holds no direct investments in derivatives at September 30, 2016.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS**

Receivables as of September 30, 2016, 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	\$ 75,213	\$	\$ 3,542	\$ 78,755
Hotel occupancy tax			8,322	8,322
Sales taxes	95,070	47,535		142,605
Receivables from other governments	475		8	483
Other	49,329			49,329
Gross receivables	220,087	47,535	11,872	279,494
Less Allowance for Uncollectibles:				
Property taxes	39,220		3,458	42,678
Net total receivables	\$ 180,867	\$ 47,535	\$ 8,414	\$ 236,816
			Proprietary Fund	
Receivables:				
Accounts:				
Customers				\$ 232,201
Other				25,368
Gross receivables				257,569
Less Allowance for Uncollectibles:				
Customers				74,928
Net total receivables				\$ 182,641

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS - Continued

Municipal Court Receivables

Municipal court receivables are reported in the governmental activities statement of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The allowance for uncollectible receivables for the year ended September 30, 2016 was \$ 957,870.

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, 2016, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources (Unavailable)</u>
Delinquent property taxes receivable (general fund)	\$ <u>31,210</u>
Total deferred inflows of resources	\$ <u><u>31,210</u></u>

Governmental and Business-Type Activities

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date (December 31, 2015) to the current year-end of September 30, 2016 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, 2016, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Governmental Activities</u>		
TMRS deferred inflows and outflows of resources less current amortization	\$ 252,444	\$ 80,845
TESRS deferred inflows and outflows of resources less current amortization	17,357	
Pension contributions subsequent to the measurement date	<u>29,879</u>	
Totals	<u>\$ 299,680</u>	<u>\$ 80,845</u>

There were no unearned revenues reported in the governmental activities as of September 30, 2016.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Business-Type Activities</u>		
TMRS deferred inflows and outflows of resources less current amortization	\$ 85,604	\$ 25,703
Pension contributions subsequent to the measurement date	<u>6,553</u>	
Totals	<u>\$ 92,157</u>	<u>\$ 25,703</u>

There were no unearned revenues reported in the business-type activities as of September 30, 2016.

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

Interfund balances at September 30, 2016 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Capitol Park Fund	\$ 3,016	\$
Enterprise Fund	<u>21,984</u>	<u>12,982</u>
Total General Fund	<u>25,000</u>	<u>12,982</u>
Special Revenue Funds:		
Capitol Park Fund:		
General Fund	<u>                    </u>	<u>3,016</u>
Total Special Revenue Funds	<u>-0-</u>	<u>3,016</u>
Enterprise Fund:		
General Fund	<u>12,982</u>	<u>21,984</u>
Total Enterprise Fund	<u>12,982</u>	<u>21,984</u>
Total	<u>\$ 37,982</u>	<u>\$ 37,982</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

Interfund transfers for the year ended September 30, 2016 consisted of the following individual fund transfers in and transfers out:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund:		
Special Revenue Funds:		
Economic Development Corporation Fund	\$ 151,000	\$
Hotel Occupancy Tax Fund	12,841	
Capital Improvement Fund		113,728
Debt Service Fund		45,400
Enterprise Fund	<u>70,000</u>	
Total General Fund	<u>233,841</u>	<u>159,128</u>
Debt Service Fund:		
General Fund	45,400	
Enterprise Fund	<u>3,500</u>	
Total Debt Service Fund	<u>48,900</u>	<u>-0-</u>
Special Revenue Funds:		
Economic Development Corporation Fund:		
General Fund		151,000
Hotel Occupancy Tax:		
General Fund		<u>12,841</u>
Total Special Revenue Funds	<u>-0-</u>	<u>163,841</u>
Capital Improvement Fund:		
General Fund	113,728	
Debt Service Fund	<u>164,793</u>	
Total Capital Improvement Fund	<u>278,521</u>	<u>-0-</u>
Enterprise Fund:		
General Fund		70,000
Debt Service Fund		3,500
Capital Improvement Fund		<u>164,793</u>
Total Enterprise Fund	<u>-0-</u>	<u>238,293</u>
Total	<u>\$ 561,262</u>	<u>\$ 561,262</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, \$ 217,749 of capital assets were transferred from the governmental activities to the business-type activities.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 6 - CAPITAL ASSETS**

