

**CITY OF WAXAHACHIE, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Prepared by:  
Department of Finance

Charles Harris, CPA  
Director of Finance

Gail Turner, CPA  
Assistant Director of Finance

**CITY OF WAXAHACHIE, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED SEPTEMBER 30, 2012**

	<u>Page Number</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1 – 2
Management’s Discussion and Analysis .....	3 – 11
<b><u>Basic Financial Statements</u></b>	
Government-wide Financial Statements	
Statement of Net Assets.....	12
Statement of Activities.....	13 – 14
Fund Financial Statements	
Balance Sheet – Governmental Funds .....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Net Assets – Proprietary Funds .....	19
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds .....	20
Statement of Cash Flows – Proprietary Funds.....	21 – 22
Notes to Financial Statements.....	23 – 55

(continued)

**CITY OF WAXAHACHIE, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2012**

**Page**  
**Number**

**FINANCIAL SECTION (Continued)**

**Required Supplementary Information**

Budgetary Comparison Schedule – General Fund.....	56 – 57
Texas Municipal Retirement System - Schedule of Funding Progress .....	58
Firemen’s Relief and Retirement Fund - Schedule of Funding Progress and Actuarial Liabilities.....	59
Notes to Required Supplementary Information .....	60 – 61

**Combining Statements and Budgetary Comparisons  
as Supplementary Information**

Nonmajor Governmental Funds

Combining Balance Sheet.....	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	63
Special Revenue Funds	
Combining Balance Sheet.....	64 – 67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	68 – 71
Budgetary Comparison Schedule – Hotel/Motel Tax.....	72

(continued)

**CITY OF WAXAHACHIE, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**(Continued)**  
**YEAR ENDED SEPTEMBER 30, 2012**

**Page**  
**Number**

**FINANCIAL SECTION (Continued)**

Nonmajor Debt Service Funds

Combining Balance Sheet.....	73
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	74
Budgetary Comparison Schedule – Debt Service .....	75

Nonmajor Capital Projects Funds

Combining Balance Sheet.....	76 – 77
Combining Statement of Revenues, Expenditures and Changes in Fund Balances .....	78 – 79

# **FINANCIAL SECTION**

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council  
City of Waxahachie, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waxahachie, Texas (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Waxahachie, Texas, as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of Funding Progress for Participation in the Texas Municipal Retirement System, and the Schedule of Funding Progress – Firemen's Relief and Retirement System on pages 3 through 11 and 56 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waxahachie, Texas' financial statements as a whole. The combining and individual fund financial statements and individual fund budgetary analysis schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and individual fund budgetary analysis schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

*Pattillo, Brown & Hill, L.L.P.*

April 30, 2013

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Waxahachie, Texas' annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

At September 30, 2012, the City's total combined net assets were \$121,857,280. Of this amount, \$42,249,273 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$1,112,863 during the current fiscal year.

At the end of the fiscal year, the total fund balance of all governmental funds was \$15,752,788, up \$2,663,448 from the prior year. The majority of the increase was due to an increased fund balance in the General Fund due to increased tax revenue and transfers in from other funds as well an increase in the 2011 Bond Firehouse Construction fund due to the issuance of bonds.

As of the close of the current fiscal year, unassigned fund balance for the General Fund was \$11,151,537, or about 48.2% of total General Fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements presenting different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- The *governmental fund* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short term* and *long term* financial information about the activities the government operates like businesses.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**Figure A-1, Required Components of the City's Annual Financial Report**

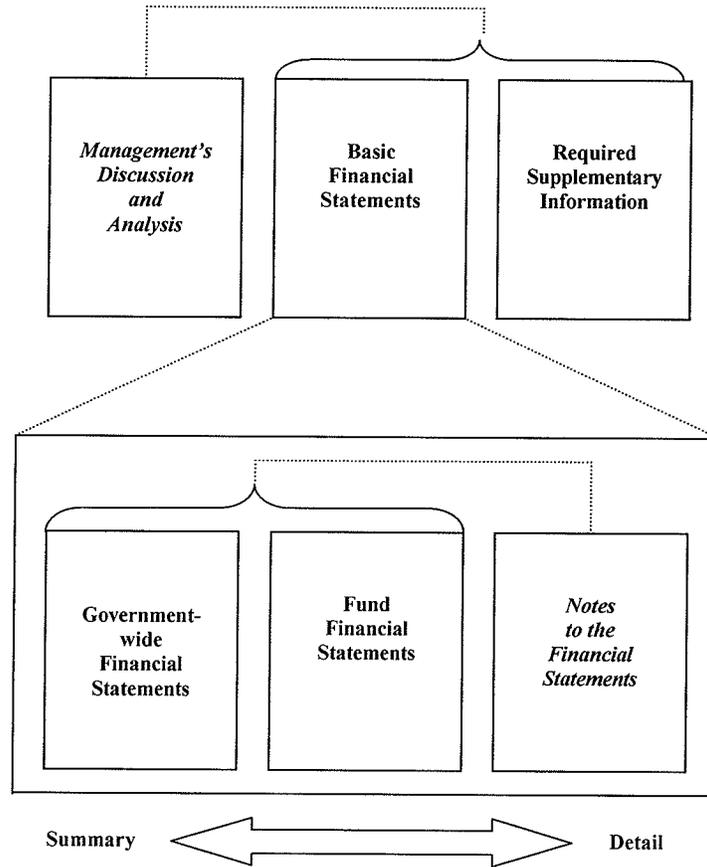


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Figure A-2  
Major features of the City's Government-wide and Fund Financial Statements**

Type of Statement	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses.	Instances in which the City is the trustee or agent for someone else's resources
<i>Required Financial Statements</i>	Statement of Net Assets. Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Fund Balances	Statement of Net Assets, Statement of Revenues, Expenditures and Changes in Fund Net Assets.	Statement of Changes in Fiduciary Net Assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Types of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that become due during the year or soon thereafter. No capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities both short-term and long-term; the City's funds do not currently include capital assets, although they can.
<i>Types of Inflow/outflow Information</i>	All revenues and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

## GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets—the difference between the City's assets and liabilities—are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets serve as an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional non-financial factors such as changes in the City's tax base.

The government-wide financial statements include not only the City of Waxahachie (the primary government), but also three legally separate agencies: a water district known as the Ellis County Water Control and Improvement District No. 1, a tax increment financing reinvestment zone known as the Tax Increment Financing Reinvestment Zone No. 1, and additionally, a 4B Sales Tax Corporation known as the Waxahachie Community Development Corporation which is presented as a discretely presented component unit. The City of Waxahachie is financially accountable for these agencies.

The government-wide financial statements can be found on pages 12 – 14 of this report.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by state law and by bond covenants.

The City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

**Governmental Funds** – Most of the City's basic services are included in governmental funds, which focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

**Proprietary Funds** – Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

**Notes to the Financial Statements.** The notes to the financial statements provide information that is essential to a full understanding of the data presented in the government-wide and fund financial statements. The notes to the financial statements can be found after the basic financial statements.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Waxahachie. This information is required by the Governmental Accounting Standards Board.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Waxahachie, assets exceeded liabilities by \$121,857,280.

The largest portion of the City's net assets (61.6%) reflects its investment in capital assets (e.g. land, buildings, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these 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 this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (3.7%) represents resources that are subject to external restrictions on how they may have to be used. The remaining balance of unrestricted net assets (34.7%) may be used to meet the government's ongoing obligations to citizens and creditors.

**TABLE 1**  
**CITY OF WAXAHACHIE'S NET ASSETS**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 28,250,914	\$ 25,913,872	\$ 49,012,477	\$ 47,033,185	\$ 77,263,391	\$ 72,947,057
Capital assets	<u>84,758,355</u>	<u>85,448,155</u>	<u>108,434,185</u>	<u>111,587,386</u>	<u>193,192,540</u>	<u>197,035,541</u>
Total assets	<u>113,009,269</u>	<u>111,362,027</u>	<u>157,446,662</u>	<u>158,620,571</u>	<u>270,455,931</u>	<u>269,982,598</u>
Long-term liabilities	49,108,798	46,965,225	95,097,502	97,613,106	144,206,300	144,578,331
Other liabilities	<u>2,706,614</u>	<u>3,027,275</u>	<u>1,685,737</u>	<u>1,632,575</u>	<u>4,392,351</u>	<u>4,659,850</u>
Total liabilities	<u>51,815,412</u>	<u>49,992,500</u>	<u>96,783,239</u>	<u>99,245,681</u>	<u>148,598,651</u>	<u>149,238,181</u>
Net assets:						
Invested in capital assets, net of related debt	38,035,727	40,571,614	37,054,711	38,117,985	75,090,438	78,689,599
Restricted	4,517,569	5,119,071	-	-	4,517,569	5,119,071
Unrestricted	<u>18,640,561</u>	<u>15,678,842</u>	<u>23,608,712</u>	<u>21,256,905</u>	<u>42,249,273</u>	<u>36,935,747</u>
Total net assets	<u>\$ 61,193,857</u>	<u>\$ 61,369,527</u>	<u>\$ 60,663,423</u>	<u>\$ 59,374,890</u>	<u>\$ 121,857,280</u>	<u>\$ 120,744,417</u>

The following table provides a summary of the City's operations for the year ended September 30, 2012. Total governmental activities decreased by \$175,670. Overall, 2012 fiscal year expenses increased by \$2,227,088, or about 4.8% over the prior fiscal year. The business-type activities expenses increased \$227,176 (1.3%), while the governmental activities expenses increased by \$1,999,912 (7.0%). Notable changes between 2011 and 2012 fiscal year expenses include an increase in wastewater expenses offset by a decrease in water expenses (business-type activities) and increases in the general government, public safety and public works categories (governmental activities).

**TABLE 2**

**CITY OF WAXAHACHIE'S CHANGES IN NET ASSETS**

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,205,883	\$ 1,431,807	\$ 17,725,926	\$ 16,341,612	\$ 18,931,809	\$ 17,773,419
Operating grants and contributions	180,508	237,234	-	-	180,508	237,234
Capital grants and contributions	125,500	32,520	-	-	125,500	32,520
General revenues:						
Property taxes	14,700,289	14,765,828	-	-	14,700,289	14,765,828
Sales taxes	9,077,082	7,763,377	-	-	9,077,082	7,763,377
Other	3,861,878	8,401,237	3,280,585	2,230,454	7,142,463	10,631,691
Total revenues	<u>29,151,140</u>	<u>32,632,003</u>	<u>21,006,511</u>	<u>18,572,066</u>	<u>50,157,651</u>	<u>51,204,069</u>
<b>Expenses:</b>						
General government	5,733,810	4,968,161	-	-	5,733,810	4,968,161
Public safety	12,836,930	12,448,875	-	-	12,836,930	12,448,875
Public works	7,359,287	6,677,936	-	-	7,359,287	6,677,936
Culture and recreation	2,665,606	2,489,878	-	-	2,665,606	2,489,878
Judicial	34,466	7,309	-	-	34,466	7,309
Interest on long-term debt	2,136,444	2,174,472	-	-	2,136,444	2,174,472
Water	-	-	8,990,608	9,217,893	8,990,608	9,217,893
Wastewater	-	-	5,346,584	4,944,177	5,346,584	4,944,177
Refuse services	-	-	992,819	935,064	992,819	935,064
Sokoll WTP	-	-	2,948,234	2,953,935	2,948,234	2,953,935
Total expenses	<u>30,766,543</u>	<u>28,766,631</u>	<u>18,278,245</u>	<u>18,051,069</u>	<u>49,044,788</u>	<u>46,817,700</u>
Increases in net assets before transfers	( 1,615,403)	3,865,372	2,728,266	520,997	1,112,863	4,386,369
Transfers	<u>1,439,733</u>	<u>882,847</u>	<u>( 1,439,733)</u>	<u>( 882,847)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	( 175,670)	4,748,219	1,288,533	( 361,850)	1,112,863	4,386,369
Net assets, beginning	<u>61,369,527</u>	<u>56,621,308</u>	<u>59,374,890</u>	<u>59,736,740</u>	<u>120,744,417</u>	<u>116,358,048</u>
Net assets, ending	<u>\$ 61,193,857</u>	<u>\$ 61,369,527</u>	<u>\$ 60,663,423</u>	<u>\$ 59,374,890</u>	<u>\$ 121,857,280</u>	<u>\$ 120,744,417</u>

**Governmental Activities**

Governmental activities decreased the City's net assets by \$175,670.

