

CITY OF WEST COLUMBIA

WEST COLUMBIA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

SEPTEMBER 30, 2013

**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

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For the Year Ended September 30, 2013*

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FINANCIAL SECTION

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KENNEMER, MASTERS & LUNSFORD

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

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Independent Auditor's Report

February 3, 2014

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, 2013, 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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and recorded a prior period adjustment. Our opinion was not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the Texas Municipal Retirement System and Texas Statewide Emergency Services Retirement Fund Schedules of Fund Progress – Last Three Years on pages 11 through 21 and pages 70 through 75, 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 related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kennemer, Masters & Hunzford, LLC

Lake Jackson, Texas
February 3, 2014

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CITY OF WEST COLUMBIA, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2013*

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, 2013.

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 \$ 7,126,455 (net position). Of this amount, \$ 1,978,520 (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 \$ 676,459 (governmental activities increased by \$ 450,330 and business-type activities increased by \$ 226,129).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 1,490,291. 38.40% of this total amount, \$ 572,325 (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 \$ 574,974 or 24.66% 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, 2013*

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 22 through 25 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 79 through 80 of this report.

CITY OF WEST COLUMBIA, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2013*

- **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 32 through 37 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 39 through 68 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Economic Development Corporation Special Revenue Fund, and information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 70 through 75 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 79 through 87 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 \$ 7,126,455 as of September 30, 2013.

The largest portion of the City's net position (65.50%) 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, 2013

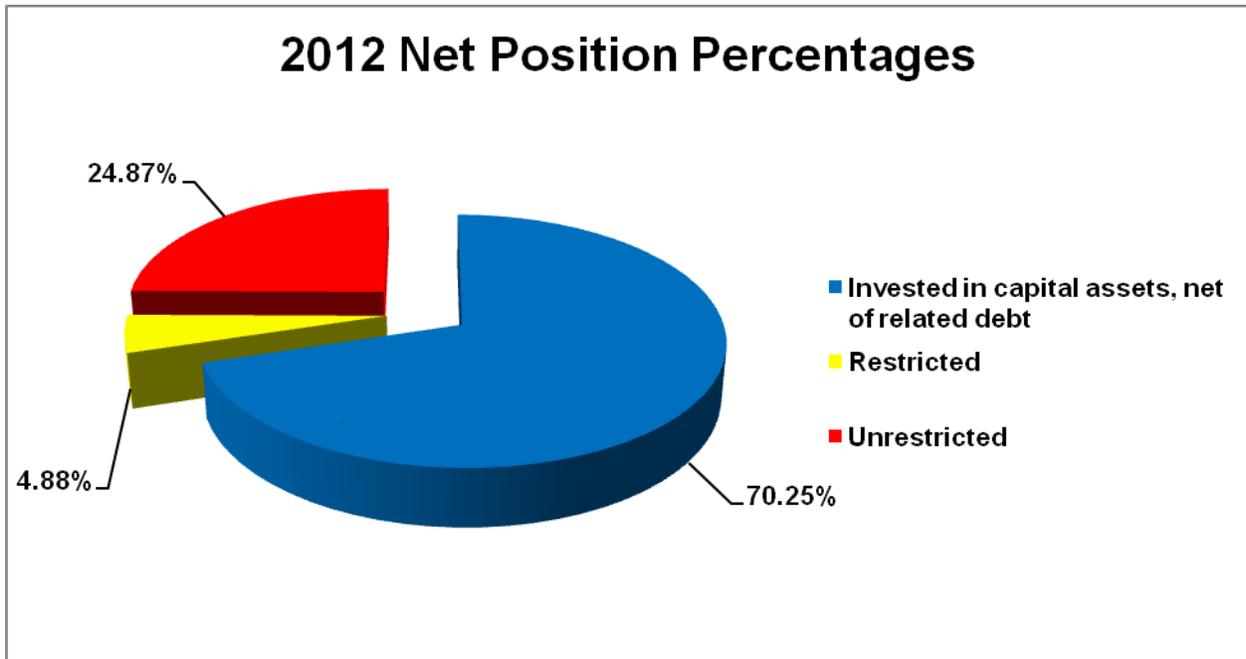
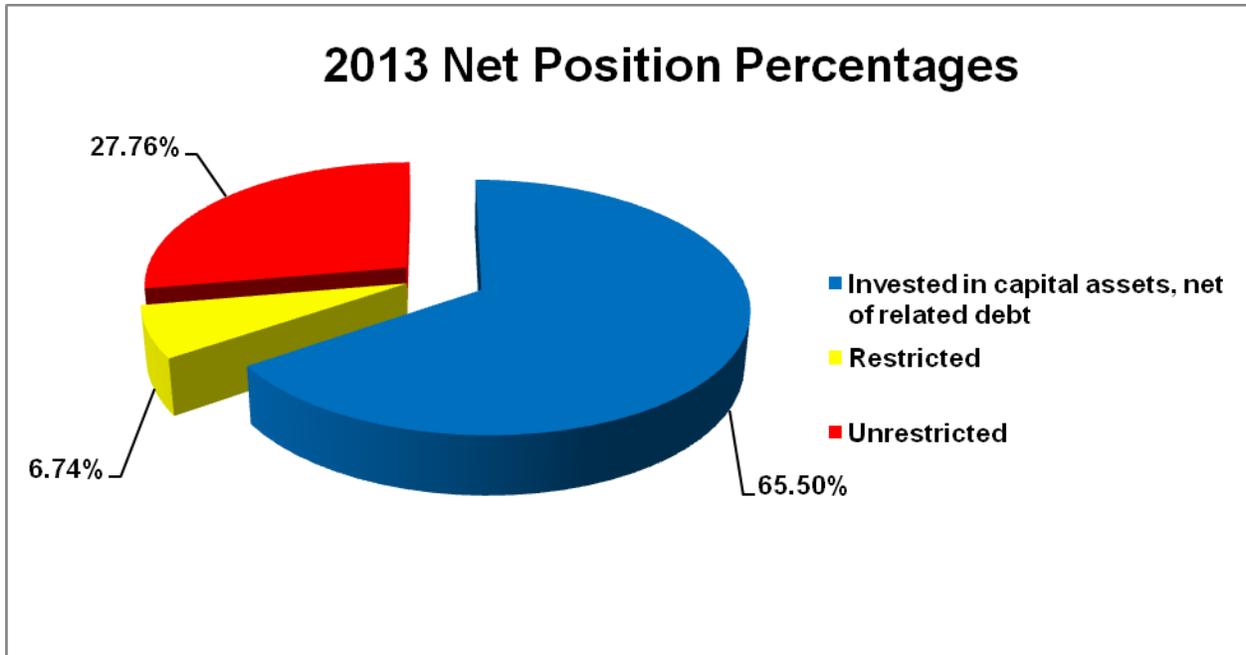
CITY OF WEST COLUMBIA'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,835,056	\$ 1,502,218	\$ 1,173,566	\$ 824,936	\$ 3,008,622	\$ 2,327,154
Capital assets	<u>2,150,219</u>	<u>2,163,934</u>	<u>3,088,178</u>	<u>3,020,967</u>	<u>5,238,397</u>	<u>5,184,901</u>
Total assets	<u>3,985,275</u>	<u>3,666,152</u>	<u>4,261,744</u>	<u>3,845,903</u>	<u>8,247,019</u>	<u>7,512,055</u>
Deferred outflows of resources						
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Current and other liabilities	195,091	215,709	339,101	128,166	534,192	343,875
Long-term liabilities	<u>566,484</u>	<u>677,073</u>	<u>19,888</u>	<u>41,111</u>	<u>586,372</u>	<u>718,184</u>
Total liabilities	<u>761,575</u>	<u>892,782</u>	<u>358,989</u>	<u>169,277</u>	<u>1,120,564</u>	<u>1,062,059</u>
Deferred inflows of resources						
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net Position:						
Invest in capital assets, net of related debt	1,615,190	1,542,026	3,052,588	2,989,246	4,667,778	4,531,272
Restricted	447,036	289,082	33,121	25,883	480,157	314,965
Unrestricted	<u>1,161,474</u>	<u>942,262</u>	<u>817,046</u>	<u>661,497</u>	<u>1,978,520</u>	<u>1,603,759</u>
Total net position	<u>\$ 3,223,700</u>	<u>\$ 2,773,370</u>	<u>\$ 3,902,755</u>	<u>\$ 3,676,626</u>	<u>\$ 7,126,455</u>	<u>\$ 6,449,996</u>

An additional portion of the City's net position of \$ 480,157 (6.74%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 1,978,520 (27.76%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2013, 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.