**Capital Asset Activity**

Capital asset activity for the year ended September 30, 2016, was as follows:

	<u>Balance</u> <u>10/01/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/16</u>
<b>Governmental Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 432,930	\$	\$	\$ 432,930
Construction in progress	<u>217,749</u>	<u>204,752</u>	<u>217,749</u>	<u>204,752</u>
Total capital assets, not being depreciated	<u>650,679</u>	<u>204,752</u>	<u>217,749</u>	<u>637,682</u>
<b>Capital Assets:</b>				
Buildings	1,868,930			1,868,930
Equipment	670,020	33,703		703,723
Vehicles	<u>761,422</u>	<u>73,748</u>		<u>835,170</u>
Total capital assets, being depreciated	<u>3,300,372</u>	<u>107,451</u>	<u>-0-</u>	<u>3,407,823</u>
<b>Accumulated Depreciation:</b>				
Buildings	855,295	36,211		891,506
Equipment	260,829	36,338		297,167
Vehicles	<u>605,417</u>	<u>41,296</u>		<u>646,713</u>
Total accumulated depreciation	<u>1,721,541</u>	<u>113,845</u>	<u>-0-</u>	<u>1,835,386</u>
Total capital assets being depreciated, net	<u>1,578,831</u>	<u>( 6,394)</u>	<u>-0-</u>	<u>1,572,437</u>
Governmental activities capital assets, net	<u>\$ 2,229,510</u>	<u>\$ 198,358</u>	<u>\$ 217,749</u>	<u>\$ 2,210,119</u>
	<u>Balance</u> <u>10/01/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/16</u>
<b>Business-type Activities:</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 41,750	\$	\$	\$ 41,750
Construction in progress	<u>55,030</u>	<u>336,604</u>	<u>391,634</u>	<u>-0-</u>
Total capital assets, not being depreciated	<u>96,780</u>	<u>336,604</u>	<u>391,634</u>	<u>41,750</u>
<b>Capital Assets:</b>				
Buildings	238,000			238,000
Equipment	311,531			311,531
Vehicles	175,088	56,897		231,985
Water and sewer infrastructure	<u>6,855,374</u>	<u>618,293</u>		<u>7,473,667</u>
Total capital assets being depreciated	<u>7,579,993</u>	<u>675,190</u>	<u>-0-</u>	<u>8,255,183</u>

(continued)

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 6 - CAPITAL ASSETS - Continued

Capital Asset Activity - Continued

	<u>Balance</u> <u>10/01/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/16</u>
Accumulated Depreciation:				
Buildings	\$ 127,234	\$ 3,249	\$	\$ 130,483
Equipment	107,455	17,791		125,246
Vehicles	116,624	13,066		129,690
Water and sewer infrastructure	<u>4,262,182</u>	<u>121,372</u>		<u>4,383,554</u>
Total accumulated depreciation	<u>4,613,495</u>	<u>155,478</u>	-0-	<u>4,768,973</u>
Total capital assets being depreciated, net	<u>2,966,498</u>	<u>519,712</u>	-0-	<u>3,486,210</u>
Business-type activities capital assets, net	<u>\$ 3,063,278</u>	<u>\$ 856,316</u>	<u>\$ 381,634</u>	<u>\$ 3,527,960</u>

Depreciation

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

Governmental Activities:

General administration	\$ 4,271
Public safety	67,486
Public works	2,498
Culture and recreation	<u>39,590</u>
Total depreciation expense-governmental activities	<u>\$ 113,845</u>

Business-type Activities:

Water and sewer	<u>\$ 155,478</u>
Total depreciation expense-business-type activities	<u>\$ 155,478</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, 2016 are as follows:

Tax note payable, October 1, 2015	\$ 140,000
Maturities	<u>( 45,000)</u>
Tax note outstanding, September 30, 2016	<u>\$ 95,000</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 7 - LONG-TERM DEBT - Continued**

**General Long-Term Debt - Continued**

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

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 45,000	\$ 2,622	\$ 47,622
2018	<u>50,000</u>	<u>1,380</u>	<u>51,380</u>
Total	<u>\$ 95,000</u>	<u>\$ 4,002</u>	<u>\$ 99,002</u>

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

In September 2011, the City was approved for a loan for \$ 29,657 with an interest rate of 3.99%. The proceeds of this loan were used to purchase a phone system. The City is required to make forty-eight monthly payments of \$ 670 beginning in October 2011.