Sales tax revenue increased by over \$1,300,000 while other revenue decreased more than \$4,500,000. This resulted in a decrease in total revenue of approximately \$3,500,000. Total expenses increased by about \$2,000,000 due to the increases in general government (\$760,000), public safety (\$380,000) and public works (680,000).

## **Business-type Activities**

Business-type activities increased the City's net assets by \$1,288,533.

Total revenues increased by \$2,434,445. The majority of this increase is related to increased water (\$889,267) and wastewater (\$498,188) charges for services. The remaining increase is related to revenue from the collection and treatment of wastewater related to the October 2011 facility fire.

Water expenses decreased by \$227,285, wastewater expenses increased by \$402,407; refuse services expenses increased by \$57,755 and investment in Sokoll WTP expenses decreased \$5,701.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

### **Governmental Funds**

The City's General Fund reported an ending unassigned fund balance of \$11,151,537, with a total increase in fund balance of \$2,282,514, compared with the previous fiscal year. Original budgetary projections had projected a decrease in fund balance of \$109,930, and the amended budget anticipated a decrease of \$951,611. Total expenses were under budget by \$1,564,357. Also, all revenue categories other than ad valorem taxes, other taxes and fines and forfeitures exceeded budget.

The City's Debt Service Fund saw its fund balance rise from \$1,281,408 to \$1,617,763. The original budget (adopted prior to the conclusion of the 2011 fiscal year) had proposed to bring this balance up to \$1,674,676; however, debt service expenditures were higher than originally expected.

The City's 2011 Bond Firehouse Construction Fund also had an increase in fund balance of \$1,128,976. This resulted in a positive fund balance of \$127,345 as of September 30, 2012.

### **Proprietary Funds**

The City's Water and Wastewater Funds reported unrestricted ending net assets of \$13,317,011 and \$8,010,698, respectively. The net assets of the Water Fund increased \$1,236,818 due to increased charges for services as well as increased transfers in from other funds. The Wastewater Fund's net assets increased \$225,283, primarily as a result of increased charges for services and other revenue as described above offset by transfers to other funds.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund had the following significant budget amendments during the year:

- Total expenditures were increased by \$842,215 to budget for various additional expenditures.
- Total general government expenditures were increased by \$706,668 (16.85%) to budget for the completion of the City Hall building renovations and the information technology upgrade and consultant fees.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City of Waxahachie's investment in capital assets for its governmental and business-type activities as of September 30, 2012, amounts to \$193,192,540 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, machinery and equipment, and roads. Additional information on the City's capital assets can be found in Note 3. C. in the basic financial statements. Major capital asset events during the current fiscal period included the following:

- Completion of the \$4.0 million fire station project
- Approximately \$900,000 on various street projects
- Approximately \$765,000 was spent on the purchase of new vehicles

### **Debt Administration**

During fiscal year 2012, the City issued \$4.6 million in municipal improvement bonds as well as \$1.6 million in general obligation refunding bonds. More information about these bonds can be found in Note 3. E. to the financial statements.

## **ECONOMIC OUTLOOK**

In this coming fiscal year, the City's budget will continue to be impacted by the economic downturn. In light of the fact that neither the scale nor the duration of the recession can be precisely predicted, the general budgetary approach for the 2011 fiscal year was accompanied by a degree of conservatism.

Property values remain flat, sales tax collections appear to have stopped their decline but are not anticipated to grow significantly in 2011 (the projected increase measured at less than 1%).

Total General Fund revenues, excluding ad valorem taxes, penalties & interest, are budgeted to increase slightly over estimated 2011 fiscal year collections (1.6%)

The 2012 figure is actually a slight reduction compared to 2011 budgeted figures (-2.5%). In the 2012 fiscal year budget, total General Fund revenues and transfers are budgeted to increase by just over 7% from the original 2011 budget; an increase almost totally attributable to an 11% increase in the ad valorem tax rate.

This 2012 budget revenue figure is just over 7.5% greater than estimated actual 2011 fiscal year revenues and transfers in.

Despite the weak economy, the wastewater utility remains profitable. For 2012 it is anticipated that wastewater revenues will increase slightly (with a budgeted increase of about 2% compared to the 2010 year-end projections).

The 2012 Budget increased expenditures and transfers-out by about 26% compared to total budgeted 2011 wastewater expenditures; about half of this total is allocated toward increased in transfers-out; with the balance spread across several other cost categories.

The Wastewater Fund has budgeted \$910,000 to be transferred to the water utility in order to help stabilize rates in that fund.

The water utility was not profitable during 2011. In 2007, bonds totaling more than 50 million dollars were issued to construct the Robert Sokoll Water Treatment Plant with this debt cost on these bonds to be shared equally by the City's utility and Rocket Special Utility District.

As the end of the last decade approached, the City's existing water treatment facility was nearing maximum capacity.

The Sokoll Plant will allow the City to meet its future water needs for years to come. Unfortunately, the inevitable fixed costs attributable to the plant's operations along with associated debt service costs will create significant pressure on rates for the next several years.

For the 2012 fiscal year, the City increased rates by 8.5% and budgeted the afore mentioned \$910,000 transfer from Wastewater Fund.

Similar increases and transfers are tentatively projected over the following two fiscal years. Reserves in the Wastewater Fund should be adequate to fund the transfers and hold wastewater rates stable over this period.

The 2012 water utility budget cuts almost one million dollars (\$979,000) off of total 2011 budgeted expense total, with most of the decrease coming from a reduction of maintenance and administration costs paid to the Trinity River Authority.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Charles Harris at (469) 309-4161, Finance Department, City of Waxahachie, Texas 75168-0757. Email: [charris@waxahachie.com](mailto:charris@waxahachie.com).

**BASIC  
FINANCIAL STATEMENTS**

**CITY OF WAXAHACHIE, TEXAS**

**STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2012**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and investments	\$ 15,734,110	\$ 12,324,637	\$ 28,058,747	\$ 4,128,457
Receivables (net of allowances for uncollectibles)	1,845,709	2,088,958	3,934,667	18,016
Intergovernmental	1,501,504	-	1,501,504	486,015
Inventories	-	54,112	54,112	-
Restricted assets:				
Cash and investments	-	8,343,617	8,343,617	-
Deferred charges	639,309	374,653	1,013,962	357,324
Due from other governments	-	24,640,250	24,640,250	-
Equity in joint venture	8,530,282	-	8,530,282	-
Intangible assets	-	1,186,250	1,186,250	-
Capital assets (net, where applicable, of accumulated depreciation):				
Land	8,290,402	981,384	9,271,786	650,670
Buildings	25,871,070	21,777,392	47,648,462	8,951,403
Improvements other than buildings	9,149,770	73,174,928	82,324,698	8,269,970
Machinery and equipment	1,147,569	7,247,570	8,395,139	14,954
Software	48,192	385,612	433,804	-
Vehicles	1,679,010	488,995	2,168,005	-
Infrastructure	37,958,499	4,006,969	41,965,468	-
Construction in progress	613,843	371,335	985,178	-
Total assets	<u>113,009,269</u>	<u>157,446,662</u>	<u>270,455,931</u>	<u>22,876,809</u>
<b>LIABILITIES</b>				
Accounts payable	799,037	359,628	1,158,665	34,642
Other payables	291,980	-	291,980	-
Accrued liabilities	902,374	117,707	1,020,081	32,737
Due to other governments	388,817	-	388,817	45
Customer deposits	-	669,612	669,612	48,795
Accrued interest payable	324,406	528,297	852,703	153,578
Accounts payable from restricted assets	-	10,493	10,493	-
Noncurrent liabilities:				
Due within one year	3,387,674	2,843,886	6,231,560	533,719
Due in more than one year	45,721,124	92,253,616	137,974,740	20,336,277
Total liabilities	<u>51,815,412</u>	<u>96,783,239</u>	<u>148,598,651</u>	<u>21,139,793</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	38,035,727	37,054,711	75,090,438	( 606,814)
Restricted	4,517,569	-	4,517,569	1,444,935
Unrestricted	<u>18,640,561</u>	<u>23,608,712</u>	<u>42,249,273</u>	<u>898,895</u>
Total net assets	<u>\$ 61,193,857</u>	<u>\$ 60,663,423</u>	<u>\$ 121,857,280</u>	<u>\$ 1,737,016</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAXAHACHIE, TEXAS**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 5,733,810	\$ -	\$ 77,350	\$ 125,500
Public safety	12,836,930	544,712	75,809	-
Public works	7,359,287	660,066	-	-
Culture and recreation	2,665,606	800	27,349	-
Judicial	34,466	305	-	-
Interest on long-term debt	2,136,444	-	-	-
Total governmental activities	<u>30,766,543</u>	<u>1,205,883</u>	<u>180,508</u>	<u>125,500</u>
Business-type activities:				
Water utility	8,990,608	9,332,859	-	-
Wastewater utility	5,346,584	6,278,021	-	-
Refuse service	992,819	1,338,195	-	-
Investment in Sokoll WTP	2,948,234	776,851	-	-
Total business-type activities	<u>18,278,245</u>	<u>17,725,926</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 49,044,788</u>	<u>\$ 18,931,809</u>	<u>\$ 180,508</u>	<u>\$ 125,500</u>
<b>Component unit</b>				
Waxahachie Community				
Development Corporation	\$ 3,245,046	\$ 575,091	\$ -	\$ -
Total component unit	<u>\$ 3,245,046</u>	<u>\$ 575,091</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Miscellaneous				
Unrestricted investment earnings				
Gain (loss) on disposal of capital assets				
Capital contributions				
Transfers				
Total general revenues				
Change in net assets				
Net assets, beginning				
Net assets, ending				

**The accompanying notes are an integral part of these financial statements.**

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Unit
\$( 5,530,960)	\$ -	\$( 5,530,960)	\$ -
( 12,216,409)	-	( 12,216,409)	-
( 6,699,221)	-	( 6,699,221)	-
( 2,637,457)	-	( 2,637,457)	-
( 34,161)	-	( 34,161)	-
( 2,136,444)	-	( 2,136,444)	-
<u>( 29,254,652)</u>	<u>-</u>	<u>( 29,254,652)</u>	<u>-</u>
-	342,251	342,251	-
-	931,437	931,437	-
-	345,376	345,376	-
<u>-</u>	<u>( 2,171,383)</u>	<u>( 2,171,383)</u>	<u>-</u>
<u>-</u>	<u>( 552,319)</u>	<u>( 552,319)</u>	<u>-</u>
<u>( 29,254,652)</u>	<u>( 552,319)</u>	<u>( 29,806,971)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>( 2,669,955)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>( 2,669,955)</u>
14,700,289	-	14,700,289	-
9,077,082	-	9,077,082	3,025,694
2,931,065	-	2,931,065	-
443,006	-	443,006	-
447,354	1,550,526	1,997,880	2,964
41,561	46,062	87,623	9,240
( 1,108)	-	( 1,108)	-
-	1,683,997	1,683,997	-
<u>1,439,733</u>	<u>( 1,439,733)</u>	<u>-</u>	<u>-</u>
<u>29,078,982</u>	<u>1,840,852</u>	<u>30,919,834</u>	<u>3,037,898</u>
( 175,670)	1,288,533	1,112,863	367,943
<u>61,369,527</u>	<u>59,374,890</u>	<u>120,744,417</u>	<u>1,369,073</u>
<u>\$ 61,193,857</u>	<u>\$ 60,663,423</u>	<u>\$ 121,857,280</u>	<u>\$ 1,737,016</u>