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013



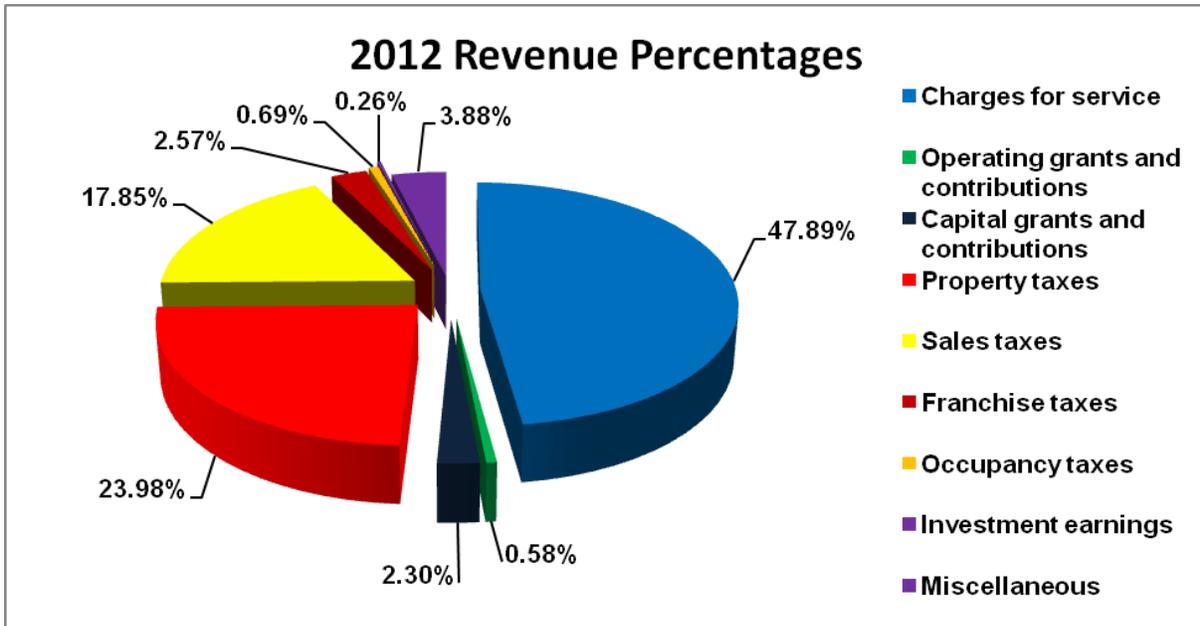
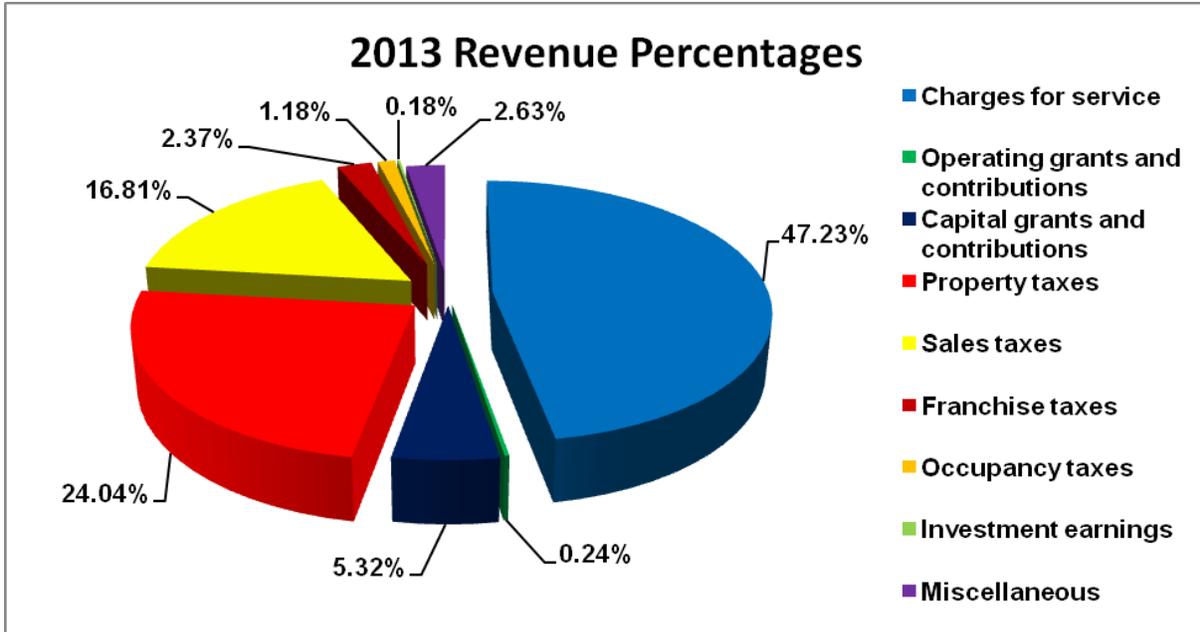
Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2013 and September 30, 2012. Business-type activities increased the City's net position by \$ 226,129. Governmental activities increased the City's net position by \$ 450,330.

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Management's Discussion and Analysis
For the Year Ended September 30, 2013

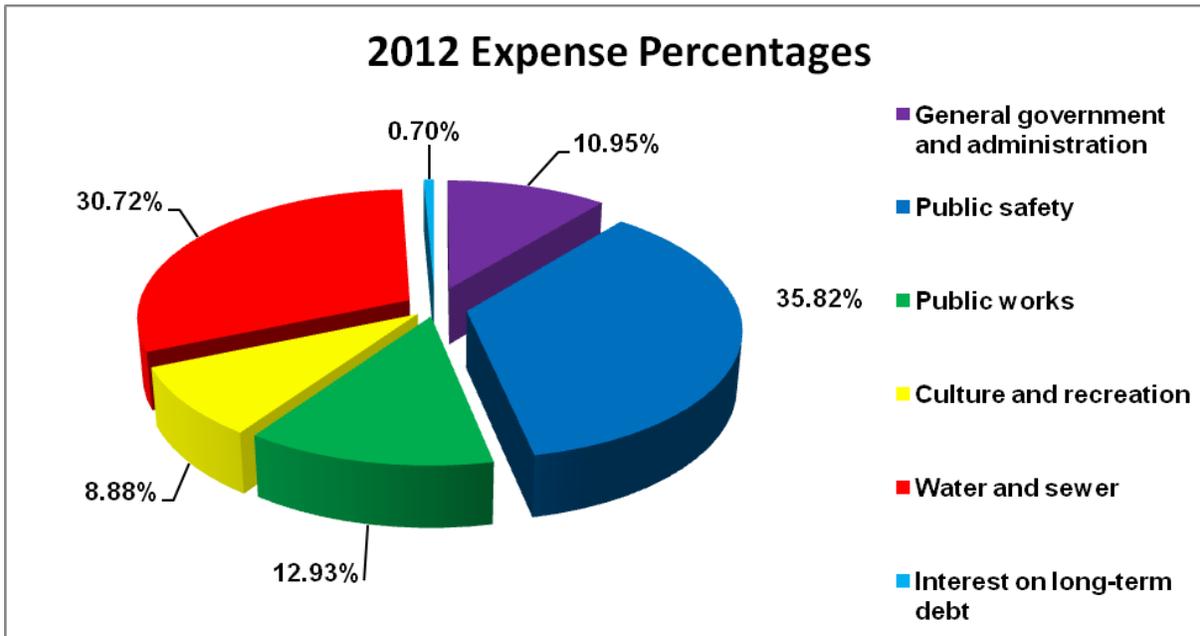
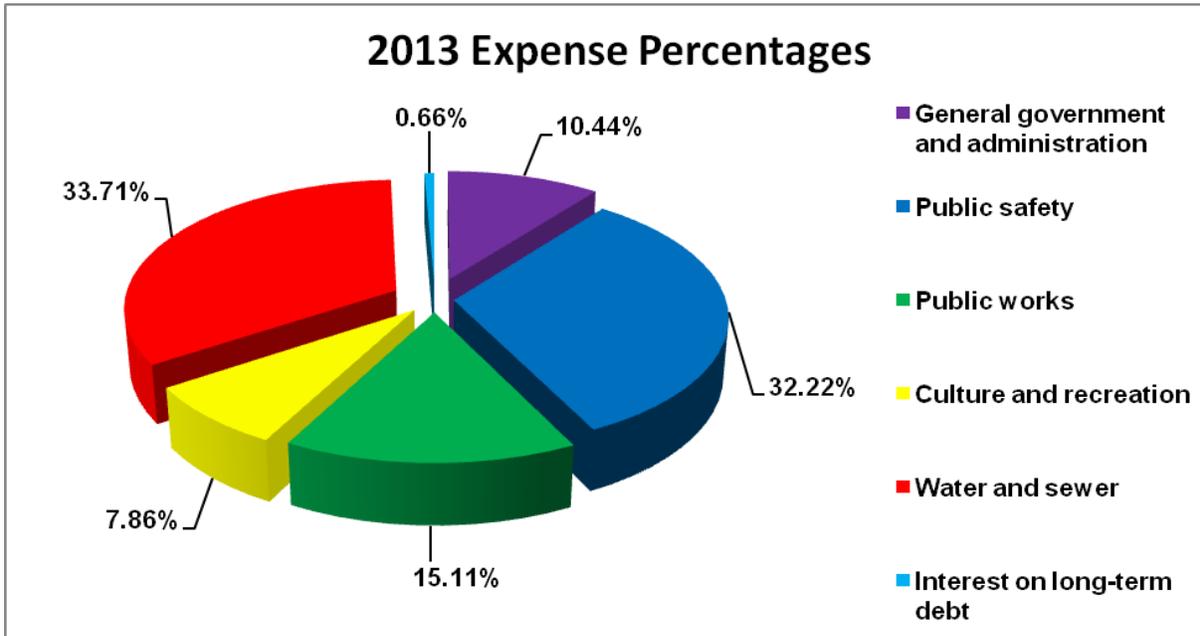
CITY OF WEST COLUMBIA'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for services	\$ 719,834	\$ 697,397	\$ 1,283,296	\$ 1,269,364	\$ 2,003,130	\$ 1,966,761
Operating grants and contributions	9,840	23,989			9,840	23,989
Capital grants and contributions	57,179	23,030	168,569	71,298	225,748	94,328
General Revenues:						
Property taxes	1,020,527	984,922			1,020,527	984,922
Sales taxes	712,900	732,975			712,900	732,975
Franchise taxes	100,670	105,539			100,670	105,539
Occupancy taxes	49,982	28,369			49,982	28,369
Investment earnings	4,662	6,877	2,634	3,724	7,296	10,601
Miscellaneous	32,436	85,506	78,997	73,637	111,433	159,143
Total revenues	<u>2,708,030</u>	<u>2,688,604</u>	<u>1,533,496</u>	<u>1,418,023</u>	<u>4,241,526</u>	<u>4,106,627</u>
Expenses:						
General government and administration	372,169	389,764			372,169	389,764
Public safety	1,148,670	1,274,611			1,148,670	1,274,611
Public works	538,827	459,943			538,827	459,943
Culture and recreation	280,140	315,857			280,140	315,857
Water and sewer			1,201,847	1,093,032	1,201,847	1,093,032
Interest on long-term debt	23,414	25,046			23,414	25,046
Total expenses	<u>2,363,220</u>	<u>2,465,221</u>	<u>1,201,847</u>	<u>1,093,032</u>	<u>3,565,067</u>	<u>3,558,253</u>
Increase in net position before contributions and transfers	344,810	223,383	331,649	324,991	676,459	548,374
Transfers	<u>105,520</u>	<u>(249,252)</u>	<u>(105,520)</u>	<u>249,252</u>	<u>-0-</u>	<u>-0-</u>
Increase (decrease) in Net position	450,330	(25,869)	226,129	574,243	676,459	548,374
Net position, Beginning (Restated)	<u>2,773,370</u>	<u>2,799,239</u>	<u>3,676,626</u>	<u>3,102,383</u>	<u>6,449,996</u>	<u>5,901,622</u>
Net position, Ending	<u>\$ 3,223,700</u>	<u>\$ 2,773,370</u>	<u>\$ 3,902,755</u>	<u>\$ 3,676,626</u>	<u>\$ 7,126,455</u>	<u>\$ 6,449,996</u>

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013



CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013



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.