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, 2016 are as follows:

Note payable, October 1, 2014	\$ 78,037
Issuances	73,745
Maturities	<u>(42,295)</u>
Note payable, September 30, 2016	<u>\$ 109,487</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 7 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

Aggregate maturities of these notes payable for the years subsequent to September 30, 2016 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 46,550	\$ 2,639	\$ 49,189
2018	38,068	1,307	39,375
2019	21,618	421	22,039
2020	<u>3,251</u>	<u>12</u>	<u>3,263</u>
Total	<u>\$ 109,487</u>	<u>\$ 4,379</u>	<u>\$ 113,866</u>

Total interest paid for the year ended September 30, 2016 was \$ 3,675.

Summary of Long-Term Debt Transactions

Transactions for the year ended September 30, 2016 are summarized as follows:

	<u>Balance 10/01/15</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 09/30/16</u>	<u>Due Within One Year</u>
<b>Governmental Type Activities:</b>					
Tax note payable	\$ 140,000	\$	\$ 45,000	\$ 95,000	\$ 45,000
Note payable	78,037	73,745	42,295	109,487	46,550
Leases payable	1,294		1,294	-0-	
Net pension obligation	29,622	57,431	25,742	61,311	9,936
Compensated absences	24,865	17,805	24,865	17,805	17,805
<b>Component of Bonded Debt:</b>					
Accrued interest payable	<u>2,040</u>	<u>1,443</u>	<u>2,040</u>	<u>1,443</u>	<u>1,443</u>
Total governmental activities	<u>275,858</u>	<u>150,424</u>	<u>141,236</u>	<u>285,046</u>	<u>120,734</u>
<b>Business Type Activities:</b>					
Compensated absences	<u>8,283</u>	<u>7,142</u>	<u>8,283</u>	<u>7,142</u>	<u>7,142</u>
Total business type activities	<u>8,283</u>	<u>7,142</u>	<u>8,283</u>	<u>7,142</u>	<u>7,142</u>
Total government (net)	<u>\$ 284,141</u>	<u>\$ 157,566</u>	<u>\$ 149,519</u>	<u>\$ 292,188</u>	<u>\$ 127,876</u>

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 8 - LEASES

Capital Leases

In March 2011, the City entered into a lease-purchase agreement for a copier for the police department. The City financed \$ 13,928 over five year with an interest rate of 4.84%. The City is required to make monthly payments of \$ 262 for five years. The first payment was due April 2011. Interest paid on this lease in 2016 was \$ 24. The lease was paid off as of September 30, 2016.

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The City of West Columbia participates as one of 866 plans in the nontraditional, join contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publically available comprehensive annual financial report (CAFR) that can be obtained at [www.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 each city, within the options available in the state statutes governing TMRS. Members in most cities can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Some cities have elected retirement eligibility with 25 years of service regardless of age. Most plans also provide death benefits and all provide disability benefits. Effective January 1, 2002, members are vested after 5 years, unless a city opted to maintain 10-year vesting. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

# CITY OF WEST COLUMBIA

West Columbia, Texas

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2016

### NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

**Employees covered by benefit terms.** At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	26
Active employees	<u>35</u>
	80

#### C. Contributions

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

Employees of the City of West Columbia were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of West Columbia were 2.99% and 2.44% in the calendar years 2015 and 2016, respectively. The City's contributions to TMRS for the year ended September 30, 2016, were \$ 41,248, and were equal to the required contributions.

#### D. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2015, and the Total Pension Liability used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

#### **Actuarial Assumptions**

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions.