**CITY OF WAXAHACHIE, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2012**

	General	Debt Service	2011 Bond Firehouse Construction	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 10,867,345	\$ 1,610,150	\$ 173,765	\$ 3,082,850	\$ 15,734,110
Receivables (net of allowances for uncollectibles):					
Taxes	139,601	89,266	-	2,557	231,424
Accounts	13,903	-	-	-	13,903
Fines	743,435	-	-	-	743,435
Other	185,517	61,562	-	73,058	320,137
Intergovernmental	1,478,421	1,583	-	21,500	1,501,504
Due from other funds	22,575	-	-	-	22,575
	<u>13,450,797</u>	<u>1,762,561</u>	<u>173,765</u>	<u>3,179,965</u>	<u>18,567,088</u>
Total assets					
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	439,947	1,018	46,420	311,652	799,037
Other payables	291,980	-	-	-	291,980
Accrued liabilities	896,429	-	-	5,945	902,374
Due to other funds	-	-	-	22,575	22,575
Due to other governments	388,817	-	-	-	388,817
Deferred revenue	263,185	143,780	-	2,552	409,517
	<u>2,280,358</u>	<u>144,798</u>	<u>46,420</u>	<u>342,724</u>	<u>2,814,300</u>
Fund balances:					
Restricted for:					
Tourism	-	-	-	192,141	192,141
Capital projects	-	-	127,345	527,270	654,615
Debt service	-	1,617,763	-	5	1,617,768
Perpetual care	-	-	-	822,357	822,357
Public safety	-	-	-	269,170	269,170
Industrial development	-	-	-	227,176	227,176
Municipal court judicial efficiency	-	-	-	6	6
Municipal court technology	-	-	-	78,426	78,426
Municipal court security	-	-	-	1,141	1,141
Municipal court judicial	-	-	-	4,836	4,836
Culture and recreation	-	-	-	96,268	96,268
Downtown improvements	-	-	-	553,665	553,665
Committed for:					
Culture and recreation	-	-	-	87,355	87,355
Assigned for:					
Community relations	18,902	-	-	-	18,902
Unassigned	11,151,537	-	-	( 22,575)	11,128,962
	<u>11,170,439</u>	<u>1,617,763</u>	<u>127,345</u>	<u>2,837,241</u>	<u>15,752,788</u>
Total fund balances					
Total liabilities and fund balances	<u>\$ 13,450,797</u>	<u>\$ 1,762,561</u>	<u>\$ 173,765</u>	<u>\$ 3,179,965</u>	<u>\$ 18,567,088</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAXAHACHIE, TEXAS**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

**SEPTEMBER 30, 2012**

Total fund balances - governmental funds balance sheet	\$ 15,752,788
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	84,758,355
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	211,532
Payables for bond principal which are not due in the current period are not reported in the funds.	( 46,939,961)
Payables for bond interest which are not due in the current period are not reported in the funds.	( 324,406)
Payables for compensated absences which are not due in the current period are not reported in the funds.	( 2,071,267)
Payables for contracts which are not due in the current period are not reported in the funds.	( 97,570)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	700,871
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	136,423
Franchise taxes receivable unavailable to pay for current period expenditures are not accrued in the funds.	536,810
Equity in a joint venture is not reported in the funds.	<u>8,530,282</u>
Net assets of governmental activities - statement of net assets	<u>\$ 61,193,857</u>

**The accompanying notes are an integral part of these financial statements.**

**CITY OF WAXAHACHIE, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	General	Debt Service	2011 Bond Firehouse Construction	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 21,466,969	\$ 5,007,391	\$ -	\$ 674,536	\$ 27,148,896
Charges for services	218,928	-	-	230,165	449,093
Licenses and permits	590,136	-	-	-	590,136
Fines and forfeitures	256,742	-	-	-	256,742
Intergovernmental	62,590	-	-	161,774	224,364
Miscellaneous	386,147	80,505	-	150,949	617,601
Interest	22,932	6,024	3,867	8,738	41,561
Total revenues	<u>23,004,444</u>	<u>5,093,920</u>	<u>3,867</u>	<u>1,226,162</u>	<u>29,328,393</u>
<b>EXPENDITURES</b>					
Current:					
General government	4,156,045	-	-	479,085	4,635,130
Public safety	12,527,610	-	90,254	56,820	12,674,684
Public works	4,346,088	-	-	461,387	4,807,475
Judicial	-	-	-	34,466	34,466
Culture and recreation	2,121,091	-	-	261,354	2,382,445
Capital outlay	-	-	3,258,020	22,101	3,280,121
Debt service:					
Principal	-	2,775,105	-	65,685	2,840,790
Interest	-	2,001,196	-	67,107	2,068,303
Bond issuance cost	-	-	138,200	-	138,200
Total expenditures	<u>23,150,834</u>	<u>4,776,301</u>	<u>3,486,474</u>	<u>1,448,005</u>	<u>32,861,614</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 146,390)</u>	<u>317,619</u>	<u>( 3,482,607)</u>	<u>( 221,843)</u>	<u>( 3,533,221)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	2,428,904	500	-	32,966	2,462,370
Transfers out	-	-	( 127,117)	( 895,520)	( 1,022,637)
Bonds Issued	-	1,600,000	4,600,000	-	6,200,000
Premium on bonds issued	-	-	138,700	-	138,700
Payment to bond escrow agent	-	( 1,581,764)	-	-	( 1,581,764)
Total other financing sources (uses)	<u>2,428,904</u>	<u>18,736</u>	<u>4,611,583</u>	<u>( 862,554)</u>	<u>6,196,669</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,282,514	336,355	1,128,976	( 1,084,397)	2,663,448
<b>FUND BALANCES, BEGINNING</b>	<u>8,887,925</u>	<u>1,281,408</u>	<u>( 1,001,631)</u>	<u>3,921,638</u>	<u>13,089,340</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 11,170,439</u>	<u>\$ 1,617,763</u>	<u>\$ 127,345</u>	<u>\$ 2,837,241</u>	<u>\$ 15,752,788</u>

The accompanying notes are an integral part of these financial statements.

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Net change in fund balances - total governmental funds	\$ 2,663,448
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the statement of activities.	4,659,889
The depreciation of capital assets used in governmental activities is not reported in the funds.	( 5,299,852)
Trade-in or disposal of capital assets decrease net assets in the statement of activities but not in the funds.	( 49,837)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	35,546
Revenues in the statement of activities not providing current financial resources are not reported as revenues in the funds.	( 6,106)
Repayment of bond principal is an expenditure in the funds but is not an expense in the statement of activities.	2,834,189
Repayment of loan principal is an expenditure in the funds but is not an expense in the statement of activities.	6,601
Bond issuance costs and similar items are amortized in the statement of activities but not in the funds.	83,273
The accretion of interest on capital appreciation bonds is not reported in the funds.	( 615)
(Increase) decrease in accrued interest from beginning of period to end of period.	1,165
Compensated absences are reported as the amount earned in the statement of activities but as the amount paid in the funds.	( 175,815)
Revenues in the statement of activities for court fines not providing current financial resources are not reported in the funds.	( 18,199)
Revenues in the statement of activities for franchise taxes not providing current financial resources are not reported in the funds.	( 33,000)
Proceeds of bonds do not provide revenue in the statement of activities, but are reported as current resources in the funds.	( 4,645,000)
Bond premiums and discounts are reported in the funds but not in the statement of activities.	( 125,700)
Change in joint venture equity is not reported in the funds.	( 105,657)
Change in net assets of governmental activities - statement of activities	\$( 175,670)