CITY OF WEST COLUMBIA, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2013

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 1,490,291. 38.40% of this total amount, \$ 572,325 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 \$ 8,493, 2) economic development \$ 469,474, 3) capital improvement \$ 338,748, 4) debt service \$ 18,464, 5) contributor purposes \$ 1,456, 6) municipal court technology \$ 18,691, 7) municipal court security \$ 46,520, 8) child safety \$ 8,234, 9) police department \$ 6,203 and 10) vehicle replacement \$ 1,683.

The General Fund balance increased by \$ 53,091; Economic Development Corporation Fund balance increased by \$ 124,230, and the Capital Improvements Fund balance increased by \$ 140,054. The non-major governmental funds fund balance increased by \$ 20,307.

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, 2013 amounted to \$ 3,902,755. Total net position increased \$ 226,129 (or 6.15%).

General Fund Budgetary Highlights. Differences between the original budget and the final amended budget resulted in a \$ 171,859 increase in appropriations and can be summarized as follows:

- \$ 41,495 decrease in general government and administration
- \$ 7,466 increase in public safety
- \$ 82,570 increase in public works
- \$ 49,155 increase in culture and recreation
- \$ 71,013 increase in capital outlay
- \$ 3,150 increase in debt service

Differences between the original budget and the final amended budget resulted in a \$ 89,274 increase in revenues and can be summarized as follows:

- \$ 15,000 increase in revenue producing facilities
- \$ 71,013 increase in intergovernmental revenues
- \$ 3,261 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 \$ 166,972 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, 2013, amounts to \$ 5,238,397 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer infrastructure, equipment, vehicles and construction in progress.

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2013	2012	2013	2012	2013	2012
Land	\$ 626,140	\$ 626,140	\$ 41,750	\$ 41,750	\$ 667,890	\$ 667,890
Buildings	1,087,194	1,124,814	117,266	120,513	1,204,460	1,245,327
Water and sewer infrastructure			2,664,554	2,615,859	2,664,554	2,615,859
Equipment	269,005	248,023	114,899	126,830	383,904	374,853
Vehicles	129,601	164,957	58,280	58,155	187,881	223,112
Construction in progress	<u>38,279</u>	<u></u>	<u>91,429</u>	<u>57,860</u>	<u>129,708</u>	<u>57,860</u>
Total	<u>\$ 2,150,219</u>	<u>\$ 2,163,934</u>	<u>\$ 3,088,178</u>	<u>\$ 3,020,967</u>	<u>\$ 5,238,397</u>	<u>\$ 5,184,901</u>

Additional information on the City's capital assets can be found in Note 7 on pages 56 through 57 of this report.

Debt Administration

At the end of the current fiscal year, the City had a total long-term debt liability of \$ 586,372. Of this amount, \$ 281,000 of sales tax revenue bonds, \$ 220,000 of tax notes, \$ 28,292 of notes payable, \$ 7,689 of capital leases, \$ 38,480 of compensated absences, and \$ 10,911 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	
	September 30,		September 30,		September 30,	
	2013	2012	2013	2012	2013	2012
Sales tax revenue bonds	\$ 281,000	\$ 320,000	\$	\$	\$ 281,000	\$ 320,000
Tax notes payable	220,000	260,000			220,000	260,000
Notes payable	15,429	27,754	12,863	31,721	28,292	59,475
Capital leases	7,689	13,724			7,689	13,724
Compensated absences	31,455	43,021	7,025	9,390	38,480	52,411
Components of Long-Term Debt:						
Accrued interest payable	<u>10,911</u>	<u>12,574</u>	<u></u>	<u></u>	<u>10,911</u>	<u>12,574</u>
Total	<u>\$ 566,484</u>	<u>\$ 677,073</u>	<u>\$ 19,888</u>	<u>\$ 41,111</u>	<u>\$ 586,372</u>	<u>\$ 718,184</u>

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2013

The City currently does not have any outstanding General Obligation Bonds, but does have a Sales Tax Revenue Bond and a Tax Note as noted in Note 8 beginning on page 57. Additional information on the City of West Columbia's long-term debt can be found in Note 8 on pages 57 through 60 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2013-2014 budget, governmental fund revenues over all are expected to remain fairly consistent. Some revenue sources will change such as no grants are expected, but there are some new revenue sources such as tickets issued by the school district's police force, antenna rental and housing of the City of Sweeny prisoners. Overall, expenditures will also remain fairly close to prior fiscal year, even with increases in costs for services with one possible exception. The City Council has increased funding for the street infrastructure projects.

The enterprise fund's revenues will increase due to an increase in utility rates for water and waste water. These increases will be used to cover increased costs to maintain the system, as well as to invest in the infrastructure of the system through equipment upgrades and line replacements.

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.

CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF NET POSITION

September 30, 2013

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
ASSETS:			
Cash and cash equivalents	\$ 1,474,797	\$ 749,767	\$ 2,224,564
Taxes receivable, net	58,197		58,197
Accounts receivable, net	259,368	163,838	423,206
Receivables from other governments	9,974	89,764	99,738
Internal balances	24,227	(24,227)	-0-
Inventories		64,767	64,767
Prepaid items	8,493		8,493
Restricted Assets:			
Cash and cash equivalents		129,657	129,657
Capital Assets:			
Land	626,140	41,750	667,890
Buildings, net	1,087,194	117,266	1,204,460
Water and sewer infrastructure, net		2,664,554	2,664,554
Equipment, net	269,005	114,899	383,904
Vehicles, net	129,601	58,280	187,881
Construction in progress	38,279	91,429	129,708
Total assets	<u>3,985,275</u>	<u>4,261,744</u>	<u>8,247,019</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	<u> </u>	<u> </u>	<u> </u>
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
LIABILITIES:			
Accounts payable	185,296	238,517	423,813
Accrued wages payable	9,795	4,048	13,843
Liabilities payable from restricted assets		96,536	96,536
Noncurrent Liabilities:			
Due within one year	134,078	19,888	153,966
Due in more than one year	432,406		432,406
Total liabilities	<u>761,575</u>	<u>358,989</u>	<u>1,120,564</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

(continued)

CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF NET POSITION - Continued

September 30, 2013

	Governmental Activities	Business- Type Activities	Total
NET POSITION			
Invested in capital assets, net of related debt	\$ 1,615,190	\$ 3,052,588	\$ 4,667,778
Restricted For:			
Debt service	18,464		18,464
Capital improvement	338,748		338,748
Sewer replacement		33,121	33,121
Vehicle replacement	1,683		1,683
Municipal court security and technology	65,211		65,211
Child safety	8,234		8,234
Other purposes	14,696		14,696
Unrestricted	1,161,474	817,046	1,978,520
Total net position	\$ 3,223,700	\$ 3,902,755	\$ 7,126,455

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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government and administration	\$ 372,169	\$ 42,047	\$	\$
Public safety	1,148,670	337,175		38,279
Public works	538,827	255,745		
Culture and recreation	280,140	84,867	9,840	18,900
Interest on long-term debt	<u>23,414</u>			
Total governmental activities	<u>2,363,220</u>	<u>719,834</u>	<u>9,840</u>	<u>57,179</u>
Business-type Activities:				
Water and sewer	<u>1,201,847</u>	<u>1,283,296</u>		<u>168,569</u>
Total business-type activities	<u>1,201,847</u>	<u>1,283,296</u>	<u>-0-</u>	<u>168,569</u>
Total	<u>\$ 3,565,067</u>	<u>\$ 2,003,130</u>	<u>\$ 9,840</u>	<u>\$ 225,748</u>
General Revenues:				
Taxes:				
Property taxes				
Sales taxes				
Franchise fees				
Occupancy taxes				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position – beginning (restated)				
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
\$(330,122)	\$	\$(330,122)
(773,216)		(773,216)
(283,082)		(283,082)
(166,533)		(166,533)
(23,414)		(23,414)
<u>(1,576,367)</u>	<u>-0-</u>	<u>(1,576,367)</u>
<u>-0-</u>	<u>250,018</u>	<u>250,018</u>
<u>-0-</u>	<u>250,018</u>	<u>250,018</u>
<u>(1,576,367)</u>	<u>250,018</u>	<u>(1,326,349)</u>
1,020,527		1,020,527
712,900		712,900
100,670		100,670
49,982		49,982
4,662	2,634	7,296
32,436	78,997	111,433
<u>105,520</u>	<u>(105,520)</u>	<u>-0-</u>
<u>2,026,697</u>	<u>(23,889)</u>	<u>2,002,808</u>
450,330	226,129	676,459
<u>2,773,370</u>	<u>3,676,626</u>	<u>6,449,996</u>
<u>\$ 3,223,700</u>	<u>\$ 3,902,755</u>	<u>\$ 7,126,455</u>

CITY OF WEST COLUMBIA
West Columbia, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2013

	General Fund	Economic Development Corporation Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets and Deferred Outflows of Resources</u>					
Assets:					
Cash and cash equivalents	\$ 666,297	\$ 390,366	\$ 332,161	\$ 85,973	\$ 1,474,797
Taxes receivable, net	49,322			8,875	58,197
Receivables from other governments	9,974				9,974
Accounts receivable, net	114,785	41,681		179	156,645
Due from other funds	57,460		6,587		64,047
Prepaid items	8,493				8,493
Total assets	906,331	432,047	338,748	95,027	1,772,153
Deferred Outflows of Resources:					
Deferred outflows of resources					
Total deferred outflows of resources	-0-	-0-	-0-	-0-	-0-
Total assets and deferred outflows of resources	\$ 906,331	\$ 432,047	\$ 338,748	\$ 95,027	\$ 1,772,153
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>					
Liabilities:					
Accounts payable	\$ 185,296	\$	\$	\$	\$ 185,296
Accrued wages payable	9,795				9,795
Due to other funds	200	36,907		2,713	39,820
Total liabilities	195,291	36,907	-0-	2,713	234,911
Deferred Inflows of Resources:					
Deferred inflows of resources – Property taxes	46,242			709	46,951
Total deferred inflows of resources	46,242	-0-	-0-	709	46,951

(continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS - Continued**

September 30, 2013

	<u>General Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Capital Improvement Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Non-Spendable:					
Prepaid items	\$ 8,493	\$	\$	\$	\$ 8,493
Restricted:					
Economic development		395,140		74,334	469,474
Capital improvement			338,748		338,748
Debt service				18,464	18,464
Contributor purposes				1,456	1,456
Municipal court technology	18,691				18,691
Municipal court security	46,520				46,520
Child safety	8,234				8,234
Police department	6,203				6,203
Assigned:					
Vehicle replacement	1,683				1,683
Unassigned	<u>574,974</u>	<u> </u>	<u> </u>	<u>(2,649)</u>	<u>572,325</u>
Total fund balances	<u>664,798</u>	<u>395,140</u>	<u>338,748</u>	<u>91,605</u>	<u>1,490,291</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 906,331</u>	<u>\$ 432,047</u>	<u>\$ 338,748</u>	<u>\$ 95,027</u>	<u>\$ 1,772,153</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, 2013

Total fund balances – governmental funds balance sheet	\$ 1,490,291
 Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 3,651,089 in assets less \$ 1,500,870 in accumulated depreciation.	2,150,219
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred inflows of resources – property taxes for the general fund and the debt service fund amounted to \$ 46,242 and \$ 709, respectively.	46,951
Municipal court receivables unavailable to pay for current period expenditures are not recognized in the governmental funds. Municipal court receivables, net of allowance, total \$ 102,723 (\$ 1,027,230 less allowance for uncollectibles of \$ 924,507).	102,723
Payables for bond principal are not reported in the funds.	(281,000)
Payables for bond interest are not reported in the funds.	(7,854)
Payables for tax note principal are not reported in the funds.	(220,000)
Payables for tax note interest are not reported in the funds.	(3,036)
Payables for note principal are not reported in the funds.	(15,429)
Payables for note interest are not reported in the funds.	(12)
Payables for capital lease principal are not reported in the funds.	(7,689)
Payables for capital lease interest are not reported in the funds.	(9)
Payables for compensated absences are not reported in the funds.	(<u>31,455</u>)
Net position of governmental activities – statement of net position.	\$ <u><u>3,223,700</u></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, 2013

	General Fund	Economic Development Corporation Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 1,602,853	\$ 237,633	\$	\$ 51,756	\$ 1,892,242
Revenue producing facilities	363,382				363,382
Fines and fees	313,238				313,238
Licenses and permits	19,277				19,277
Intergovernmental revenue	57,179				57,179
Miscellaneous	32,683	11,079	1,234	1,942	46,938
Total revenues	2,388,612	248,712	1,234	53,698	2,692,256
Expenditures:					
Current:					
General Government and Administrative	374,146				374,146
Public safety	1,104,325				1,104,325
Public works	533,676				533,676
Culture and recreation	218,094	8,725		16,118	242,937
Capital outlay	82,573		52,424		134,997
Debt Service:					
Principal	18,360	39,000		40,000	97,360
Interest and fiscal charges	144	17,757		7,176	25,077
Total expenditures	2,331,318	65,482	52,424	63,294	2,512,518
Excess (deficiency) of revenues over expenditures	57,294	183,230	(51,190)	(9,596)	179,738
Other Financing Sources (Uses):					
Transfers in	142,153		191,244	43,056	376,453
Transfers out	(146,356)	(59,000)		(13,153)	(218,509)
Total other financial sources (uses)	(4,203)	(59,000)	191,244	29,903	157,944
Net change in fund balances	53,091	124,230	140,054	20,307	337,682
Fund balances – beginning	611,707	270,910	198,694	71,298	1,152,609
Fund balances – ending	\$ 664,798	\$ 395,140	\$ 338,748	\$ 91,605	\$ 1,490,291

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, 2013

Net change in fund balances – total governmental funds	\$	337,682
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$ 134,997 exceeded depreciation expense of \$ 96,288.		38,709
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, \$ 52,424 of water and sewer infrastructure were contributed to the proprietary funds of the City.	(52,424)
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 \$ 5,894 and decreased for the debt service fund by \$ 2,269.	(8,163)
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 general obligation bonded debt of \$ 39,000; tax notes of \$ 40,000, loans of \$ 12,325 and capital leases of \$ 6,035.		97,360
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 \$ 23,937.		23,937
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 \$ 1,663 (bonds \$ 1,090, tax notes \$ 552, loans \$ 5, and capital leases \$ 16).		1,663
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 \$ 11,566.		<u>11,566</u>
Change in net position of governmental activities	\$	<u><u>450,330</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, 2013

	<u>Enterprise Fund</u>
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 749,767
Accounts receivable, net	163,838
Receivables from other governments	89,764
Inventory	<u>64,767</u>
Total current unrestricted assets	<u>1,068,136</u>
Restricted Assets:	
Cash and cash equivalents	<u>129,657</u>
Total current restricted assets	<u>129,657</u>
Total current assets	<u>1,197,793</u>
Noncurrent Assets:	
Capital Assets:	
Property, plant and equipment	7,361,100
Accumulated depreciation	<u>(4,272,922)</u>
Net capital assets	<u>3,088,178</u>
Total assets	<u>4,285,971</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows of resources	<u> </u>
Total deferred outflows of resources	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 4,285,971</u>

(Continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND - Continued

September 30, 2013

	<u>Enterprise Fund</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	\$ 238,517
Accrued expenses payable	4,048
Compensated absences	7,025
Due to other funds	24,227
Notes payable – current	<u>12,863</u>
Total current unrestricted liabilities	286,680
Current Liabilities Payable From Restricted Assets:	
Customer meter deposits	<u>96,536</u>
Total current liabilities	<u>383,216</u>
Noncurrent Liabilities:	
Noncurrent liabilities	<u> </u>
Total noncurrent liabilities	<u>-0-</u>
Total liabilities	<u>383,216</u>
<u>Deferred Inflows of Resources</u>	
Deferred inflows of resources	<u> </u>
Total deferred inflows of resources	<u>-0-</u>
<u>Net Position</u>	
Invested in capital assets, net of related debt	3,052,588
Restricted For:	
Sewer replacement	33,121
Unrestricted	<u>817,046</u>
Total net position	<u>\$ 3,902,755</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, 2013

	<u>Enterprise Fund</u>
Operating Revenues:	
Water service	\$ 584,548
Sewer charges	511,627
Varner Creek Utility District	187,121
Miscellaneous	<u>78,997</u>
Total operating revenues	<u>1,362,293</u>
Operating Expenses:	
Water production	197,969
Water distribution	372,376
Water administration	114,732
Sewer collection	65,141
Sewer treatment plant	285,455
Depreciation	<u>163,082</u>
Total operating expenses	<u>1,198,755</u>
Operating income	<u>163,538</u>
Non-Operating Revenues (Expenses):	
Interest revenue	2,634
Interest and fiscal charges	<u>(3,092)</u>
Total non-operating revenues (expenses)	<u>(458)</u>
Income before contributions and transfers	163,080
Capital contributions	168,569
Transfers in	52,424
Transfers out	<u>(157,944)</u>
Change in net position	226,129
Net position – beginning	<u>3,676,626</u>
Net position – ending	<u>\$ 3,902,755</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, 2013

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,274,627
Receipts from other funds	7,732
Payments to suppliers	(379,405)
Payments to employees	<u>(484,454)</u>
Net cash provided by operating activities	<u>418,500</u>
Cash Flows from Non-Capital Financing Activities:	
Operating transfers to other funds	<u>(157,944)</u>
Net cash used for non-capital financing activities	<u>(157,944)</u>
Cash Flows from Capital and Related Financing Activities:	
Principle payments on loan	(18,858)
Purchases of capital assets	(9,300)
Interest and fees	<u>(3,092)</u>
Net cash used by capital and related financing activities	<u>(31,250)</u>
Cash Flows from Investing Activities:	
Interest received	<u>2,634</u>
Net cash provided by investing activities	<u>2,634</u>
Net increase in cash and cash equivalents	231,940
Balances – beginning of year	<u>647,484</u>
Balances – end of the year	<u><u>\$ 879,424</u></u>

(Continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

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

For the Year Ended September 30, 2013

	<u>Enterprise Fund</u>
Reconciliation of Operating Income to Net Cash Provided by	
Operating Activities:	
Operating income	\$ 163,538
Adjustments to Reconcile Operating Income to Net Cash Provided by	
Operating Activities:	
Depreciation	163,082
Changes in Assets and Liabilities:	
Receivable, net	(90,646)
Inventory	(33,776)
Accounts payable	206,271
Accrued expenses payable	(681)
Due to other funds	7,732
Customer deposits	<u>2,980</u>
Net cash provided by operating activities	<u>\$ 418,500</u>
Non-Cash Investing, Capital and Financing Activities:	
Capital improvements – CDBG Grant	\$ 168,569
Capital improvements – Government	52,424
Capital contributions	<u>(220,993)</u>
Net effect of non-cash transactions	<u>\$ -0-</u>

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

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

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CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

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, 2013

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, 2013

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, 2013

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. 60, "Accounting and Financial Reporting for Service Concession Arrangements", was issued November 2010. The statement was implemented and did not have an impact on the City's financial statements. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34", was issued November 2010. The statement was implemented and did not have an impact on the City's financial statements. This statement is effective for periods beginning after June 15, 2012.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements", was issued December 2010. The statement was implemented and did not have an impact on the City's financial statements. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", was issued June 2011. The statement was implemented and did not have an impact on the City's financial statements, although it has reclassified certain items previously recorded as assets and liabilities within the City's financial statements as outflow and inflows of resources. This statement is effective for periods beginning after December 15, 2011.

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-and amendment of GASB Statements No. 53", was issued June 2011. The statement was implemented and did not have an impact on the City's financial statements.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", was issued March 2012. The statement was implemented and did have an impact on the City's financial statements (See Note 2 Change in Accounting Principle). This statement is effective for periods beginning after December 15, 2012.

GASB Statement No. 66, "Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62", was issued March 2012. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2012.

GASB Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25", was issued June 2012. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2013.