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued**

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. 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). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities:		
Domestic	17.5%	4.55%
International	17.5%	6.10%
Fixed Income:		
Core	10.0%	1.00%
Non-Core	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Plan Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability/(Asset)</u> <u>(a)-(b)</u>
Balance at 12/31/2014	\$ 3,612,254	\$ 4,353,774	\$( 741,520)
Changes for the Year:			
Service cost	138,231		138,231
Interest	250,732		250,732
Changes of assumptions	98,447		98,447
Difference between expected and actual experience	( 76,686)		( 76,686)
Contributions – employer		41,248	( 41,248)
Contributions – employee		68,977	( 68,977)
Net investment income		6,424	( 6,424)
Benefit payment, including refunds of Employee contributions	( 198,971)	( 198,971)	-0-
Administrative expense		( 3,913)	3,913
Other changes		( 194)	194
Net changes	211,753	( 86,428)	298,182
Balance at 12/31/2015	\$ 3,824,007	\$ 4,267,345	\$( 443,338)

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued**

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

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

	1% Decrease In Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
City's Net Pension Liability (Asset) Changes For the Year:	\$( 1,381)	\$( 443,338)	\$( 815,564)

***Pension Plan Fiduciary Net Position***

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

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

For the year ended September 30, 2016, the city recognized pension expense of \$ 56,092.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 106,548
Difference between projected and actual investment earnings	270,954	
Changes in assumptions	67,094	
Contributions subsequent to the measurement date	26,496	
Total	\$ 364,544	\$ 106,548

\$ 26,496 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 9 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

<u>Year Ended</u> <u>September 30,</u>		
2016	\$	36,764
2017	\$	63,670
2018	\$	71,398
2019		59,668
2020		-0-
Thereafter		-0-

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

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

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

	Contributing Departments
2014	198
2015	197

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

B. Benefits Provided

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued**

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

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

**C. Covered Membership**

On August 31, the pension system membership consisted of:

	2014	2015
Retirees and beneficiaries currently receiving benefits	3,073	2,991
Terminated members entitled to benefits but not yet receiving them	2,161	2,211
Active participants (vested and non-vested)	4,036	4,016

**D. Funding Policy**

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

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

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

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

E. Contributions

The contribution requirement per active emergency services personnel members per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2015, the total contributions (dues, prior service, and interest on prior service financing) of \$ 16,716 were paid into TESRS by the City.

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

The most recent completed biennial actuarial valuation as of August 31, 2014 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 \$ 625,000 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, 2016

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

F. Net Pension Liability (Asset)

The System's Net Pension Liability (Asset) was measured as of August 31, 2015, and the Total Pension Liability used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of August 31, 2014 and rolled forward to August 31, 2015.

	<u>City's Portion</u>	<u>System</u>
Total pension liability (asset)	\$ 188,138	\$ 115,520,991
Plan fiduciary net position	126,827	88,828,460
Net pension liability (asset)	\$ 61,311	\$ 26,692,531
Plan fiduciary net position as a percentage of the total pension liability (asset)	67.4%	76.9%

***Actuarial Assumptions***

The Total Pension Liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50% per year	
Salary increases	N/A	
Investment Rate of Return	7.75%, net of pension plan investment expense, including inflation	

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 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 and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

**NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities:		
Large cap domestic	32%	5.2%
Small cap domestic	10%	5.8%
Developed international	21%	5.5%
Emerging markets	6%	5.4%
Master limited partnerships	5%	7.1%
Fixed Income:		
Domestic	21%	1.4%
International	5%	1.6%
Cash	0%	0.0%
Total	100%	

***Discount Rate***

The discount rate used to measure the total pension liability (asset) was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2014 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. That UAAL was based on an actuarial value of assets that was \$ 7.9 million less than the plan fiduciary net position as of August 31, 2014. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<u>1% Decrease In Discount Rate (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase In Discount Rate (8.75%)</u>
City's Net Pension Liability (Asset)	\$ 165,332	\$ 61,311	\$ 53,670

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

NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended September 30, 2016

NOTE 10 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

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

At September 30, 2016, the City reported \$ 27,293 deferred outflows of resources related to the pension. Of this amount, \$ 9,936 was from contributions subsequent to the measurement date and \$ 17,357 was net difference between projected and actual investment earning.