**The accompanying notes are an integral part of these financial statements.**

**CITY OF WAXAHACHIE, TEXAS**  
**STATEMENT OF NET ASSETS - ENTERPRISE FUNDS**  
**SEPTEMBER 30, 2012**

	Enterprise Fund			Nonmajor Enterprise	Total Enterprise Funds
	Water Utility	Wastewater Utility	Investment in Sokoll WTP	Refuse Services	
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 4,197,229	\$ 5,744,093	\$ 1,043,045	\$ 1,340,270	\$ 12,324,637
Receivables (net of allowances for uncollectibles)					
Accounts receivable	1,200,653	669,624	66,743	151,756	2,088,776
Other receivables	-	-	-	182	182
Inventories	54,112	-	-	-	54,112
Restricted assets:					
Cash and investments	6,997,980	1,345,637	-	-	8,343,617
Total current assets	<u>12,449,974</u>	<u>7,759,354</u>	<u>1,109,788</u>	<u>1,492,208</u>	<u>22,811,324</u>
Noncurrent assets:					
Deferred charges and other assets	124,573	154,544	95,536	-	374,653
Due from Rockett SUD	-	-	24,640,250	-	24,640,250
Intangible assets	1,186,250	-	-	-	1,186,250
Capital assets:					
Land	290,123	240,765	366,847	83,649	981,384
Buildings	19,724,058	7,712,938	12,621,744	-	40,058,740
Improvements other than buildings	64,399,225	44,475,109	270,932	-	109,145,266
Infrastructure	-	-	4,274,101	-	4,274,101
Machinery and equipment	465,609	637,513	8,152,627	142,396	9,398,145
Software	521,428	-	67,211	-	588,639
Vehicles	509,986	1,012,328	14,093	19,336	1,555,743
Construction in progress	113,259	258,076	-	-	371,335
Accumulated depreciation	( 37,134,376)	( 18,358,318)	( 2,329,720)	( 116,754)	( 57,939,168)
Total noncurrent assets	<u>50,200,135</u>	<u>36,132,955</u>	<u>48,173,621</u>	<u>128,627</u>	<u>134,635,338</u>
Total assets	<u>62,650,109</u>	<u>43,892,309</u>	<u>49,283,409</u>	<u>1,620,835</u>	<u>157,446,662</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	136,868	124,300	36,803	61,657	359,628
Accrued liabilities	54,763	56,882	2,062	4,000	117,707
Compensated absences payable - current	21,169	16,190	106	3,719	41,184
Accrued interest payable	170,051	167,192	191,054	-	528,297
General obligation bonds payable - current	219,888	425,330	-	-	645,218
Certificates of obligation bonds payable - current	560,542	571,942	1,025,000	-	2,157,484
Customer deposits	374,644	294,968	-	-	669,612
Accounts payable from restricted assets	126	-	10,367	-	10,493
Total current liabilities	<u>1,538,051</u>	<u>1,656,804</u>	<u>1,265,392</u>	<u>69,376</u>	<u>4,529,623</u>
Noncurrent liabilities:					
General obligation bonds payable	8,692,820	16,814,533	-	-	25,507,353
Certificates of obligation bonds payable	13,816,937	5,915,904	48,255,000	-	67,987,841
Premium (Discount) on bonds payable	( 68,426)	( 160,010)	96,231	-	( 132,205)
Deferred loss on refunding bonds payable	( 433,489)	( 799,435)	-	-	( 1,232,924)
Compensated absences payable	63,507	48,569	320	11,155	123,551
Total noncurrent liabilities	<u>22,071,349</u>	<u>21,819,561</u>	<u>48,351,551</u>	<u>11,155</u>	<u>92,253,616</u>
Total liabilities	<u>23,609,400</u>	<u>23,476,365</u>	<u>49,616,943</u>	<u>80,531</u>	<u>96,783,239</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	25,723,698	12,405,246	( 1,202,860)	128,627	37,054,711
Unrestricted	13,317,011	8,010,698	869,326	1,411,677	23,608,712
Total net assets	<u>\$ 39,040,709</u>	<u>\$ 20,415,944</u>	<u>\$ ( 333,534)</u>	<u>\$ 1,540,304</u>	<u>\$ 60,663,423</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAXAHACHIE, TEXAS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - ENTERPRISE FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Enterprise Fund			Nonmajor Enterprise	Total Enterprise
	Water Utility	Wastewater Utility	Investment in Sokoll WTP	Refuse Services	Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 9,332,859	\$ 6,278,021	\$ 776,851	\$ 1,338,195	\$ 17,725,926
Total operating revenues	<u>9,332,859</u>	<u>6,278,021</u>	<u>776,851</u>	<u>1,338,195</u>	<u>17,725,926</u>
<b>OPERATING EXPENSES</b>					
Cost of sales and services	5,860,067	3,056,738	826,230	980,891	10,723,926
Depreciation and amortization	2,034,602	1,193,973	937,420	11,928	4,177,923
Total operating expenses	<u>7,894,669</u>	<u>4,250,711</u>	<u>1,763,650</u>	<u>992,819</u>	<u>14,901,849</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,438,190</u>	<u>2,027,310</u>	<u>( 986,799)</u>	<u>345,376</u>	<u>2,824,077</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest revenue	23,391	16,784	3,177	2,710	46,062
Miscellaneous income	244,001	1,293,970	-	12,555	1,550,526
Interest expense	( 1,095,939)	( 1,095,873)	( 1,184,584)	-	( 3,376,396)
Total nonoperating revenues (expenses)	<u>( 828,547)</u>	<u>214,881</u>	<u>( 1,181,407)</u>	<u>15,265</u>	<u>( 1,779,808)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>609,643</u>	<u>2,242,191</u>	<u>( 2,168,206)</u>	<u>360,641</u>	<u>1,044,269</u>
<b>TRANSFERS AND CAPITAL CONTRIBUTIONS</b>					
Capital contributions	-	-	1,683,997	-	1,683,997
Transfers in	1,996,768	66,203	-	-	2,062,971
Transfers out	( 1,369,593)	( 2,083,111)	-	( 50,000)	( 3,502,704)
Total transfers and capital contributions	<u>627,175</u>	<u>( 2,016,908)</u>	<u>1,683,997</u>	<u>( 50,000)</u>	<u>244,264</u>
<b>CHANGE IN NET ASSETS</b>	<u>1,236,818</u>	<u>225,283</u>	<u>( 484,209)</u>	<u>310,641</u>	<u>1,288,533</u>
<b>NET ASSETS, BEGINNING</b>	<u>37,803,891</u>	<u>20,190,661</u>	<u>150,675</u>	<u>1,229,663</u>	<u>59,374,890</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 39,040,709</u>	<u>\$ 20,415,944</u>	<u>\$ ( 333,534)</u>	<u>\$ 1,540,304</u>	<u>\$ 60,663,423</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAXAHACHIE, TEXAS**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Enterprise Fund			Nonmajor Enterprise	Total Enterprise
	Water Utility	Wastewater Utility	Investment in Sokoll WTP	Refuse Services	Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 9,450,161	\$ 7,594,787	\$ 826,953	\$ 1,344,641	\$ 19,216,542
Cash payments to employees for services	( 1,382,382)	( 1,425,025)	( 81,204)	( 102,113)	( 2,990,724)
Cash payments to other suppliers for goods and services	( 4,525,959)	( 1,579,319)	( 709,357)	( 878,014)	( 7,692,649)
Net cash provided (used) by operating activities	<u>3,541,820</u>	<u>4,590,443</u>	<u>36,392</u>	<u>364,514</u>	<u>8,533,169</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers and receipts from other funds	1,996,768	66,203	-	-	2,062,971
Transfers and payments to other funds	( 1,369,593)	( 2,083,111)	-	( 50,000)	( 3,502,704)
Net cash provided (used) from nonoperating financing activities	<u>627,175</u>	<u>( 2,016,908)</u>	<u>-</u>	<u>( 50,000)</u>	<u>( 1,439,733)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal repayments on bonds	( 838,476)	( 772,951)	( 492,500)	-	( 2,103,927)
Interest and fiscal charges on debt	( 1,078,745)	( 1,057,308)	( 1,191,497)	-	( 3,327,550)
Capital Contributions	-	-	1,683,997	-	1,683,997
Acquisition and construction of capital assets	( 220,935)	( 557,602)	( 228,484)	-	( 1,007,021)
Net cash provided (used) by capital and related financing activities	<u>( 2,138,156)</u>	<u>( 2,387,861)</u>	<u>( 228,484)</u>	<u>-</u>	<u>( 4,754,501)</u>
<b>CASH FROM INVESTING ACTIVITIES</b>					
Interest on investments	23,391	16,784	3,177	2,710	46,062
Net cash provided (used) by investing activities	<u>23,391</u>	<u>16,784</u>	<u>3,177</u>	<u>2,710</u>	<u>46,062</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,054,230	202,458	( 188,915)	317,224	2,384,997
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>9,140,979</u>	<u>6,887,272</u>	<u>1,231,960</u>	<u>1,023,046</u>	<u>18,283,257</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 11,195,209</u>	<u>\$ 7,089,730</u>	<u>\$ 1,043,045</u>	<u>\$ 1,340,270</u>	<u>\$ 20,668,254</u>

(continued)

**CITY OF WAXAHACHIE, TEXAS**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
(Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Enterprise Fund			Nonmajor Enterprise	Total Enterprise
	Water Utility	Wastewater Utility	Investment in Sokoll WTP	Refuse Services	Funds
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 1,438,190	\$ 2,027,310	\$( 986,799)	\$ 345,376	\$ 2,824,077
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	2,034,602	1,193,973	937,420	11,928	4,177,923
Other revenues (expenses)	244,001	1,293,970	-	12,555	1,550,526
Change in assets and liabilities:					
Decrease (increase) in receivables	( 146,569)	4,467	50,102	( 6,109)	( 98,109)
Decrease (increase) in inventories	( 6,387)	-	-	-	( 6,387)
Increase (decrease) in accounts payable	( 34,891)	26,496	37,523	266	29,394
Increase (decrease) in accrued liabilities	917	936	( 1,886)	( 159)	( 192)
Increase (decrease) in customer deposits	19,870	18,329	-	-	38,199
Increase (decrease) in compensated absences	( 7,913)	24,962	32	657	17,738
Total adjustments	<u>2,103,630</u>	<u>2,563,133</u>	<u>1,023,191</u>	<u>19,138</u>	<u>5,709,092</u>
Net cash and cash equivalents provided (used) by operating activities	<u>\$ 3,541,820</u>	<u>\$ 4,590,443</u>	<u>\$ 36,392</u>	<u>\$ 364,514</u>	<u>\$ 8,533,169</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF WAXAHACHIE, TEXAS**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED SEPTEMBER 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Waxahachie, Texas (the "City") is a Home Rule City incorporated about 1850. The City operates under the Council-Manager form of government adopted on October 22, 1946 and provides the following services authorized by its charter: public safety (police and fire); highways and streets; sanitation; health and social services; parks and recreation; public improvements; planning and zoning; and general administrative services. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

**Blended Component Units**

Ellis County Water Control and Improvement District No. 1 (the Water District) is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the Water District is reported as if it were part of the primary government because its sole purpose is to finance and construct a lake, the water treatment, and the wastewater processing systems for the City. Legal liability for the general obligation portion of the District's debt remains with the City. The Water District's General Fund is accounted for as a Special Revenue Fund. Contractual payments are treated as transfers. Separate financial statements may be obtained from the City.

The Tax Increment Financing Reinvestment Zone No. 1 (TIFRZ) is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the TIFRZ is reported as if it were part of the primary government because its sole purpose is to finance and construct improvements to the downtown area. Legal liability for the general obligation portion of the District's debt remains with the City. The TIFRZ's General Fund is accounted for as a Special Revenue Fund. Separate financial statements are not prepared.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

A. **Reporting Entity** (Continued)

**Discretely Presented Component Unit**

Waxahachie Community Development Corporation (WCDC) is governed by a seven-member board appointed by the City Council, and its operating budget is subject to approval of the City Council. WCDC is financed with a voter approved half-cent City sales tax, and its primary purpose is to finance, construct, and administer the activities of the Civic Center and Recreation Complex for the City. Since the services provided by WCDC are to the public and not to the City, WCDC is a discretely presented component unit. Legal liability for the general obligation portion of the District's debt remains with the City. The funds of WCDC are composed of governmental fund types. Separate financial statements may be obtained from the City.

**Joint Ventures**

The Midlothian/Waxahachie Airport Joint Venture was created by an agreement by the City of Waxahachie and City of Midlothian, Texas, dated August 9, 1989. Under the agreement, both cities equally share ownership, rights and obligations. The City recognizes its share of equity in the joint venture in the governmental capital assets. Summary financial information of the joint venture is included elsewhere in these notes to the basic financial statements. Separate financial statements are not prepared.

Pursuant to an interlocal agreement authorized by state statutes, the City of Waxahachie, Texas joined the Rockett Special Utility District (SUD) to construct and operate the Robert W. Sokoll Water Treatment Plant for the mutual benefit of the City and the SUD. Under the agreement, both entities equally share ownership, rights and obligations. The City will recognize its share of equity in the joint venture in the enterprise capital assets. Summary financial information of the joint venture is included elsewhere in these notes to the basic financial statements. Separate financial statements may be obtained from the City.

The City acts as an agent for the collection and remittance of specific taxes for the following organizations:

*Nicholas P. Sims Library and Lyceum* – in accordance with Sec. 5.19 (City Charter), the City levies and collects property taxes based on the operating budget of the Library.

*Hotel/Motel Occupancy Tax* – under terms of an agreement dated September 14, 1981, the City collects and remits all of the Hotel/Motel occupancy tax to the Waxahachie Chamber of Commerce to fund the Convention and Visitors Bureau for tourism (75%) and to the Waxahachie Arts Council for cultural activities (25%). Effective July 1, 2011, the Convention and Visitors Bureau and its funding became a City department reported in the Hotel/Motel Tax Fund.

(continued)

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental and Enterprise Funds are reported as separate columns in the fund financial statements.

### **C. 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 and the fiduciary 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

Property taxes, sales taxes, franchise taxes, licenses, 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 to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*2011 Bond Firehouse Construction* accounts for the proceeds of bonds that were issued in fiscal year 2012. The proceeds are intended to be used to fund the construction of Fire Station #2.

The City reports the following major proprietary funds:

The *Water Utility Fund* accounts for the operations of the water treatment plant, water production system, and the water distribution system, as well as the water utility administration, billing, and metering departments.

The *Wastewater Utility Fund* accounts for the operations of the wastewater treatment plant, wastewater pumping stations, and collection systems, as well as the wastewater utility administration and billing departments.

The *Investment in Sokoll Water Treatment Plant Fund* accounts for the operations of the City's 1/2 investment in the Sokoll Water Treatment Plant.

Additionally, the City reports the following fund types:

*Special Revenue Funds* account for the collection and disbursement of earmarked monies.

*Debt Service Funds* account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of certain governmental funds.

*Capital Projects Funds* account for the acquisition or construction of governmental capital assets.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

The *Refuse Service Enterprise Fund* accounts for the operation of the garbage collection system.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) 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, miscellaneous revenue, and interest income.

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 Water Utility Enterprise Fund, the Wastewater Utility Enterprise Fund, and the Refuse Service Fund are charges to customers for sales and services. The utility funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds include 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.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity**

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (b) secured by obligations that are described by (1) – (4); or (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1) pledged with third party selected or approved by the City, and placed through a primary government securities dealer.

Investments maturing within one year of date of purchase are stated at cost or amortized cost; all other investments are stated at fair value which is based on quoted market prices.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Uncollectible trade accounts are estimated on 0.5% of billed revenue during the fiscal year. The property tax receivable allowance is equal to 25% of outstanding property taxes at September 30, 2012.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Assets, Liabilities, and Net Assets or Equity** (Continued)

2. Receivables and Payables (Continued)

Property taxes are levied on October 1 by the City and Water District based on the January 1 property values as assessed by the Ellis Central Appraisal District. Taxes are due without penalty until January 31 of the next calendar year. After January 31, the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain proceeds of Enterprise Fund certificates of obligation are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Assets, Liabilities, and Net Assets or Equity** (Continued)

5. Capital Assets (Continued)

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.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Building improvements	40 years
Public domain infrastructure	20 years
System infrastructure	40 years
Equipment	10 years
Vehicles	10 years

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Non-civil service employees are paid for up to 480 hours of accumulated sick leave upon retirement from the City if the employee has a total 20 years of service with the City. Firefighters and police officers may accrue and be paid up to 90 days of sick pay. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

7. Long-term Obligations

In the government-wide financial statements and proprietary fund type funds 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 debt issued is reported as other financing sources. 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.

(continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**D. Assets, Liabilities, and Net Assets or Equity** (Continued)

8. Fund Equity

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City council.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets 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 assets are 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

8. Fund Equity (Continued)

In the government-wide financial statements, the City’s restrictions on net assets are for amounts that are not available for appropriation. The City’s restricted net assets are as follows:

Restricted for Tourism	\$ 192,141
Restricted for Capital Projects	654,615
Restricted for Debt Service	1,617,768
Restricted for Perpetual Care	822,357
Restricted for Public Safety	269,170
Restricted for Industrial Development	227,176
Restricted for Municipal Court Judicial Efficiency	6
Restricted for Municipal Court Technology	78,426
Restricted for Municipal Court Security	1,141
Restricted for Municipal Court Judicial	4,836
Restricted for Culture and Recreation	96,268
Restricted for Downtown Improvements	<u>553,665</u>
Total	<u>\$ 4,517,569</u>

The government-wide and fund level financial statements report restricted fund balances for amounts not available for appropriation or legally restricted for specific uses. When an expense is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City’s policy to use restricted resources first, then unrestricted resources as needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that, “Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.” The details of this \$700,871 difference are as follows:

Bonds issuance costs:	
City	\$ 604,038
Tax Increment Financing Reinvestment Zone No. 1	35,271
Loan receivable recognized as income, but deferred in the funds	<u>61,562</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$ 700,871</u>

(continued)

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Revenues in the Statement of Activities not providing current financial resources are not reported as revenues in the funds.” The details of this \$6,106 difference are as follows:

Arbitrage liability decrease	\$ -
Change in deferred contract revenue	( 6,106)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	\$( 6,106)

3. DETAILED NOTES ON ALL FUNDS

**A. Deposits and Investments**

As of September 30, 2012, the City and WCDC had cash in the amount of \$1,840,450 on deposit with a bank balance of \$1,982,990. These amounts were not fully collateralized by securities held by a third party trustee in the name of the City.

The City is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity’s funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (the “Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local practices.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U. S. Treasury, certain U. S. Agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

As of September 30, 2012, the City and WCDC had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Primary government	
City general investments:	
Government sponsored investment pool (LOGIC)	\$ 34,384,322
	<u>34,384,322</u>
Discretely presented component unit	
Waxahachie Community Development Corporation:	
Government sponsored investment pool (LOGIC)	<u>4,128,457</u>
Total discretely presented component unit	<u>4,128,457</u>
Total reporting entity	<u>\$ 38,512,779</u>

**Interest Rate Risk.** In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its portfolio to less than three years.

**Credit Risk.** State law limits investments as described previously in Note 1 D.

**Concentration of Credit Risk.** The City's investment policy does not allow for an investment in any one issuer that is in excess of five percent of the fair value of the City's total investments, except for governmental investment pools.

**Concentration of Credit Risk – Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the City's depository in the City's name and held by the depository's agent.

**Custodial Credit Risk – Investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Local Government Investment Cooperative (LOGIC) operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, to the extent such rule is applicable to its operations. Accordingly, LOGIC uses the amortized cost method permitted by SEC Rule 2a-7 to report net assets and share prices since that amount approximates fair value. The investment activities of LOGIC are administered by third party advisors. There is no regulatory oversight by the State of Texas over LOGIC. LOGIC has a Standard & Poor's credit rating of AAAM.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

**B. Receivables**

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Nonmajor and Other	Water Utility	Wastewater Utility	Nonmajor Refuse Service	Investment in Sokoll WTP	Total
Property taxes	\$ 186,134	\$ 119,021	\$ 3,409	\$ -	\$ -	\$ -	\$ -	\$ 308,564
Allowance	( 46,533)	( 29,755)	( 852)	-	-	-	-	( 77,140)
Net property taxes	<u>139,601</u>	<u>89,266</u>	<u>2,557</u>	-	-	-	-	<u>231,424</u>
Accounts receivable	13,903	-	-	4,086,405	1,042,576	321,034	66,743	5,530,661
Allowance	-	-	-	( 2,885,752)	( 372,952)	( 169,278)	-	( 3,427,982)
Net accounts receivable	<u>13,903</u>	-	-	<u>1,200,653</u>	<u>669,624</u>	<u>151,756</u>	<u>66,743</u>	<u>2,102,679</u>
Fines receivable	1,602,634	-	-	-	-	-	-	1,602,634
Allowance	( 859,199)	-	-	-	-	-	-	( 859,199)
Net fines receivable	<u>743,435</u>	-	-	-	-	-	-	<u>743,435</u>
Other receivables	185,517	61,562	73,058	-	-	182	-	320,319
Allowance	-	-	-	-	-	-	-	-
Net other receivables	<u>185,517</u>	<u>61,562</u>	<u>73,058</u>	-	-	<u>182</u>	-	<u>320,319</u>
Intergovernmental	\$ <u>1,478,421</u>	\$ <u>1,583</u>	\$ <u>21,500</u>	\$ -	\$ -	\$ -	\$ -	\$ <u>1,501,504</u>

Revenues of the Utility Funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to water sales	\$ 59,041
Uncollectibles related to wastewater services	22,122
Uncollectibles related to refuse service	<u>5,739</u>
	<u>\$ 86,902</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$ 126,762	\$ -
Fines revenue (general fund)	136,423	-
Delinquent property taxes receivable (debt service fund)	82,218	-
Loan receivable not yet due (debt service fund)	61,562	-
Delinquent property taxes receivable (water district debt service)	<u>2,552</u>	-
Total deferred/unearned revenue for governmental funds	<u>\$ 409,517</u>	<u>\$ -</u>

(continued)

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### C. Capital Assets

Capital asset activity for the year ended September 30, 2012:

	Balance 09/30/11	Additions	Retirements	Transfers and Completed Construction	Balance 9/30/12
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 8,285,277	\$ 5,125	\$ -	\$ -	\$ 8,290,402
Construction in progress	1,057,421	3,856,686	-	( 4,300,264)	613,843
Total capital assets not being depreciated	9,342,698	3,861,811	-	( 4,300,264)	8,904,245
Capital assets, being depreciated:					
Buildings	37,847,185	-	-	3,370,998	41,218,183
Improvements other than buildings	18,922,141	-	-	-	18,922,141
Machinery and equipment	3,488,308	281,463	-	50,968	3,820,739
Software	41,051	13,999	-	-	55,050
Vehicles	3,297,481	485,640	( 199,348)	534,240	4,118,013
Infrastructure	94,268,988	16,976	-	344,058	94,630,022
Total capital assets being depreciated	157,865,154	798,078	( 199,348)	4,300,264	162,764,148
Less accumulated depreciation for:					
Buildings	( 14,381,270)	( 965,843)	-	-	( 15,347,113)
Improvements other than buildings	( 9,308,446)	( 463,925)	-	-	( 9,772,371)
Machinery and equipment	( 2,457,607)	( 215,563)	-	-	( 2,673,170)
Software	( 2,053)	( 4,805)	-	-	( 6,858)
Vehicles	( 2,368,989)	( 219,525)	149,511	-	( 2,439,003)
Infrastructure	( 53,241,332)	( 3,430,191)	-	-	( 56,671,523)
Total accumulated depreciation	( 81,759,697)	( 5,299,852)	149,511	-	( 86,910,038)
Total capital assets being depreciated, net	76,105,457	( 4,501,774)	( 49,837)	4,300,264	75,854,110
Governmental activities capital assets, net \$	85,448,155	\$( 639,963)	\$( 49,837)	\$ -	\$ 84,758,355
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 938,260	\$ 43,124	\$ -	\$ -	\$ 981,384
Construction in progress	226,503	187,278	-	-	( 42,446)
Total capital assets not being depreciated	1,164,763	230,402	-	-	( 42,446)
Capital assets, being depreciated:					
Buildings	40,058,740	-	-	-	40,058,740
Improvements other than buildings	108,715,104	430,162	-	-	109,145,266
Infrastructure	4,274,101	-	-	-	4,274,101
Machinery and equipment	9,299,336	108,320	( 9,511)	-	9,398,145
Software	588,639	-	-	-	588,639
Vehicles	1,289,983	280,585	( 14,825)	-	1,555,743
Total capital assets being depreciated	164,225,903	819,067	( 24,336)	-	165,020,634
Less accumulated depreciation for:					
Buildings	( 17,413,028)	( 868,320)	-	-	( 18,281,348)
Improvements other than buildings	( 33,504,607)	( 2,465,731)	-	-	( 35,970,338)
Infrastructure	( 160,279)	( 106,853)	-	-	( 267,132)
Machinery and equipment	( 1,590,425)	( 569,661)	9,511	-	( 2,150,575)
Software	( 121,816)	( 81,211)	-	-	( 203,027)
Vehicles	( 1,013,125)	( 68,448)	14,825	-	( 1,066,748)
Total accumulated depreciation	( 53,803,280)	( 4,160,224)	24,336	-	( 57,939,168)
Total capital assets being depreciated, net	110,422,623	( 3,341,157)	-	-	107,081,466
Business-type activities capital assets, net \$	111,587,386	\$( 3,110,755)	\$ -	\$ -	\$( 42,446)

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 1,117,886
Public safety	349,246
Public works	3,545,482
Culture and recreation	<u>287,238</u>
Total depreciation expense - governmental activities	<u>\$ 5,299,852</u>
Business-type activities:	
Water	\$ 2,027,978
Wastewater	1,186,571
Sokoll	933,746
Refuse	<u>11,929</u>
Total depreciation expense - business-type activities	<u>\$ 4,160,224</u>

*Discretely Presented Component Unit* – Waxahachie Community Development Corporation

	Balance 09/30/11	Additions	Retirements	Transfers and Completed Construction	Balance 09/30/12
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 650,670	\$ -	\$ -	\$ -	\$ 650,670
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>650,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,670</u>
Capital assets, being depreciated:					
Buildings	12,763,798	-	-	-	12,763,798
Improvements other than buildings	9,612,729	-	-	-	9,612,729
Machinery and equipment	209,880	-	-	-	209,880
Vehicles	<u>34,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,461</u>
Total capital assets being depreciated	<u>22,620,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,620,868</u>
Less accumulated depreciation for:					
Buildings	( 3,493,037)	( 319,358)	-	-	( 3,812,395)
Improvements other than buildings	( 1,102,441)	( 240,318)	-	-	( 1,342,759)
Machinery and equipment	( 191,192)	( 3,734)	-	-	( 194,926)
Vehicles	<u>( 33,787)</u>	<u>( 674)</u>	<u>-</u>	<u>-</u>	<u>( 34,461)</u>
Total accumulated depreciation	<u>4,820,457</u>	<u>( 564,084)</u>	<u>-</u>	<u>-</u>	<u>4,256,373</u>
Total capital assets being depreciated, net	<u>17,800,411</u>	<u>( 564,084)</u>	<u>-</u>	<u>-</u>	<u>17,236,327</u>
Governmental activities capital assets, net \$	<u>18,451,081</u>	<u>\$ ( 564,084)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,886,997</u>

(continued)

3. **DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund Receivables, Payables and Transfers**

**Interfund Receivables and Payables**

Interfund receivables arise from covering overdrafts in pooled cash at year-end. The City had the following interfund balances as of September 30, 2012:

	Payable To:		
	General Fund	Nonmajor Governmental Funds	Total Payable
Nonmajor Governmental Funds	\$ 22,575	\$ -	\$ 22,575
Total	<u>\$ 22,575</u>	<u>\$ -</u>	<u>\$ 22,575</u>

**Interfund Transfers**

The composition of interfund transfers as of September 30, 2012, is as follows:

Transfers From:	Transfers To:					Total Transfers From
	General Fund	Debt Service	Nonmajor Governmental Funds	Water Utility	Wastewater Utility	
2011 Bond Firehouse Const.	\$ -	\$ 500	\$ -	\$ 60,414	\$ 66,203	127,117
Nonmajor Governmental Funds	61,200	-	32,966	801,354	-	895,520
Water Utility	1,369,593	-	-	-	-	1,369,593
Wastewater Utility	948,111	-	-	1,135,000	-	2,083,111
Nonmajor Enterprise Funds	50,000	-	-	-	-	50,000
Total	<u>\$ 2,428,904</u>	<u>\$ 500</u>	<u>\$ 32,966</u>	<u>\$ 1,996,768</u>	<u>\$ 66,203</u>	<u>\$ 4,525,341</u>

The City transferred amounts between funds for the following reasons: (1) to reimburse the General Fund for nonspecific administrative costs, (2) to partially eliminate the deficit fund balance in the Debt Service Fund, (3) to split seizure/forfeiture funds, and (4) to fund necessary debt service requirements.