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

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", was issued January 2013. The management of the City does not believe that the implementation of this statement will 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 management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2013.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

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:

	<u>2013</u>
Enterprise Fund:	
Change in net assets - GAAP basis	\$ 226,129
Depreciation	163,082
Capital contribution	(168,569)
Capital outlay	(230,293)
Debt principal payments	<u>(18,858)</u>
Change in net assets - budget basis	\$(<u>28,509</u>)

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

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, 2013.

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 amount of any expense, which may occur, resulting from utilization of unused sick leave, cannot be determined as of September 30, 2013.

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, 2013

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, 2013, there were no matured compensated absences reported in the governmental funds. Maturing compensated absences payable in the Governmental Activities totaled \$ 31,455 at September 30, 2013. Accrued compensated absences reported in the Enterprise Fund at September 30, 2013 totaled \$ 7,025.

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, 2013, 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, 2013

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 13, 2012, upon which the levy for the 2012-13 fiscal year was based, was \$ 113,121,932. 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 \$ 0.831900 per \$ 100 valuation for the year ended September 30, 2013.

Current tax collections for the year ended September 30, 2013 were 97.24% 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, 2013, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 49,322 and \$ 958 for the general and debt service funds, respectively.

Pension Plans

It is the policy of the City to fund pension costs annually. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service costs. In the fiscal year ended September 30, 1999, the City implemented GASB Statement 27, Accounting for Pensions by State and Local Governmental Employers, which standardizes financial reporting for pensions by state and local governmental employers for the Emergency Services Personnel Retirement Fund (the Fund) upon the Fund's adoption of GASB Statement 25. For fiscal year ended September 30, 1998, the City implemented GASB Statement 27 for the Texas Municipal Retirement System (TMRS). At the date of transition and implementation of GASB Statement 27, there was no pension liability or pension asset (see Note 10).

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations

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

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

Fund Equity

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

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

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

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.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity - Continued

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, 2013, non-spendable fund balances include \$ 8,493 for prepaid items in the general fund. Restricted fund balances include \$ 469,474 for economic development, \$ 338,748 for the capital improvement fund, \$ 18,464 for the debt service fund, \$ 1,456 for contributor purposes, \$ 18,691 for municipal court technology, \$ 46,520 for municipal court security, \$ 8,234 for child safety, and \$ 6,203 for the police department. There were no committed fund balances. Assigned fund balances include \$ 1,683 for vehicle replacement. Unassigned fund balance includes \$ 572,325 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.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE

During the year ended September 30, 2013, the City implemented GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result, bond issuance costs are no longer accounted for as an asset to be amortized over future periods. Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practical, for all periods presented.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE - Continued

The following represents the retroactive restatement of net position and changes in net position as a result of implementation of GASB Statement No. 65 and prior period adjustment as noted above:

	<u>2012</u>	<u>2011</u>
<u>Governmental Activities</u>		
Net position, September 30, previously reported	\$ 2,785,514	\$ 2,813,592
Elimination of net note issuance costs	(12,144)	(14,353)
Net position, September 30, restated	<u>\$ 2,773,370</u>	<u>2,799,239</u>
Change in net position for the year ended September 30, 2012, previously reported	\$(28,078)	
Expenses:		
Debt Service – Interest and Fees on Long-Term Debt:		
Current year bond issuance costs		
Current year amortization of bond issuance costs	<u>2,209</u>	
Change in net position for the year ended September 30, 2012, restated	<u>\$(25,869)</u>	<u>(25,869)</u>
Net position, September 30, 2012, restated		<u>\$ 2,773,370</u>

This change in accounting principle had no effect on governmental funds fund balance or changes in fund balance.

NOTE 3 - 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.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net assets at September 30, 2013 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Temporary Investments:			
Cash (petty cash accounts)	\$ 750	\$	\$ 750
Financial Institution Deposits:			
Demand deposits	<u>2,223,814</u>	<u>129,657</u>	<u>2,353,471</u>
Total	<u>\$ 2,224,564</u>	<u>\$ 129,657</u>	<u>\$ 2,354,221</u>

Deposits

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

At September 30, 2013, in addition to petty cash of \$ 750, the carrying amount of the City's cash, savings, and time deposits was \$ 2,353,471. The financial institutions balances were \$ 2,481,869 at September 30, 2013. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 2,231,869 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.

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.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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, 2013, 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, 2013, and holds no direct investments in derivatives at September 30, 2013.

NOTE 4 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Receivables as of September 30, 2013, for the government's individual governmental major funds and proprietary fund including the applicable allowances for uncollectible accounts are as follows:

	Governmental Funds				
	General Fund	Economic Development Corporation Fund	Capital Improvement Fund	Other Governmental Funds	Total
Receivables:					
Property taxes	\$ 83,111	\$	\$	\$ 6,675	\$ 89,786
Hotel occupancy tax				7,917	7,917
Sales taxes	83,363	41,681			125,044
Receivables from other governments	9,974				9,974
Other	31,422			179	31,601
Gross receivables	207,870	41,681	-0-	14,771	264,322
Less Allowance for Uncollectibles:					
Property taxes	33,789			5,717	39,506
Net total receivables	\$ 174,081	\$ 41,681	\$ -0-	\$ 9,054	\$ 224,816

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 4 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS - Continued

	<u>Proprietary Fund</u>
Receivables:	
Accounts:	
Customers	\$ 205,151
Receivables from other governments	89,764
Other	<u>22,862</u>
Gross receivables	317,777
Less Allowance for Uncollectibles:	
Customers	<u>64,175</u>
Net total receivables	<u>\$ 253,602</u>

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 collectibility in relation to the aging of customer accounts. The allowance for uncollectible receivables for the year ended September 30, 2013 was \$ 924,507.

NOTE 5 - DEFERRED INFLOWS 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, 2013, 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)	\$ 46,242
Delinquent property taxes receivable (debt service fund)	<u>709</u>
Total deferred inflows of resources	<u>\$ 46,951</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2013 consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund:		
Debt Service Fund	\$ 64	\$
Economic Development Corporation Fund	36,907	
Capitol Park Fund	2,649	
Capital Improvement Fund		200
Enterprise Fund	<u>17,840</u>	<u> </u>
Total General Fund	<u>57,460</u>	<u>200</u>
Special Revenue Funds:		
Economic Development Corporation Fund:		
General Fund		36,907
Capitol Park Fund:		
General Fund		<u>2,649</u>
Total Special Revenue Funds	<u>-0-</u>	<u>39,556</u>
Capital Improvement Fund:		
General Fund	200	
Enterprise Fund	<u>6,387</u>	<u> </u>
Total Capital Improvement Fund	<u>6,587</u>	<u>-0-</u>
Debt Service:		
General Fund		<u>64</u>
Total Debt Service Fund	<u>-0-</u>	<u>64</u>
Enterprise Fund:		
General Fund		17,840
Capital Improvement Fund		<u>6,387</u>
Total Enterprise Fund	<u>-0-</u>	<u>24,227</u>
Total	<u>\$ 64,047</u>	<u>\$ 64,047</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

Interfund transfers for the year ended September 30, 2013 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	\$ 59,000	\$
Hotel Occupancy Tax	13,153	
Capital Improvement Fund		103,300
Debt Service Fund		43,056
Enterprise Fund	<u>70,000</u>	
Total General Fund	<u>142,153</u>	<u>146,356</u>
Debt Service Fund:		
General Fund	<u>43,056</u>	
Total Debt Service Fund	<u>43,056</u>	<u>-0-</u>
Special Revenue Funds:		
Economic Development Corporation Fund:		
General Fund		59,000
Hotel Occupancy Tax:		
General Fund		<u>13,153</u>
Total Special Revenue Funds	<u>-0-</u>	<u>72,153</u>
Capital Improvement Fund:		
General Fund	103,300	
Enterprise Fund	<u>87,944</u>	
Total Capital Improvement Fund	<u>191,244</u>	<u>-0-</u>
General Fixed Assets Fund:		
Enterprise Fund		<u>52,424</u>
Total General Fixed Assets Fund	<u>-0-</u>	<u>52,424</u>
Enterprise Fund:		
General Fund		70,000
Capital Improvement Fund		87,944
General Fixed Assets	<u>52,424</u>	
Total Enterprise Fund	<u>52,424</u>	<u>157,944</u>
Total	<u>\$ 428,877</u>	<u>\$ 428,877</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 7 - CAPITAL ASSETS

Capital Asset Activity

Capital asset activity for the year ended September 30, 2013, was as follows:

	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/13</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 626,140	\$	\$	\$ 626,140
Construction in progress	<u> </u>	<u>90,703</u>	<u>52,424</u>	<u>38,279</u>
Total capital assets, not being depreciated	<u>626,140</u>	<u>90,703</u>	<u>52,424</u>	<u>664,419</u>
Capital Assets:				
Buildings	1,868,930			1,868,930
Equipment	423,507	44,294		467,801
Vehicles	<u>649,939</u>	<u> </u>	<u> </u>	<u>649,939</u>
Total capital assets, being depreciated	<u>2,942,376</u>	<u>44,294</u>	<u>-0-</u>	<u>2,986,670</u>
Accumulated Depreciation:				
Buildings	744,116	37,620		781,736
Equipment	175,484	23,312		198,796
Vehicles	<u>484,982</u>	<u>35,356</u>	<u> </u>	<u>520,338</u>
Total accumulated depreciation	<u>1,404,582</u>	<u>96,288</u>	<u>-0-</u>	<u>1,500,870</u>
Total capital assets being depreciated, net	\$ <u>1,537,794</u>	\$ <u>(51,994)</u>	\$ <u>-0-</u>	\$ <u>1,485,800</u>
Governmental activities capital assets, net	\$ <u>2,163,934</u>	\$ <u>38,709</u>	\$ <u>52,424</u>	\$ <u>2,150,219</u>
	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/13</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 41,750	\$	\$	\$ 41,750
Construction in progress	<u>57,860</u>	<u>168,569</u>	<u>135,000</u>	<u>91,429</u>
Total capital assets, not being depreciated	<u>99,610</u>	<u>168,569</u>	<u>135,000</u>	<u>133,179</u>
Capital Assets:				
Buildings	238,000			238,000
Equipment	186,704			186,704
Vehicles	144,043	9,300		153,343
Water and sewer infrastructure	<u>6,462,450</u>	<u>187,424</u>	<u> </u>	<u>6,649,874</u>
Total capital assets being depreciated	<u>7,031,197</u>	<u>196,724</u>	<u>-0-</u>	<u>7,227,921</u>

(continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 7 - CAPITAL ASSETS - Continued

Capital Asset Activity - Continued

	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/13</u>
Accumulated Depreciation:				
Buildings	\$ 117,486	\$ 3,248	\$	\$ 120,734
Equipment	59,874	11,931		71,805
Vehicles	85,889	9,174		95,063
Water and sewer infrastructure	<u>3,846,591</u>	<u>138,729</u>		<u>3,985,320</u>
Total accumulated depreciation	<u>4,109,840</u>	<u>163,082</u>	<u>-0-</u>	<u>4,272,922</u>
Total capital assets being depreciated, net	\$ <u>2,921,357</u>	\$ <u>33,642</u>	\$ <u>-0-</u>	\$ <u>2,954,999</u>
Business-type activities capital assets, net	\$ <u>3,020,967</u>	\$ <u>202,211</u>	\$ <u>135,000</u>	\$ <u>3,088,178</u>

Depreciation

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

Governmental Activities:

General administration	\$ 4,271
Public safety	49,186
Public works	5,628
Culture and recreation	<u>37,203</u>
Total depreciation expense-governmental activities	\$ <u>96,288</u>

Business-type Activities:

Water and sewer	\$ <u>163,082</u>
Total depreciation expense-business-type activities	\$ <u>163,082</u>

NOTE 8 - LONG-TERM DEBT

General Long-Term Debt

General long-term debt, which consists of sales tax revenue bonds maturing serially, tax notes, and notes payable, which are summarized as follows:

Sales Tax Revenue Bonds Payable:

<u>Sales Tax</u> <u>Revenue</u> <u>Bonds</u>	<u>Interest</u> <u>Rate (%)</u>	<u>Series Date</u> <u>Issued</u>	<u>Series Date</u> <u>Maturity</u>	<u>Callable</u>	<u>Bonds</u> <u>Outstanding</u> <u>9-30-13</u>
Sales Tax Revenue Bonds - Series 2009	5.5%	2009	2019	-	\$ <u>281,000</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 8 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

Sales tax revenue bond transactions for the year ended September 30, 2013 are as follows:

Bonds outstanding, October 1, 2012	\$ 320,000
Maturities	<u>(39,000)</u>
Bonds outstanding, September 30, 2013	<u>\$ 281,000</u>

Aggregate maturities of sales tax revenue bonds for the years subsequent to September 30, 2013 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 41,000	\$ 15,149	\$ 56,149
2015	43,000	12,829	55,829
2016	45,000	10,397	55,397
2017	48,000	7,826	55,826
2018	51,000	5,115	56,115
2019	<u>53,000</u>	<u>2,236</u>	<u>55,236</u>
Total	<u>\$ 281,000</u>	<u>\$ 53,552</u>	<u>\$ 334,552</u>

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, 2013 are as follows:

Tax note payable, October 1, 2012	\$ 260,000
Maturities	<u>(40,000)</u>
Tax note outstanding, September 30, 2013	<u>\$ 220,000</u>

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

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 40,000	\$ 6,072	\$ 46,072
2015	40,000	4,968	44,968
2016	45,000	3,864	48,864
2017	45,000	2,622	47,622
2018	<u>50,000</u>	<u>1,380</u>	<u>51,380</u>
Total	<u>\$ 220,000</u>	<u>\$ 18,906</u>	<u>\$ 238,906</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 8 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

In December 2008, the City was approved for a loan for \$ 76,039 with an interest rate of 4.50%. The proceeds of this loan were used to purchase four police vehicles. The City is required to make forty-eight monthly payments of \$ 1,736 beginning in January 2009.

Note payable transactions for the year ended September 30, 2013 are as follows:

Note payable, October 1, 2012	\$	5,058
Maturities	(<u>5,058</u>)
Note payable, September 30, 2013	\$	<u><u>-0-</u></u>

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.

Note payable transactions for the year ended September 30, 2013 are as follows:

Note payable, October 1, 2012	\$	22,696
Maturities	(<u>7,267</u>)
Note payable, September 30, 2013	\$	<u><u>15,429</u></u>

Aggregate maturities of these notes payable for the four years subsequent to September 30, 2013 are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 7,561	\$ 478	\$ 8,039
2015	<u>7,868</u>	<u>171</u>	<u>8,039</u>
Total	<u><u>\$ 15,429</u></u>	<u><u>\$ 649</u></u>	<u><u>\$ 16,078</u></u>

Total interest paid for the year ended September 30, 2013 was \$ 35.

Business Type Activities:

In May 2009, the City was approved for a loan for \$ 88,800 with an interest rate of 4.5%. The proceeds of this loan were used to purchase a backhoe. The City is required to make sixty monthly payments of \$ 1,658 beginning in June 2009.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 8 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

Note payable transactions for the year ended September 30, 2013 are as follows:

Note payable, October 1, 2012	\$ 31,721
Maturities	<u>(18,858)</u>
Note payable, September 30, 2013	<u>\$ 12,863</u>

Aggregate maturities of this note payable for the three years subsequent to September 30, 2013 are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ <u>12,863</u>	\$ <u>216</u>	\$ <u>13,079</u>
Total	\$ <u>12,863</u>	\$ <u>216</u>	\$ <u>13,079</u>

Total interest paid for the year ended September 30, 2013 was \$ 3,092.

Summary of Long-Term Debt Transactions

Transactions for the year ended September 30, 2013 are summarized as follows:

	<u>Balance</u> <u>10/01/12</u>	<u>Issues or</u> <u>Additions</u>	<u>Payments or</u> <u>Expenditures</u>	<u>Balance</u> <u>09/30/13</u>	<u>Due Within</u> <u>One Year</u>
Governmental Type Activities:					
Sales tax revenue bonds	\$ 320,000	\$	\$ 39,000	\$ 281,000	\$ 41,000
Tax note payable	260,000		40,000	220,000	40,000
Note payable	27,754		12,325	15,429	7,561
Leases payable	13,724		6,035	7,689	3,151
Compensated absences	43,021	50,253	61,819	31,455	31,455
Component of Bonded Debt:					
Accrued interest payable	<u>12,574</u>	<u>10,911</u>	<u>12,574</u>	<u>10,911</u>	<u>10,911</u>
Total governmental activities	<u>677,073</u>	<u>61,164</u>	<u>171,753</u>	<u>566,484</u>	<u>134,078</u>
Business Type Activities:					
Notes payable	31,721		18,858	12,863	12,863
Compensated absences	<u>9,390</u>	<u>14,897</u>	<u>17,262</u>	<u>7,025</u>	<u>7,025</u>
Total business type activities	<u>41,111</u>	<u>14,897</u>	<u>36,120</u>	<u>19,888</u>	<u>19,888</u>
Total government (net)	\$ <u>718,184</u>	\$ <u>76,061</u>	\$ <u>207,873</u>	\$ <u>586,372</u>	\$ <u>153,966</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 9 - LEASES

Capital Leases

In October 2007, the City entered into a lease-purchase agreement for the capital lease of police equipment. The City financed \$ 55,829 over five years with an interest rate of 4.3%. The City is required to make monthly payments of \$ 1,035 for five years with an initial down payment of \$ 2,032. The first payment was due on January 10, 2008. Interest paid on this lease in 2013 was \$ 3.

In April 2008, the City entered into a lease-purchase agreement for a digital copier. The City financed \$ 13,252 over five years with an interest rate of 6.4%. The City is required to make monthly payments of \$ 258 for five years. The first payment was due May 31, 2008. Interest paid on this lease in 2013 was \$ 12.

In April 2009, the City entered into a lease-purchase agreement for a copier for the police department. The City financed \$ 4,463 over five years with an interest rate of 7.85%. The City is required to make monthly payments of \$ 91 for five years. The first payment was due May 2009. Interest paid on this lease in 2013 was \$ 23.

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 2013 was \$ 71

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of September 30, 2013:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
2014	\$ 3,429
2015	3,142
2016	<u>1,571</u>
	8,142
Less amount representing interest	(<u>453</u>)
Net present value of minimum lease payments	\$ <u><u>7,689</u></u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 9 - LEASES - Continued

Capital Leases - Continued

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Assets:	
Vehicles	\$ 227,589
Less: Accumulated depreciation	<u>(193,709)</u>
Total	<u>\$ 33,880</u>
Equipment	\$ 141,231
Less: Accumulated depreciation	<u>(58,396)</u>
Total	<u>\$ 82,835</u>

NOTE 10 - PENSION PLAN

Plan Description

The City provides pension benefits for all of its full-time employees except volunteer firefighters, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 849 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions.

In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 25 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 10 - PENSION PLAN - Continued

Contributions

The contribution rate for the employees is 5%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City. Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. When the City periodically adopts updated service credits and increases in annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. The remaining open amortization period is 25 years. The projected unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2012 valuation is effective for rates beginning January 2014).

The last actuarial valuation was conducted on December 31, 2012. Significant actuarial assumptions used include (a) a level percent of payroll amortization method, (b) projected salary increases varies by age and services, (c) a 3.0% inflation adjustment, (d) 0.0% (3.0% cpi) cost of living adjustment, (e) a 10 year smoothed market asset valuation method, and (f) a rate of return on the investments of 7.0 percent per year.

Financial reports that include financial statements and supplementary information are publicly available by writing or calling the following:

Texas Municipal Retirement System
PO Box 149153
Austin, TX 78714-9153
(877) 634-8595

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 10 - PENSION PLAN - Continued

Funding Status and Progress

Schedule of Actuarial Liabilities and Funding Progress, Under Restructured Funds
Based on SB 350 Legislation

Actuarial Valuation Date		12/31/12
Actuarial Value of Assets		\$ 3,784,063
Actuarial Accrued Liability		\$ 3,230,861
Percentage Funded		117.1%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)		\$(553,202)
Annual Covered Payroll		\$ 1,221,819
UAAL as a Percentage of Covered Payroll		(45.3%)
Net Pension Obligation (NPO) at the Beginning of Period		\$ -0-
Annual Pension Cost:		
Annual required contribution (ARC)	\$ 47,941	
Interest on NPO		-0-
Adjustment to the ARC		-0-
Total		\$ 47,491
Contribution Made		\$ 47,491
Increase in NPO		-0-
NPO at the end of the period		\$ -0-

The schedule of actuarial liabilities and funding progress for the years ended December 31, 2010 to 2012, are as follows:

<u>Year</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percentage Funded</u>	<u>Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)</u>
2010	\$ 3,350,316	\$ 2,962,834	113.0%	\$(387,482)
2011	3,593,787	3,165,838	113.5%	(427,949)
2012	3,784,063	3,230,861	117.1%	(553,202)

<u>Year</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>	<u>Annual Required Contribution (ARC)</u>	<u>ARC as a Percentage of Covered Payroll</u>
2010	\$ 1,150,540	(33.70%)	\$ 67,165	5.84%
2011	1,214,215	(35.24%)	48,442	3.99%
2012	1,221,819	(45.30%)	47,941	3.92%

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 10 - PENSION PLAN - Continued

Funding Status and Progress - Continued

The pension liability at transition was determined in accordance with the provisions of GASB Statement No. 27 and was zero. Amounts provided prior to adoption of GASB Statement No. 27 are amounts provided under GASB Statement No. 5.