\$ 9,936 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) for the year ending September 30, 2016. \$ 17,357 reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>September 30,</u>	
2016	\$ 3,326
2017	3,326
2018	3,326
2019	7,379

NOTE 11 - 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 12 - DEFICIT FUND BALANCES

As of September 30, 2016, the City had a deficit fund balance as itemized below:

	2016
Fund Balances:	
Special Revenues Funds:	
Capitol Park	\$ 3,016

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 13 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended September 30, 2016, the City incurred expenditures in excess of appropriations in the general fund of \$ 80,499.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2016

**NOTE 14 - REPURCHASE OPTION ON REAL ESTATE**

On January 14, 2015, the City received \$ 392,966 for the sale of approximately 2.808 acres of land. This transaction included a repurchase option whereby the City may repurchase the land and/or the purchaser may exercise the option if conditions are not met by January 1, 2017.

**NOTE 15 - EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through July 5, 2017, 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, 2016

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 1,795,300	\$ 1,776,300	\$ 1,818,652	\$ 42,352
Revenue producing facilities	355,700	370,000	382,826	12,826
Fines and fees	257,400	280,900	304,646	23,746
Licenses and permits	17,755	32,755	31,889	( 866)
Intergovernmental revenue	41,200	42,000	125,172	83,172
Miscellaneous	29,610	49,090	46,304	( 2,786)
<b>Total revenues</b>	<u>2,496,965</u>	<u>2,551,045</u>	<u>2,709,489</u>	<u>158,444</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General Government and Administrative:</b>				
Administrative	149,930	270,235	263,003	7,232
Legislative	102,270	47,115	44,146	2,969
Legal	39,820	32,030	38,558	( 6,528)
Municipal court	118,755	131,630	134,707	( 3,077)
Finance	77,725	80,395	77,746	2,649
<b>Public Safety:</b>				
Police	1,097,325	1,200,067	1,169,996	30,071
Fire	65,100	65,160	59,570	5,590
Fire marshal	61,115	83,741	84,807	( 1,066)
Emergency medical services	36,720	36,720	36,720	-0-
<b>Public Works:</b>				
Streets and drainage	230,505	169,170	147,777	21,393
Sanitation	256,000	256,000	256,948	( 948)
<b>Culture and Recreation:</b>				
Community development				
Library	47,765	49,005	44,947	4,058
Parks and recreation	213,785	207,497	197,048	10,449
Capital outlay	120,000	154,000	312,203	( 158,203)
<b>Debt Service:</b>				
Principal	35,000	43,589	43,589	-0-
Interest and fiscal charges	3,200	8,611	3,699	4,912
<b>Total expenditures</b>	<u>2,655,015</u>	<u>2,834,965</u>	<u>2,915,464</u>	<u>( 80,499)</u>



**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, 2016

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Excess (deficiency) of revenues over expenditures	\$ (158,050)	\$ (283,920)	\$ (205,975)	\$ 77,945
Other Financing Sources (Uses):				
Transfers in	243,450	233,820	233,841	21
Transfers out	(145,400)	(160,400)	(159,128)	1,272
Issuance of loan			73,745	73,745
Total other financing sources	98,050	73,420	148,458	75,038
Net change in fund balances	(60,000)	(210,500)	(57,517)	152,983
Fund balances – beginning	1,162,931	1,162,931	1,162,931	-0-
Fund balances – ending	\$ 1,102,931	\$ 952,431	\$ 1,105,414	\$ 152,983

Economic Development Corporation Fund

Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 161,000	\$ 133,370	\$ 316,751	\$ 183,381
( 161,000)	( 151,000)	( 151,000)	-0-
( 161,000)	( 151,000)	( 151,000)	-0-
-0-	( 17,630)	165,751	183,381
824,353	824,353	824,353	-0-
<u>\$ 824,353</u>	<u>\$ 806,723</u>	<u>\$ 990,104</u>	<u>\$ 183,381</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, 2016 WITH MEASUREMENT DATE OF DECEMBER 31, 2015**

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

Notes to Schedule:

N/A

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

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

**TMRS SCHEDULE OF CONTRIBUTIONS**  
**FOR THE LAST TEN YEARS (1)**  
SEPTEMBER 30, 2016 WITH MEASUREMENT DATE OF DECEMBER 31, 2015

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

**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 two years of required supplemental information is available.

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

**TESRS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE LAST TEN YEARS (1)  
SEPTEMBER 30, 2016 WITH MEASUREMENT DATE OF DECEMBER 31, 2015**

	<u>2015</u>	<u>2016</u>
Service cost	\$ 2,796	\$ 5,998
Interest (on the Total Pension Liability)	12,318	29,986
Changes in benefit terms		
Difference between expected and actual experience		
Changes in assumptions		
Benefit payments, including refunds of employee contributions	( 6,377 )	( 15,926 )
<b>Net Change in Total Pension Liability</b>	<b>8,737</b>	<b>20,058</b>
<b>Total Pension Liability – Beginning</b>	<b><u>159,343(2)</u></b>	<b><u>168,080</u></b>
<b>Total Pension Liability – Ending (a)</b>	<b><u>\$ 168,080</u></b>	<b><u>\$ 188,138 (4)</u></b>
Contributions by the City	\$ 6,912	\$ 16,716
Contributions by the State		
Net Investment Income	18,221	( 11,657 )
Benefit payments, including refunds of employee contributions	( 6,377 )	( 15,926 )
Administrative expense	( 255 )	( 764 )
Other		
<b>Net Change in Plan Fiduciary Net Position</b>	<b>18,501</b>	<b>( 11,631 )</b>
<b>Plan Fiduciary Net Position – Beginning</b>	<b><u>119,957</u></b>	<b><u>138,458</u></b>
<b>Plan Fiduciary Net Position – Ending (b)</b>	<b><u>\$ 138,458</u></b>	<b><u>\$ 126,827</u></b>
<b>Net Pension Liability (a-b)</b>	<b>\$ 29,622</b>	<b>\$ 61,311</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>82.38%</b>	<b>67.41%</b>
<b>Number of Active Members (3)</b>	<b>N/A</b>	<b>N/A</b>
<b>System's Net Pension Liability per Active Member</b>	<b>N/A</b>	<b>N/A</b>

Notes to Schedule:

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

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

TESRS SCHEDULE OF INVESTMENT RETURNS  
FOR THE LAST TEN YEARS (1)  
SEPTEMBER 30, 2016 WITH MEASUREMENT DATE OF AUGUST 31, 2015

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

Notes to Schedule:

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

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**COMBINING AND INDIVIDUAL  
FUND STATEMENTS AND SCHEDULES**

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

**COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS**

September 30, 2016

	Special Revenue Funds				
	Replica and Museum Fund	Hotel Occupancy Tax Fund	Capitol Park Fund	Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,665	\$ 136,837	\$	\$ 17,208	\$ 155,710
Taxes receivable, net		8,322		84	8,406
Receivables from other governments				8	8
<b>Total assets</b>	<u>1,665</u>	<u>145,159</u>	<u>-0-</u>	<u>17,300</u>	<u>164,124</u>
<b>Deferred Outflows of Resources:</b>					
Deferred outflows of resources					
<b>Total deferred outflows of resources</b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 1,665</u>	<u>\$ 145,159</u>	<u>\$ -0-</u>	<u>\$ 17,300</u>	<u>\$ 164,124</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Due to other funds	\$	\$	\$ 3,016	\$	\$ 3,016
<b>Total liabilities</b>	<u>-0-</u>	<u>-0-</u>	<u>3,016</u>	<u>-0-</u>	<u>3,016</u>
<b>Deferred Inflows of Resources:</b>					
Deferred inflows of resources					
<b>Total deferred inflows of resources</b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Contributor purposes	1,665				1,665
Economic development		145,159			145,159
Debt service				17,300	17,300
Unassigned			( 3,016)		( 3,016)
<b>Total fund balances</b>	<u>1,665</u>	<u>145,159</u>	<u>( 3,016)</u>	<u>17,300</u>	<u>161,108</u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u>\$ 1,665</u>	<u>\$ 145,159</u>	<u>\$ -0-</u>	<u>\$ 17,300</u>	<u>\$ 164,124</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, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Replica and Museum Fund	Hotel Occupancy Tax Fund	Capitol Park Fund	Debt Service Fund	
<u>Revenues</u>					
Taxes	\$	\$ 53,596	\$	\$ 2,228	\$ 55,824
Miscellaneous	49	465	1,900	222	2,636
Total revenues	49	54,061	1,900	2,450	58,460
<u>Expenditures</u>					
Current:					
Culture and Recreation:					
Community development		13,484	1,355		14,839
Debt Service:					
Principal				45,000	45,000
Interest and fiscal charges				3,864	3,864
Total expenditures	-0-	13,484	1,355	48,864	63,703
Excess (deficiency) of revenues over expenditures	49	40,577	545	( 46,414)	( 5,243)
Other Financing Sources (Uses):					
Transfers in				48,900	48,900
Transfer out		( 12,841)			( 12,841)
Total other financing sources (uses)	-0-	( 12,841)	-0-	48,900	36,059
Net change in fund balances	49	27,736	545	2,486	30,816
Fund balances – beginning	1,616	117,423	( 3,561)	14,814	130,292
Fund balances – ending	\$ 1,665	\$ 145,159	\$( 3,016)	\$ 17,300	\$ 161,108