**E. Long-term Debt**

The City of Waxahachie issues general obligation bonds, certificates of obligation bonds, and notes to provide funds for the acquisition and construction of major capital facilities. These issues are direct obligations and pledge the full faith and credit of the City.

(continued)

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### E. Long-term Debt (Continued)

General debt current outstanding is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/12
Governmental activities					
General obligation bonds:					
Refunding and improvements	\$ 18,805,000	2005	2020	2.50-5.25%	\$ 11,225,000
Refunding	7,639,025	2007	2034	3.60-4.50%	7,493,994
Refunding	1,600,000	2012	2017	1.7000%	1,335,000
Total general obligation bonds					<u>20,053,994</u>
Certificate of obligation bonds:					
Wastewater improvements	3,935,000	1996	2017	3.95-4.45%	-
Municipal improvements	4,900,000	2002	2012	4.00-5.125%	-
Municipal improvements	5,490,000	2004	2016	4.00-5.50%	534,990
Refunding and improvements	14,250,002	2007	2032	4.15-5.25%	12,615,323
Municipal improvements	8,720,000	2009	2029	2.50-5.00%	7,999,022
Municipal improvements	4,600,000	2011	2031	2.00-3.75%	4,440,000
Total certificates of obligation					<u>25,589,335</u>
Governmental activities - City					45,643,329
Tax increment financing					1,598,774
Less:					
Unamortized loss on refunding					( 962,576)
Unamortized premium/discount					<u>660,435</u>
Total governmental type activities					<u>\$ 46,939,962</u>

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/12
Business-type activities					
General obligation bonds:					
Water refunding and improvements	\$ 9,085,196	2007	2034	3.60-4.50%	\$ 8,912,709
Sewer refunding and improvements	17,573,505	2007	2034	3.60-4.50%	17,239,863
Total general obligation bonds					<u>26,152,572</u>
Certificate of obligation bonds:					
Refunding and improvements	9,100,000	2002	2012	4.00-5.125%	-
Water improvements	6,600,000	2004	2016	4.00-5.50%	643,157
Water improvements - Sokoll	53,000,000	2007	2038	4.00-5.00%	49,280,000
Water improvements	15,514,000	2007	2032	4.15-5.25%	13,734,321
Sewer improvements	5,236,000	2007	2032	4.15-5.25%	4,635,356
Sewer improvements	19,010,000	2004	2016	4.00-5.50%	1,852,490
Total certificates of obligation					<u>70,145,324</u>
Total business-type activities					96,297,896
Less:					
Unamortized loss on refunding					( 1,232,924)
Unamortized premium					96,231
Unamortized discount					<u>( 228,436)</u>
Total business-type activities					<u>94,932,767</u>

(continued)

**3. DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Long-term Debt (Continued)**

Annual debt service requirements to maturity for debt:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,790,794	\$ 1,924,395	\$ 2,802,702	\$ 4,412,014	\$ 11,929,905
2014	2,892,686	1,834,627	2,923,893	4,298,541	11,949,747
2015	3,002,491	1,736,738	3,057,137	4,180,138	11,976,504
2016	3,138,597	1,612,289	3,198,345	4,055,305	12,004,536
2017	3,316,094	1,477,160	3,309,956	3,918,244	12,021,454
2018-2022	12,384,098	5,476,935	18,839,338	17,421,753	54,122,124
2023-2027	8,793,377	3,379,552	18,692,800	13,262,156	44,127,885
2028-2032	8,501,506	1,317,800	23,499,222	8,447,387	41,765,915
2033-2037	823,686	55,997	16,764,503	3,148,921	20,793,107
2038-2042	-	-	3,210,000	160,500	3,370,500
Total	<u>\$ 45,643,329</u>	<u>\$ 18,815,493</u>	<u>\$ 96,297,896</u>	<u>\$ 63,304,959</u>	<u>\$ 224,061,677</u>

<u>Year</u>	<u>TIFRZ</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2013	\$ 71,508	\$ 65,294	\$ 136,802
2014	73,420	63,347	136,767
2015	75,371	61,347	136,718
2016	78,057	58,945	137,002
2017	78,949	56,458	135,407
2018-2022	436,563	238,759	675,322
2023-2027	498,823	142,812	641,635
2028-2032	264,272	27,880	292,152
2033-2037	<u>21,811</u>	<u>1,482</u>	<u>23,293</u>
Total	<u>\$ 1,598,774</u>	<u>\$ 716,324</u>	<u>\$ 2,315,098</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

**Contract Payable**

The City entered into a contract with the state to repay a portion of a grant received to develop infrastructure.

A contract of \$244,215 is payable to the state, due in 240 monthly installments of \$1,018, including interest imputed at 5.0%. Contract payable amortization is:

<u>Year Ending September 30,</u>	
2013	\$ 12,211
2014	12,211
2015	12,211
2016	12,211
2017	12,211
2018-2022	61,053
2023-2027	<u>2,035</u>
Total	124,143
Less interest	( 26,574)
	<u>\$ 97,569</u>

**Capitalized Lease Obligations**

The city had no capitalized lease obligations at 9/30/2012.

(continued)

### 3. DETAILED NOTES ON ALL FUNDS (Continued)

#### E. Long-term Debt (Continued)

##### Changes in Long-term Debt

Long-term liability activity for the year ended September 30, 2012, was as follows:

	Balance 09/30/11	Additions	Retirements	Balance 09/30/12	Due Within One Year
Governmental activities:					
General debt	\$ 43,766,217	\$ 6,200,000	\$ 4,322,888	\$ 45,643,329	\$ 2,790,794
Waxahachie TIFRZ	1,664,460	-	65,686	1,598,774	71,508
Less loss on refunding	( 1,048,598)	( 13,000)	( 99,022)	( 962,576)	-
Less unamortized premium/discount	583,523	138,700	61,788	660,435	-
Net bonds payable	<u>44,965,602</u>	<u>6,325,700</u>	<u>4,351,340</u>	<u>46,939,962</u>	<u>2,862,302</u>
Capital leases	-	-	-	-	-
Contract payable	104,171	-	6,602	97,569	7,555
Compensated absences	<u>1,895,452</u>	<u>917,434</u>	<u>741,619</u>	<u>2,071,267</u>	<u>517,817</u>
Total long-term debt	<u>\$ 46,965,225</u>	<u>\$ 7,243,134</u>	<u>\$ 5,099,561</u>	<u>\$ 49,108,798</u>	<u>\$ 3,387,674</u>

	Balance 09/30/11	Additions	Retirements	Adjustments	Balance 09/30/12	Due Within One Year
Business-type activities:						
Tax and revenue bonds	\$ 98,894,323	\$ -	\$ 2,596,427	\$ -	\$ 96,297,896	\$ 2,802,702
Less loss on refunding	( 1,288,966)	-	( 56,042)	-	( 1,232,924)	-
Less unamortized premium	99,932	-	3,701	-	96,231	-
Less unamortized discount	( 239,180)	-	( 10,744)	-	( 228,436)	-
Net bonds payable	97,466,109	-	2,533,342	-	94,932,767	2,802,702
Compensated absences	<u>146,997</u>	<u>105,675</u>	<u>87,937</u>	<u>-</u>	<u>164,735</u>	<u>41,184</u>
Total long-term debt	<u>\$ 97,613,106</u>	<u>\$ 105,675</u>	<u>\$ 2,621,279</u>	<u>\$ -</u>	<u>\$ 95,097,502</u>	<u>\$ 2,843,886</u>

##### Refundings

In 2005, the City issued \$18,805,000 of general obligation refunding bonds to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$18,020,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next 16 years by \$1,129,190 and resulted in an economic gain of \$862,969.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Refundings (Continued)

In 2007, the City issued \$34,500,000 of general obligation refunding bonds to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$32,350,000 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next 27 years by \$1,994,214 and resulted in an economic gain of \$1,187,224. At September 30, 2012, the amount outstanding on this refunded issue was approximately \$23,785,000.

In 2011, the government issued \$1,600,000 in public improvement bonds with an interest rate of 1.70%. The proceeds were used to advance refund \$1,555,000 of out-standing 1996 certificate of obligations bonds which had interest rates ranging from 4.25% to 4.45%. The net proceeds of \$1,581,764 (including a \$13,764 contribution from the city and after payment of \$32,000 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 1996 certificate of obligations bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$26,764. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The government advance refunded the 1996 certificate of obligations bonds to reduce its total debt service payments over 6 years by \$104,102 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$98,571.

Discretely Presented Component Unit

WCDC issues sales tax revenue bonds payable from a one-half cent sales tax.

Waxahachie Community Development Corporation:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/12
Revenue bonds outstanding					
WCDC sales tax and refunding	\$ 23,555,000	2007	2037	4.00-5.00%	\$ 21,350,000

Revenue bond service requirements to maturity:

Year	Principal	Interest	Total
2013	\$ 525,000	\$ 941,948	\$ 1,466,948
2014	550,000	920,948	1,470,948
2015	565,000	898,948	1,463,948
2016	590,000	876,348	1,466,348
2017	610,000	852,748	1,462,748
2018-2022	3,465,000	3,872,013	7,337,013
2023-2027	4,265,000	3,070,350	7,335,350
2028-2032	5,015,000	2,037,225	7,052,225
2033-2037	5,765,000	856,725	6,621,725
Total	\$ 21,350,000	\$ 14,327,253	\$ 35,677,253

(continued)

3. **DETAILED NOTES ON ALL FUNDS (Continued)**

E. **Long-term Debt** (Continued)

**Discretely Presented Component Unit (Continued)**

	Balance 09/30/11	Additions	Retirements	Balance 09/30/12	Due Within One Year
Discretely presented component unit					
Sales tax revenue bonds	\$ 21,855,000	\$ -	\$ 505,000	\$ 21,350,000	\$ 525,000
Deferred loss on refunding	( 327,274)	-	( 12,587)	( 314,687)	-
Less unamortized discount	( 214,493)	-	( 14,299)	( 200,194)	-
Compensated absences	<u>35,594</u>	<u>29,174</u>	<u>29,891</u>	<u>34,877</u>	<u>8,719</u>
Total long-term debt	<u>\$ 21,348,827</u>	<u>\$ 29,174</u>	<u>\$ 508,005</u>	<u>\$ 20,869,996</u>	<u>\$ 533,719</u>

**Refundings**

In 2007, the WCDC issued \$23,555,000 of sales tax revenue improvement and refunding bonds to provide resources to purchase U. S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$12,829,475 of refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the City's long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next 23 years by \$1,346,387 and resulted in an economic gain of \$429,881. At September 30, 2012, there was no amount outstanding on this refunded issue.