NOTE 11 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND

Plan Description

The Fire Fighters' Pension Commissioner is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. At August 31, 2012, there were 188 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

The table below summarizes the TESRS membership as of August 31, 2013:

Retirees and beneficiaries currently receiving benefits	2,750
Terminated participants entitled to benefits but not yet receiving them	2,252
Active participants (vested and nonvested)	4,446

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

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

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 and continuing monthly payments to a member's surviving spouse and dependent children.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 11 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND - Continued

Funding Policy

Contribution provisions were established by S.B. 411, 65th Legislative, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month (\$ 36) for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

Approximately 85% of the costs of administering the plan for fiscal year 2012 was financed through general revenue appropriations, the other 15% being funded through TESRS.

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2012 total contributions (dues and prior service) of \$ 3,517,455 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. Contributions made were less than the contributions required by the state statute and required based on the August 31, 2010 actuarial valuation.

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 made include level dollar, open amortization method, and a 30 year amortization period. Relating to the Actuarial Value of Assets – all assets are valued at market value as determined by the System Board of Trustees, with an adjustment made to uniformly spread the recognition of actuarial gains or losses (as measured by actual market value investment return vs. assumed market value investment return) over a five-year period. The total adjustment amount shall be limited as necessary such that the actuarial value of assets shall not be less than 80% of market value nor greater than 120% of market value.

The actuarial valuation as of August 31, 2012, which is the latest conducted, revealed an inadequate 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 the System by governing bodies of participating departments in a year) as needed in accordance with state law governing the system and (2) approximately \$ 530,000 each year to pay for part of the System's administrative expenses. Even with these expected future annual contributions from the state, the System has an inadequate contribution arrangement. On August 31, 2012, the actuarial liabilities exceeded the actuarial assets by \$ 33,868,555.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 11 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND –
Continued

Required Supplementary Information - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ¹ - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL Per Member Covered (b-a)/(c)
8/31/08	\$ 60,987,157	\$ 64,227,341	\$ 3,240,184	95.0%	8,254	393
8/31/10 ²	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984
8/31/12 ³	67,987,487	101,856,042	33,868,555	66.7%	9,448	3,585

¹ The actuarial accrued liability is based upon the entry age actuarial cost method.

² Changes in actuarial assumptions were reflected in this valuation.

³ Changes in actuarial assumptions and method were reflected in this valuation.

<u>Three-Year Trend Information</u>			
<u>Fiscal Year Ending</u>	<u>Annual Required Contributions (ARC)</u>	<u>Actual Contributions</u>	<u>Percentage of ARC Contributed</u>
August 31, 2010	\$ 2,875,103 ¹	\$ 2,875,103	100%
August 31, 2011	3,125,329 ²	3,125,329 ²	100%
August 31, 2012	4,423,898 ^{2,3}	3,517,455	80%

¹ Based on the August 31, 2008 actuarial valuation.

² Based on the August 31, 2010 actuarial valuation.

³ Includes a requested state contribution of \$ 906,443

The actuarial assumptions and methods for the two most recent biennial valuations are shown below.

Valuation date	August 31, 2010	August 31, 2012
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	Infinity
Asset valuation method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2013

NOTE 11 - TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND – Continued

Required Supplementary Information - Schedule of Funding Progress - continued

Actuarial assumptions:

Investment rate of return*	7.75% per year, net of investment expenses	7.75% per year, net of investment expenses
Projected salary increases	N/A	N/A
* Included inflation at	3.5%	3.5%
Cost-of-living adjustments	None	None

A report may be obtained by contacting the Texas Comptroller, Post Office Box 13528, Capitol Station, Austin, Texas 78711-3528.

NOTE 12 - 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 13 - DEFICIT FUND BALANCES

As of September 30, 2013, the City had a deficit fund as itemized below:

Fund Balances:	<u>2013</u>
Special Revenues Funds:	
Capitol Park	\$ 2,649

Deficit 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 14 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through February 3, 2014, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST COLUMBIA

West Columbia, Texas

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

For the Year Ended September 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes	\$ 1,551,900	\$ 1,551,900	\$ 1,602,853	\$ 50,953
Revenue producing facilities	332,592	347,592	363,382	15,790
Fines and fees	354,500	354,500	313,238	(41,262)
Licenses and permits	19,500	19,500	19,277	(223)
Intergovernmental revenue		71,013	57,179	(13,834)
Miscellaneous	18,550	21,811	32,683	10,872
Total revenues	2,277,042	2,366,316	2,388,612	22,296
Expenditures:				
Current:				
General Government and Administrative:				
Administrative	121,866	140,953	137,807	3,146
Legislative	127,110	56,293	38,500	17,793
Legal	16,216	16,216	11,825	4,391
Municipal court	108,337	117,311	114,617	2,694
Finance	66,460	67,721	71,397	(3,676)
Public Safety:				
Police	1,030,576	1,032,167	993,928	38,239
Fire	59,815	65,220	56,797	8,423
Fire marshal	5,512	5,982	5,627	355
Emergency medical services	48,000	48,000	47,973	27
Public Works:				
Streets and drainage	241,995	313,365	282,404	30,961
Sanitation	240,000	251,200	251,272	(72)
Culture and Recreation:				
Community development				-0-
Library	44,640	66,875	60,422	6,453
Parks and recreation	144,039	170,959	157,672	13,287
Capital outlay	31,889	102,902	82,573	20,329
Debt Service:				
Principal	13,962	17,112	18,360	(1,248)
Interest and fiscal charges	3,718	3,718	144	3,574
Total expenditures	2,304,135	2,475,994	2,331,318	144,676

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
SPECIAL REVENUE FUND - Continued**

For the Year Ended September 30, 2013

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Excess (deficiency) of revenues over expenditures	\$(27,093)	\$(109,678)	\$ 57,294	\$ 166,972
Other Financing Sources (Uses):				
Transfers in	155,149	239,534	142,153	(97,381)
Transfers out	(128,056)	(129,856)	(146,356)	(16,500)
Total other financing sources	<u>27,093</u>	<u>109,678</u>	<u>(4,203)</u>	<u>(113,881)</u>
Net change in fund balances	-0-	-0-	53,091	53,091
Fund balances – beginning	<u>611,707</u>	<u>611,707</u>	<u>611,707</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 611,707</u>	<u>\$ 611,707</u>	<u>\$ 664,798</u>	<u>\$ 53,091</u>

Economic Development Corporation Special Revenue Fund

<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Original</u>	<u>Final</u>		
\$ <u>59,000</u>	\$ <u>59,000</u>	\$ <u>183,230</u>	\$ <u>124,230</u>
(<u>59,000</u>)	(<u>59,000</u>)	(<u>59,000</u>)	<u>-0-</u>
(<u>59,000</u>)	(<u>59,000</u>)	(<u>59,000</u>)	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>124,230</u>	<u>124,230</u>
<u>270,910</u>	<u>270,910</u>	<u>270,910</u>	<u>-0-</u>
\$ <u><u>270,910</u></u>	\$ <u><u>270,910</u></u>	\$ <u><u>395,140</u></u>	\$ <u><u>124,230</u></u>

CITY OF WEST COLUMBIA

West Columbia, Texas

**TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
LAST THREE FISCAL YEARS**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets***</u>	<u>Actuarial Accrued Liability** (AAL)-</u>	<u>Unfunded AAL (UAAL)</u>	<u>Percentage Funded</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/(c)
2010	\$ 3,350,316	\$ 2,962,834	\$(387,482)	113.10%	\$ 1,150,540	(33.70%)
2011	3,593,787	3,165,838	(427,949)	113.50%	1,214,215	(35.24%)
2012	3,784,063	3,230,861	(553,202)	117.10%	1,221,819	(45.30%)

* Under old assumption (for comparative purposes only)

** As of December 31 of the preceding year, the date of the actuarial valuation.

*** Assets are stated at cost as of December 31 of the preceding year.

CITY OF WEST COLUMBIA
West Columbia, Texas

TEXAS STATEWIDE EMERGENCY SERVICES PERSONNEL RETIREMENT FUND
SCHEDULE OF FUNDING PROGRESS
LAST THREE FISCAL YEARS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)* - Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL Per Member Covered (b-a)/(c)
8/31/08	\$ 60,987,157	\$ 64,227,341	\$ 3,240,184	95.0%	8,254	393
8/31/10**	64,113,803	81,264,230	17,150,427	78.9%	8,644	1,984
8/31/12***	67,987,497	101,856,042	33,868,555	66.7%	9,448	3,585

* The actuarial accrued liability is based upon the entry age actuarial cost method.