**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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$	\$ 1,500	\$ 2,228	\$ 728
Miscellaneous		200	222	22
Total revenues	-0-	1,700	2,450	750
Expenditures:				
Debt Service:				
Principal on long-term debt	45,000	45,000	45,000	-0-
Interest on long-term debt	3,900	3,900	3,864	36
Total expenditures	48,900	48,900	48,864	36
Excess of revenues over (under) expenditures	( 48,900)	( 47,200)	( 46,414)	786
Other Financing Sources:				
Transfers in	48,900	48,900	48,900	-0-
Total other financing sources	48,900	48,900	48,900	-0-
Net change in fund balances	-0-	1,700	2,486	786
Fund balances – beginning	14,814	14,814	14,814	-0-
Fund balances – ending	\$ 14,814	\$ 16,514	\$ 17,300	\$ 786

**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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 50	\$ 50	\$ 49	\$( 1)
Total revenues	50	50	49	( 1)
Expenditures:				
Current:				
Culture and Recreation:				
Community development	50	50		50
Total expenditures	50	50	-0-	50
Net change in fund balances	-0-	-0-	49	49
Fund balances – beginning	1,616	1,616	1,616	-0-
Fund balances – ending	\$ 1,616	\$ 1,616	\$ 1,665	\$ 49

**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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 60,000	\$ 50,000	\$ 53,596	\$ 3,596
Miscellaneous	100	400	465	65
Total revenues	60,100	50,400	54,061	3,661
Expenditures:				
Current:				
Culture and Recreation:				
Community development	39,650	16,600	13,484	3,116
Total expenditures	39,650	16,600	13,484	3,116
Excess of revenues over expenditures	20,450	33,800	40,577	6,777
Other Financing Sources (Uses):				
Transfers out	( 22,450)	( 22,450)	( 12,841)	9,609
Total other financing sources (uses)	( 22,450)	( 22,450)	( 12,841)	9,609
Net change in fund balances	( 2,000)	11,350	27,736	16,386
Fund balances – beginning	117,423	117,423	117,423	-0-
Fund balances – ending	\$ 115,423	\$ 128,773	\$ 145,159	\$ 16,386