4. **OTHER INFORMATION**

A. **Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City participates in the Texas Municipal League Intergovernmental Risk Pool. As an insured, the City is not obligated to reimburse the pool for losses. The City has not had any significant reductions in insurance coverage, nor have insurance settlements for the last three fiscal years exceeded insurance coverage. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's basic financial statements.

B. **Related Party Transaction**

As discussed in Note 4 D, the City has committed, under a joint venture agreement, to funding 50 percent of the cost to operate an airport with the City of Midlothian, Texas. The following is a summary of financial information of the joint venture at September 30, 2012:

Balance sheet	
Assets	\$ 17,127,260
Liabilities	<u>( 66,696)</u>
Net assets	<u>\$ 17,060,564</u>

(continued)

4. OTHER INFORMATION (Continued)

B. Related Party Transaction (Continued)

Fund equity	
Components of restricted net assets	
Federal government	\$ 14,387,096
City of Midlothian, Texas	3,406,601
City of Waxahachie, Texas	<u>3,401,401</u>
Total restricted net assets	21,195,098
Deficit	( 4,134,534)
Net equity in joint venture	<u>\$ 17,060,564</u>
Results of operations	
Revenues	\$ 336,857
Expenses	( 778,171)
Income (loss)	( 441,314)
Capital contributions	<u>230,000</u>
Net income (loss)	<u>\$( 211,314)</u>

The City has also committed, under a joint venture agreement, to funding 50% of the cost to build and operate a water treatment plant. The following is a summary of financial information of the joint venture at September 30, 2012:

Balance sheet	
Assets	\$ 49,286,319
Liabilities	<u>(49,953,886)</u>
Net Assets	<u>\$ (667,567)</u>
Fund equity	
Invested in capital assets, net of related debt	\$( 2,405,720)
Unrestricted	<u>1,738,153</u>
Net equity in joint venture	<u>\$( 667,567)</u>
Results of operations	
Revenues	\$ 1,560,058
Expenses	( 5,896,469)
Net Income (loss)	( 4,336,411)
Capital contributions	<u>3,367,994</u>
Change in net assets	<u>\$( 968,417)</u>

(continued)

4. **OTHER INFORMATION** (Continued)

**C. Contingent Liabilities**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management, after consultation with the City's attorney that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City entered into a joint venture to build a water treatment plant, and issued \$53,000,000 in debt to finance the construction. Although it is expected that the Joint Venture will service the debt from sales of treated water, the City is contingently liable for the debt. See Note 4 D below for details of this debt.

**D. Joint Ventures**

**Midlothian/Waxahachie Airport**

Pursuant to an interlocal agreement authorized by state statutes, the City of Waxahachie, Texas joined the City of Midlothian, Texas to construct and operate an airport for the mutual benefit of the two cities. The agreement established an Airport Board of seven members. Each City appoints three members to terms of three years. The seventh member is appointed for a two-year term. The Cities alternate appointing the seventh member.

The Board is responsible for the supervision and operation of the airport assets, grounds, and improvements. Each year, the Board shall prepare a budget for consideration by the Cities. The Airport Budget is funded by equal contributions from each City, user fees, and a tax on fuel. The Cities of Midlothian and Waxahachie each have a 50% share of assets, liabilities and fund equity. Most of the construction of the airport was funded by grants from the Federal Aviation Administration. In the government-wide statement of changes in net assets, contributions and refunds of equity are reflected in the asset. Changes in equity due to operations are reported as program costs or revenues. The City's share of loss from operations was \$105,657.

Complete financial statements for the Airport Board can be obtained from the Waxahachie Finance Director at 401 S. Rogers, Waxahachie, Texas.

**Robert W. Sokoll Water Treatment Plan**

Pursuant to an interlocal agreement authorized by state statutes, the City of Waxahachie, Texas joined the Rockett Special Utility District (SUD) to construct and operate the Robert W. Sokoll Water Treatment Plant for the mutual benefit of the City and the SUD. The agreement established a Board of a minimum of six members. Each entity appoints three members to various terms.

(continued)

4. **OTHER INFORMATION** (Continued)

**D. Joint Ventures** (Continued)

**Robert W. Sokoll Water Treatment Plan** (Continued)

The Board is responsible for the supervision and operation of the water treatment plant when built. The annual operations and maintenance budget will be prepared by the City for each fiscal year. Operating expenses will be funded by the City and the SUD based upon usage. The City and the SUD each have a 50% share of assets, liabilities and fund equity.

In 2008, the City issued \$53,000,000 in Combination Tax and Revenue Certificates of Obligation, Series 2007A. The bonds are payable annually through August 1, 2034, at an interest rate of 4% to 5%. The proceeds of the bonds were deposited into the Joint Venture and were used to fund construction of the water treatment plant. Although the Joint Venture looks to revenue from sales of treated water to the Joint Venturers, the City issued the bonds and is contingently liable for payment of this issue. Complete financial statements for the Robert W. Sokoll Water Treatment Plan can be obtained from the Waxahachie Finance Director at 401 S. Rogers, Waxahachie, Texas.

**E. Employee Retirement Systems and Pension Plans**

The City participates in the Texas Municipal Retirement System and the Firefighters' Relief and Retirement Fund.

**Texas Municipal Retirement System**

Plan Description

The City provides pension benefits for all of its eligible employees (except firefighters) through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

(continued)

4. OTHER INFORMATION (Continued)

E. Employee Retirement Systems and Pension Plans (Continued)

**Texas Municipal Retirement System** (Continued)

Plan Description (Continued)

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan year 2011	Plan year 2012
Employee deposit rate	7.00%	7.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined 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.

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
9/30/2010	\$ 1,774,867	\$ 1,774,867	100%	\$ -
9/30/2011	1,893,335	1,893,335	100%	-
9/30/2012	1,858,841	1,858,841	100%	-

(continued)

4. OTHER INFORMATION (Continued)

E. Employee Retirement Systems and Pension Plans (Continued)

**Texas Municipal Retirement System (Continued)**

Contributions (Continued)

The required contribution rates for fiscal year 2012 were determined as part of the December 31, 2009 and 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	28.0 years; closed period	26.9 years; closed period	25.9 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.0%	7.0%
Projected Salary Increases*	varies by age and service	varies by age and service	varies by age and service
*Includes Inflation at Cost-of-Living Adjustments	3.00%	3.00%	3.00%
	2.1%	2.1%	2.1%

**Funding Status and Funding Progress –**

The funded status as of December 31, 2011, is presented as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2011	\$ 33,495,383	\$ 43,772,283	76.5%	\$ 10,276,900	\$ 10,306,283	99.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

(continued)

4. OTHER INFORMATION (Continued)

E. Employee Retirement Systems and Pension Plans (Continued)

**Texas Municipal Retirement System** (Continued)

**Funding Status and Funding Progress** (Continued)

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**Firefighters' Relief and Retirement Fund**

Plan Description

The Board of Trustees of the Waxahachie Firefighters' Relief and Retirement Fund (FRRF) is the administrator of a single-employer defined benefit pension plan. The Waxahachie FRRF is not considered a part of the City's reporting entity because the City does not have a fiduciary responsibility of the FRRF assets, is not able to impose its will on the FRRF, nor is the FRRF fiscally dependent on the City, since the Board of Trustees has the ability to complete certain essential fiscal events such as determining the employee contribution rates, without approval by the City, and the Board is not appointed by the City Council. Separate financial statements are not prepared. Current and former firefighters in the Waxahachie Fire Department, are covered by the Waxahachie FRRF.

The plan obtains an actuarial evaluation in even numbered years only; therefore, the table below summarizes the membership of the fund at September 30, 2012:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them	27
Current employees, fully vested	21
Current employees, nonvested	27
Total active membership	<u>48</u>
Total fund membership	<u>75</u>

(continued)

4. **OTHER INFORMATION** (Continued)

E. **Employee Retirement Systems and Pension Plans** (Continued)

**Firefighters' Relief and Retirement Fund** (Continued)

Plan Description (Continued)

The Waxahachie Firefighters' Relief and Retirement Fund provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Employees hired prior to July 1, 2005, may retire at age 50 with 20 years of service. Employees hired on or after July 1, 2005, may retire at age 55 with 20 years of service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. The Plan effective July 1, 2005, provides a monthly normal service retirement benefit, payable in a Joint and two-thirds to spouse form of annuity. The monthly benefit equals 2.6% of highest 60-month average salary multiplied by lesser of years of service earned before July 1, 2005, or 24 years, plus an additional monthly benefit equal to 2% of highest 60-month average salary multiplied by lesser of years of service earned on or after July 1, 2005, or 24 years minus the years of service before July 1, 2006, plus \$73.00 per month for each year of service in excess of 24 years with a minimum benefit of \$90.00 per month for each year of service.

There is no provision for automatic post retirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc post retirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Firefighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

Contributions Required and Contributions Made

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

While the contribution requirements are not actuarially determined, state law requires that each plan of benefits adopted by the fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the City provides an adequate financing arrangement. Using the aggregate entry age normal cost method the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability, and the number of years needed to amortize the plan's unfunded actuarial accrued liability is determined using a level percentage of payroll method.

The costs of administering the plan are financed from the trust. The benefits and refunds of the pension plan are recognized when due and payable in accordance with the terms of the plan.

(continued)

4. OTHER INFORMATION (Continued)

E. Employee Retirement Systems and Pension Plans (Continued)

**Firefighters' Relief and Retirement Fund** (Continued)

Contributions Required and Contributions Made (Continued)

The funding policy of the Waxahachie Firefighters' Relief and Retirement Fund requires contributions equal to 12% of pay by the firefighters and contributions by the City equal to the greater of 16.86% of payroll or the same percentage of payroll that the City contributes to the Texas Municipal Retirement System for other employees. The plan receives an actuarial valuation every two years. Therefore, the September 30, 2012, actuarial valuation is used in these footnotes. The September 30, 2012, actuarial valuation assumes that the City's contributions will average 16.86% of payroll in the future.

For the fiscal year ending September 30, 2012, the City of Waxahachie's annual pension cost of \$564,266 for the Waxahachie Firefighters' Relief and Retirement Fund was equal to the City's required and actual contributions during the year. While the required contributions were not actuarially determined, the actuary determined that the benefit obligations are currently being funded on an actuarially sound basis. These required contributions were reflected in the September 30, 2012, actuarial valuation, which satisfied the parameters of the Governmental Accounting Standards Board (GASB) Statement No. 27.

The method of valuation for determining plan costs is a variation of the aggregate entry age normal actuarial cost method. The actuarial value of assets has been reestablished as the fair market value of the fund. The actuarial assumptions included an investment return assumption of 7% per year (net of administrative expenses), projected salary increases averaging 4.0% per year, and no post retirement cost-of-living adjustments. An inflation assumption of 0.0% per year is included in the investment return and salary increase assumptions. The unfunded actuarial accrued liability (UAAL) is amortized with the excess of the assumed total contribution rate over the normal cost rate. The number of years needed to amortize the UAAL is determined using an open, level percentage of payroll method, assuming that the payroll will increase 4.0% per year, and was 19.8 years as of the September 30, 2012, actuarial valuation.

Actuarial Valuation Date	9/30/2012	9/30/2011	9/30/2010
Actuarial Value of Assets	\$ 10,462,784	*	\$ 8,159,658
Actuarial Accrued Liabilities	16,226,624	*	13,319,237
Percentage Funded	64.5%	*	61.3%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	5,763,840	*	5,159,579
Annual Covered Payroll	3,188,426	*	2,961,077
UAAL as a Percentage of Covered Payroll	180.8%	*	174.2%
Net Pension Obligation, beginning of period	\$ -	\$ -	\$ -
Annual Pension Cost (APC):			
Annual Required Contribution (ARC)	564,266	621,402	533,132
Interest on Net Pension Obligation	-	-	-
Adjustment to the ARC	-	-	-
Total APC	564,266	621,402	533,132
Contributions Made (100%)	564,266	621,402	533,132
Increase (decrease) in Net Pension Obligation	-	-	-
Net Pension Obligation, end of period	\$ -	\$ -	\$ -

(continued)

4. **OTHER INFORMATION** (Continued)

**E. Employee Retirement Systems and Pension Plans** (Continued)

**Firefighters' Relief and Retirement Fund** (Continued)

Contributions Required and Contributions Made (Continued)

The City accounts for the pension trust fund on the accrual basis of accounting, including the determination of contributions, benefits paid, and refunds paid in the financial statements.