** Changes in actuarial assumptions were reflected in this valuation.

*** Changes in actuarial assumption and method were reflected in this valuation.

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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, 2013

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Replica and Museum Fund	Hotel Occupancy Tax Fund	Capitol Park Fund	Debt Service Fund	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash and cash equivalents	\$ 1,456	\$ 66,417	\$	\$ 18,100	\$ 85,973
Taxes receivable, net		7,917		958	8,875
Accounts receivable, net				179	179
Total assets	1,456	74,334	-0-	19,237	95,027
Deferred Outflows of Resources:					
Deferred outflows of resources					
Total deferred outflows of resources	-0-	-0-	-0-	-0-	-0-
Total assets and deferred outflows of resources	\$ 1,456	\$ 74,334	\$ -0-	\$ 19,237	\$ 95,027
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$	\$	\$ 2,649	\$ 64	\$ 2,713
Total liabilities	-0-	-0-	2,649	64	2,713
Deferred Inflows of Resources:					
Deferred inflows of resources – property taxes				709	709
Total deferred inflows of resources	-0-	-0-	-0-	709	709
Fund Balances:					
Restricted:					
Contributor purposes	1,456				1,456
Economic development		74,334			74,334
Debt service				18,464	18,464
Unassigned			(2,649)		(2,649)
Total fund balances	1,456	74,334	(2,649)	18,464	91,605
Total liabilities, deferred inflows of resources and fund balances	\$ 1,456	\$ 74,334	\$ -0-	\$ 19,237	\$ 95,027

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, 2013

	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	\$	\$ 49,982	\$	\$ 1,774	\$ 51,756
Miscellaneous	<u>65</u>	<u>202</u>	<u>1,587</u>	<u>88</u>	<u>1,942</u>
Total revenues	<u>65</u>	<u>50,184</u>	<u>1,587</u>	<u>1,862</u>	<u>53,698</u>
<u>Expenditures</u>					
Current:					
Culture and Recreation:					
Community development		9,047	7,071		16,118
Debt Service:					
Principal				40,000	40,000
Interest and fiscal charges				<u>7,176</u>	<u>7,176</u>
Total expenditures	<u>-0-</u>	<u>9,047</u>	<u>7,071</u>	<u>47,176</u>	<u>63,294</u>
Excess (deficiency) of revenues over expenditures	<u>65</u>	<u>41,137</u>	<u>(5,484)</u>	<u>(45,314)</u>	<u>(9,596)</u>
Other Financing Sources (Uses):					
Transfers in				43,056	43,056
Transfer out		<u>(13,153)</u>			<u>(13,153)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>(13,153)</u>	<u>-0-</u>	<u>43,056</u>	<u>29,903</u>
Net change in fund balances	65	27,984	(5,484)	(2,258)	20,307
Fund balances – beginning	<u>1,391</u>	<u>46,350</u>	<u>2,835</u>	<u>20,722</u>	<u>71,298</u>
Fund balances – ending	<u>\$ 1,456</u>	<u>\$ 74,334</u>	<u>\$ (2,649)</u>	<u>\$ 18,464</u>	<u>\$ 91,605</u>

CITY OF WEST COLUMBIA
West Columbia, Texas

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 1,100	\$ 1,100	\$ 1,774	\$ 674
Miscellaneous	<u>20</u>	<u>20</u>	<u>88</u>	<u>68</u>
Total revenues	<u>1,120</u>	<u>1,120</u>	<u>1,862</u>	<u>742</u>
Expenditures:				
Debt Service:				
Principal on long-term debt	40,000	40,000	40,000	-0-
Interest on long-term debt	<u>7,176</u>	<u>7,176</u>	<u>7,176</u>	<u>-0-</u>
Total expenditures	<u>47,176</u>	<u>47,176</u>	<u>47,176</u>	<u>-0-</u>
Excess of revenues over (under) expenditures	(46,056)	(46,056)	(45,314)	742
Other Financing Sources (Uses):				
Transfers in	<u>44,556</u>	<u>44,556</u>	<u>43,056</u>	(<u>1,500</u>)
Total other financing sources (uses)	<u>44,556</u>	<u>44,556</u>	<u>43,056</u>	(<u>1,500</u>)
Net change in fund balances	(1,500)	(1,500)	(2,258)	(758)
Fund balances – beginning	<u>20,722</u>	<u>20,722</u>	<u>20,722</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 19,222</u>	<u>\$ 19,222</u>	<u>\$ 18,464</u>	<u>\$(758)</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ 100	\$ 100	\$ 65	\$(35)
Total revenues	<u>100</u>	<u>100</u>	<u>65</u>	<u>(35)</u>
Expenditures:				
Current:				
Culture and Recreation:				
Community development	<u>100</u>	<u>100</u>		<u>100</u>
Total expenditures	<u>100</u>	<u>100</u>	<u>-0-</u>	<u>100</u>
Net change in fund balances	-0-	-0-	65	65
Fund balances – beginning	<u>1,391</u>	<u>1,391</u>	<u>1,391</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 1,391</u>	<u>\$ 1,391</u>	<u>\$ 1,456</u>	<u>\$ 65</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 30,000	\$ 45,000	\$ 49,982	\$ 4,982
Miscellaneous			202	202
Total revenues	<u>30,000</u>	<u>45,000</u>	<u>50,184</u>	<u>5,184</u>
Expenditures:				
Current:				
Culture and Recreation:				
Community development	<u>27,840</u>	<u>28,720</u>	<u>9,047</u>	<u>19,673</u>
Total expenditures	<u>27,840</u>	<u>28,720</u>	<u>9,047</u>	<u>19,673</u>
Excess (deficiency) of revenues over expenditures	<u>2,160</u>	<u>16,280</u>	<u>41,137</u>	<u>24,857</u>
Other Financing Sources (Uses):				
Transfers out	<u>(2,160)</u>	<u>(16,280)</u>	<u>(13,153)</u>	<u>3,127</u>
Total other financing sources (uses)	<u>(2,160)</u>	<u>(16,280)</u>	<u>(13,153)</u>	<u>3,127</u>
Net change in fund balances	-0-	-0-	27,984	27,984
Fund balances – beginning	<u>46,350</u>	<u>46,350</u>	<u>46,350</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 46,350</u>	<u>\$ 46,350</u>	<u>\$ 74,334</u>	<u>\$ 27,984</u>

CITY OF WEST COLUMBIA
West Columbia, Texas

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$ _____	\$ _____	\$ 1,234	\$ 1,234
Total revenues	-0-	-0-	1,234	1,234
Expenditures:				
Current:				
Capital outlay	160,000	185,000	52,424	132,576
Total expenditures	160,000	185,000	52,424	132,576
Excess (deficiency) of revenues over expenditures	(160,000)	(185,000)	(51,190)	133,810
Other Financing Sources (Uses):				
Transfers in	160,000	185,000	191,244	6,244
Transfers out	_____	_____	_____	-0-
Total other financing sources (uses)	160,000	185,000	191,244	-0-
Net change in fund balances	-0-	-0-	140,054	133,810
Fund balances – beginning	198,694	198,694	198,694	-0-
Fund balances – ending	\$ 198,694	\$ 198,694	\$ 338,748	\$ 133,810

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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Miscellaneous	\$	\$	\$ 1,587	\$ 1,587
Total revenues	<u>-0-</u>	<u>-0-</u>	<u>1,587</u>	<u>1,587</u>
Expenditures:				
Current:				
Culture and Recreation:				
Community development		7,090	7,071	19
Total expenditures	<u>-0-</u>	<u>7,090</u>	<u>7,071</u>	<u>19</u>
Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>(7,090)</u>	<u>(5,484)</u>	<u>1,606</u>
Other Financing Sources (Uses):				
Transfers in		4,250		(4,250)
Total other financing sources (uses)	<u>-0-</u>	<u>4,250</u>	<u>-0-</u>	<u>(4,250)</u>
Net change in fund balances	<u>-0-</u>	<u>(2,840)</u>	<u>(5,484)</u>	<u>(2,644)</u>
Fund balances – beginning	<u>2,835</u>	<u>2,835</u>	<u>2,835</u>	<u>-0-</u>
Fund balances – ending	\$ <u>2,835</u>	\$ <u>(5)</u>	\$ <u>(2,649)</u>	\$ <u>(2,644)</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

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

For the Year Ended September 30, 2013

	Budgeted Amounts	
	Original	Final
Operating Revenues:		
Water service	\$ 560,000	\$ 560,000
Sewer charges	500,000	500,000
Varner Creek Utility District	175,000	175,000
Miscellaneous	74,500	74,500
Total operating revenues	1,309,500	1,309,500
Operating Expenses:		
Water production	189,165	199,915
Water distribution	314,024	323,254
Water administration	137,659	115,609
Sewer collection	139,171	100,811
Sewer treatment plant	436,231	421,361
Depreciation		
Total operating expenses	1,216,250	1,160,950
Operating income (loss)	93,250	148,550
Nonoperating Revenues (Expenses):		
Interest revenue	3,000	2,000
Interest and fiscal charges	(3,892)	(3,892)
Capital outlay	(17,000)	(198,788)
Debt principal payments	(18,858)	(18,858)
Total nonoperating revenues (expenses)	(36,750)	(219,538)
Net income (loss) before contributions and operating transfers	56,500	(70,988)
Capital contributions		147,488
Transfers in	20,000	-0-
Transfers out	(76,500)	(76,500)
Change in net position	-0-	-0-
Net position – beginning	3,676,626	3,676,626
Net position – ending	\$ 3,676,626	\$ 3,676,626

Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
\$ 584,548	\$	\$ 584,548	\$ 24,548
511,627		511,627	11,627
187,121		187,121	12,121
<u>78,997</u>		<u>78,997</u>	<u>4,497</u>
<u>1,362,293</u>	<u>-0-</u>	<u>1,362,293</u>	<u>52,793</u>
197,969		197,969	1,946
372,376		372,376	(49,122)
114,732		114,732	877
65,141		65,141	35,670
285,455		285,455	135,906
<u>163,082</u>	<u>(163,082)</u>	<u>-0-</u>	<u>-0-</u>
<u>1,198,755</u>	<u>(163,082)</u>	<u>1,035,673</u>	<u>125,277</u>
<u>163,538</u>	<u>163,082</u>	<u>326,620</u>	<u>178,070</u>
2,634		2,634	634
(3,092)		(3,092)	800
	(230,293)	(230,293)	(31,505)
	<u>(18,858)</u>	<u>(18,858)</u>	<u>-0-</u>
<u>(458)</u>	<u>(249,151)</u>	<u>(249,609)</u>	<u>(30,071)</u>
163,080	(86,069)	77,011	147,999
168,569	(168,569)	-0-	(147,488)
52,424		52,424	52,424
<u>(157,944)</u>	<u>-0-</u>	<u>(157,944)</u>	<u>(81,444)</u>
226,129	(254,638)	(28,509)	(28,509)
<u>3,676,626</u>		<u>3,676,626</u>	<u>-0-</u>
<u>\$ 3,902,755</u>	<u>\$(254,638)</u>	<u>\$ 3,648,117</u>	<u>\$(28,509)</u>

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