**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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 500	\$ 1,300	\$ 1,710	\$ 410
Total revenues	<u>500</u>	<u>1,300</u>	<u>1,710</u>	<u>410</u>
Expenditures:				
Current:				
Public Works:				
Capital outlay	<u>233,715</u>	<u></u>	<u></u>	<u>-0-</u>
Total expenditures	<u>233,715</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess (deficiency) of revenues over expenditures	<u>( 233,215)</u>	<u>1,300</u>	<u>1,710</u>	<u>410</u>
Other Financing Sources (Uses):				
Transfers in	233,215	270,000	278,521	8,521
Transfers out	<u></u>	<u>( 30,000)</u>	<u></u>	<u>30,000</u>
Total other financing sources (uses)	<u>233,215</u>	<u>240,000</u>	<u>278,521</u>	<u>38,521</u>
Net change in fund balances	-0-	241,300	280,231	38,931
Fund balances – beginning	<u>427,654</u>	<u>427,654</u>	<u>427,654</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 427,654</u>	<u>\$ 668,954</u>	<u>\$ 707,885</u>	<u>\$ 38,931</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 1,500	\$ 1,500	\$ 1,900	\$ 400
Total revenues	1,500	1,500	1,900	400
Expenditures:				
Current:				
Culture and Recreation:				
Community development	1,500	1,500	1,355	145
Total expenditures	1,500	1,500	1,355	145
Excess of revenues over expenditures			545	545
Other Financing Sources (Uses):				
Transfers in				-0-
Total other financing sources (uses)	-0-	-0-	-0-	-0-
Net change in fund balances	-0-	-0-	545	545
Fund balances – beginning	( 3,561)	( 3,561)	( 3,561)	-0-
Fund balances – ending	\$( 3,561)	\$( 3,561)	\$( 3,016)	\$ 545

**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, 2016

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 600,000	\$ 640,000
Sewer charges	575,000	575,000
Varner Creek Utility District	140,000	140,000
Miscellaneous	121,100	145,600
Total operating revenues	1,436,100	1,500,600
Operating Expenses:		
Water production	201,795	253,320
Water distribution	327,280	321,900
Water administration	158,850	131,045
Sewer collection	137,860	211,505
Sewer treatment plant	455,400	432,085
Depreciation		
Total operating expenses	1,281,185	1,349,855
Operating income	154,915	150,745
Nonoperating Revenues (Expenses):		
Interest revenue	3,800	3,800
Capital outlay	( 22,000 )	( 435,200 )
Total nonoperating revenues (expenses)	( 18,200 )	( 431,400 )
Net income (loss) before contributions and operating transfers	136,715	( 280,655 )
Capital contributions		
Transfers out	( 136,715 )	( 158,715 )
Change in net position	-0-	( 439,370 )
Net position – beginning (restated)	4,574,624	4,574,624
Net position – ending	\$ 4,574,624	\$ 4,135,254

Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
\$ 643,695	\$	\$ 643,695	\$ 3,695
639,834		639,834	64,834
149,018		149,018	9,018
<u>92,431</u>		<u>92,431</u>	<u>( 53,169 )</u>
<u>1,524,978</u>	<u>-0-</u>	<u>1,524,978</u>	<u>24,378</u>
264,413	( 1,677 )	262,736	( 9,416 )
362,172	( 3,488 )	358,684	( 36,784 )
129,195	( 1,477 )	127,718	3,327
201,776	( 1,339 )	200,437	11,068
342,082	( 4,606 )	337,476	94,609
<u>155,478</u>	<u>( 155,478 )</u>	<u>-0-</u>	<u>-0-</u>
<u>1,455,116</u>	<u>( 168,065 )</u>	<u>1,287,051</u>	<u>62,804</u>
<u>69,862</u>	<u>168,065</u>	<u>237,927</u>	<u>87,182</u>
3,385		3,385	( 415 )
<u>                    </u>	<u>( 402,411 )</u>	<u>( 402,411 )</u>	<u>32,789</u>
<u>3,385</u>	<u>( 402,411 )</u>	<u>( 399,026 )</u>	<u>32,374</u>
73,247	( 234,346 )	( 161,099 )	119,556
217,749	( 217,749 )	-0-	-0-
<u>( 238,293 )</u>	<u>-0-</u>	<u>( 238,293 )</u>	<u>( 79,578 )</u>
52,703	( 452,095 )	( 399,392 )	39,978
<u>4,574,624</u>	<u>                    </u>	<u>4,574,624</u>	<u>-0-</u>
<u>\$ 4,627,327</u>	<u>\$ ( 452,095 )</u>	<u>\$ 4,175,232</u>	<u>\$ 39,978</u>

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