A schedule of actuarial funding progress for the last seven years is presented in the Required Supplementary Information on page 59.

**F. Other Postemployment Benefits**

**Supplemental Death Benefits Fund**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

Schedule of Contribution Rates			
(RETIREE-only portion of the rate)			
Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2010	0.03%	0.03%	100%
2011	0.04%	0.04%	100%
2012	0.04%	0.04%	100%

(continued)

4. OTHER INFORMATION (Continued)

**G. Condensed Financial Information for Discretely Presented Component Unit**

Following is selected condensed financial statement information for the modified accrual basis financial statements of the Waxahachie Community Development Corporation:

<u>Balance Sheet</u>	<u>General</u>	<u>Debt Service</u>	<u>Reserve</u>	<u>Capital Projects</u>	<u>Combined</u>
Assets					
Current assets	\$ 1,203,569	\$ 1	\$ 1,444,934	\$ 1,983,984	\$ 4,632,488
Liabilities					
Current liabilities	\$ 116,219	\$ -	\$ -	\$ -	\$ 116,219
Fund balance	1,087,350	1	1,444,934	1,983,984	4,516,269
Total liabilities and fund balance	\$ 1,203,569	\$ 1	\$ 1,444,934	\$ 1,983,984	\$ 4,632,488
<u>Revenues and Expenditures</u>	<u>General</u>	<u>Debt Service</u>	<u>Reserve</u>	<u>Capital Projects</u>	<u>Combined</u>
Revenues	\$ 3,604,702	\$ -	\$ 3,541	\$ 4,746	\$ 3,612,989
Current expenditures	1,663,922	-	-	6,495	1,670,417
Debt service	-	1,467,147	-	-	1,467,147
Total expenditures	1,663,922	1,467,147	-	6,495	3,137,564
Revenues over (under) expenditures	1,940,780	( 1,467,147)	3,541	( 1,749)	475,425
Other financing sources (uses)	( 1,485,148)	1,467,148	18,000	-	-
Net change in fund balances	455,632	1	21,541	( 1,749)	475,425
Fund balances, October 1	631,718	-	1,423,393	1,985,733	4,040,844
Fund balances, September 30	\$ 1,087,350	\$ 1	\$ 1,444,934	\$ 1,983,984	\$ 4,516,269

(continued)

4. OTHER INFORMATION (Continued)

**G. Condensed Financial Information for Discretely Presented Component Unit** (Continued)

Following are reconciliations between the government-wide financial statements and the fund basis financial statements for Waxahachie Community Development Corporation:

<u>Reconciliation of Balance Sheet</u>	<u>WCDC</u>
Total fund balance	\$ 4,516,269
Capital assets not reported in the funds	17,886,997
Deferred charges	357,324
Accrued interest payable	( 153,578)
Payable for loan principal not due currently	( 20,835,119)
Payables for compensated absences	<u>( 34,877)</u>
Net assets - statement of net assets	<u>\$ 1,737,016</u>
<u>Reconciliation of Statement of Revenues, Expenditures and Fund Balances</u>	<u>WCDC</u>
Net change in fund balances	\$ 475,425
Repayment of loan principal	478,114
Bond issuance cost	( 25,523)
Capital outlay	-
Depreciation	( 564,084)
Change in accrued interest expense	3,294
Change in compensated absences	<u>717</u>
Change in net assets	<u>\$ 367,943</u>

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF WAXAHACHIE, TEXAS**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Ad valorem	\$ 9,470,000	\$ 9,470,000	\$ 9,370,983	\$( 99,017)
Franchise	2,473,000	2,473,000	2,964,065	491,065
Sales	7,930,000	7,930,000	9,077,082	1,147,082
Other	82,000	82,000	54,839	( 27,161)
Charges for services	170,650	170,650	218,928	48,278
Licenses and permits	467,000	467,000	590,136	123,136
Fines and forfeitures	468,000	468,000	256,742	( 211,258)
Intergovernmental	59,196	59,730	62,590	2,860
Miscellaneous	110,800	110,800	386,147	275,347
Interest	9,000	9,000	22,932	13,932
Total revenues	<u>21,239,646</u>	<u>21,240,180</u>	<u>23,004,444</u>	<u>1,764,264</u>
<b>EXPENDITURES</b>				
Current:				
General government				
General administration	748,840	748,840	710,312	38,528
Downtown development	161,950	161,950	157,130	4,820
Planning	130,075	130,075	126,287	3,788
Finance department	929,340	929,340	810,398	118,942
City attorney	111,950	111,950	110,249	1,701
General items	798,440	1,398,424	1,180,983	217,441
Human resources	317,320	317,320	271,566	45,754
Information technology	302,960	409,644	387,347	22,297
Economic development	574,930	574,930	279,699	295,231
Mid-Way Airport	118,500	118,500	117,523	977
Miscellaneous	-	-	4,551	( 4,551)
Total general government	<u>4,194,305</u>	<u>4,900,973</u>	<u>4,156,045</u>	<u>744,928</u>
Public safety				
Municipal court	302,220	302,220	263,246	38,974
Building inspection	483,910	485,747	455,533	30,214
Fire department	5,512,740	5,550,985	5,249,419	301,566
Police department	6,883,068	6,909,643	6,559,412	350,231
Total public safety	<u>13,181,938</u>	<u>13,248,595</u>	<u>12,527,610</u>	<u>720,985</u>

(continued)

**CITY OF WAXAHACHIE, TEXAS**

**GENERAL FUND**

**BUDGETARY COMPARISON SCHEDULE  
(Continued)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
Public works				
Engineering department	\$ 365,530	\$ 365,530	\$ 348,402	\$ 17,128
Street department	2,874,623	2,934,539	3,015,872	( 81,333)
Environmental health	594,950	594,950	537,355	57,595
Central garage	240,230	240,230	221,575	18,655
Animal control	230,620	230,620	222,884	7,736
Total public works	<u>4,305,953</u>	<u>4,365,869</u>	<u>4,346,088</u>	<u>19,781</u>
Culture and recreation				
Parks and recreation	843,240	843,240	796,730	46,510
Chautauqua Auditorium	10,550	10,550	9,395	1,155
Rodeo	12,270	12,270	12,744	( 474)
Penn Park Pool	41,630	41,630	32,686	8,944
Optimist Pool	10,500	14,474	14,020	454
Sims Library	1,037,000	1,042,000	1,035,692	6,308
Senior Citizens Center	235,590	235,590	219,824	15,766
Total culture and recreation	<u>2,190,780</u>	<u>2,199,754</u>	<u>2,121,091</u>	<u>78,663</u>
Total expenditures	<u>23,872,976</u>	<u>24,715,191</u>	<u>23,150,834</u>	<u>1,564,357</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>	<b>( 2,633,330)</b>	<b>( 3,475,011)</b>	<b>( 146,390)</b>	<b>3,328,621</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,523,400	2,523,400	2,428,904	( 94,496)
Total other financing sources (uses)	<u>2,523,400</u>	<u>2,523,400</u>	<u>2,428,904</u>	<u>( 94,496)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>( 109,930)</b>	<b>( 951,611)</b>	<b>2,282,514</b>	<b>3,234,125</b>
<b>FUND BALANCES, BEGINNING</b>	<u>8,887,925</u>	<u>8,887,925</u>	<u>8,887,925</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>	<u><u>\$ 8,777,995</u></u>	<u><u>\$ 7,936,314</u></u>	<u><u>\$ 11,170,439</u></u>	<u><u>\$ 3,234,125</u></u>

**CITY OF WAXAHACHIE, TEXAS**

**REQUIRED SUPPLEMENTARY INFORMATION  
TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012  
(Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	19,529,740	32,421,994	60.2%	12,892,254	10,748,877	119.9%
12/31/2010	30,402,604	41,532,760	73.2%	11,130,156	10,157,943	109.6%
12/31/2011	33,495,383	43,772,283	76.5%	10,276,900	10,306,283	99.7%

CITY OF WAXAHACHIE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION  
 FIREMEN'S RELIEF AND RETIREMENT SYSTEM  
 SCHEDULE OF FUNDING PROGRESS AND ACTUARIAL LIABILITIES

EIGHT YEARS ENDED SEPTEMBER 30, 2012  
 (Unaudited)

Actuarial valuation date	09/30/12	09/30/11	09/30/10	09/30/09	09/30/08	09/30/07	09/30/06	09/30/05
Actuarial value of assets	10,462,784	*	\$ 8,159,658	*	\$ 6,355,060	*	\$ 6,102,969	*
Actuarial accrued liabilities	16,226,624	*	13,319,237	*	10,915,427	*	9,436,977	*
Percentage funded	64.5%	*	61.3%	*	58.2%	*	64.7%	*
Unfunded (overfunded) actuarial accrued	5,763,840	*	5,159,579	*	4,560,367	*	3,334,008	*
Annual covered payroll	3,188,426	*	2,961,077	*	2,959,238	*	2,245,404	*
UAAL as a percentage of covered payroll	180.8%	*	174.2%	*	154.1%	*	148.5%	*
Net pension obligation (NPO) at the beginning of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual pension cost (APC):								
Annual required contribution (ARC)	564,266	621,402	533,132	488,917	386,427	320,473	280,124	248,272
Interest on NPO	-	-	-	-	-	-	-	-
Adjustment to the ARC	-	-	-	-	-	-	-	-
Total APC	564,266	621,402	533,132	488,917	386,427	320,473	280,124	248,272
Contributions made (100%)	564,266	621,402	533,132	488,917	386,427	320,473	280,124	248,272
Increase (decrease) in NPO	-	-	-	-	-	-	-	-
NPO at the end of period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

\* An actuarial valuation is not available.

**CITY OF WAXAHACHIE, TEXAS**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2012**

**A. BUDGETARY INFORMATION**

On or before the first day of June of each year, department and division leaders of the City submit requests for appropriations to the Waxahachie City Manager so that a budget may be prepared. The budget is prepared by fund, department and activity, and includes information on the past year, current year budget and requested appropriations for the next fiscal year. The City Council approves the budget at the department level. Before August 31, the proposed budget is presented to the City Council for review. The City Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager or the revenue estimates must be changed by an affirmative vote of a majority of the City Council. Expenditures may not legally exceed budgeted appropriations at the departmental level, unless approved by City Council. During the year, the City Manager authorized several budget transfers within departments. Individual amendments were not material in relation to the original appropriations.

The official budget was prepared using generally accepted accounting principles as modified by the use of encumbrances. The City encumbers amounts committed at year-end and carries the budget over for a lapse period of 90 days into the following year. Annual appropriated budgets are adopted for the following funds:

- General Fund
- Special Revenue Funds
  - Hotel/Motel Fund
- Debt Service Funds
  - Debt Service

All annual appropriations lapse at fiscal year-end, except for encumbered amounts.

(continued)

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following funds had expenditures in excess of appropriations:

General Fund	
Miscellaneous	\$ 4,551
Street department	81,333
Rodeo	474
 Hotel/Motel Fund	
Culture and recreation	250,481
 Debt Service Fund	
Principal	125,563

**COMBINING STATEMENTS  
AND BUDGETARY COMPARISON**

## NONMAJOR GOVERNMENTAL FUNDS

*Special Revenue Funds* are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

*Hotel/Motel Tax Fund* – This fund is used to account for the seven percent occupancy tax collected by hotels and motels located in the City. These funds are legally restricted for 14 cultural activities.

*Fire Department Donations Fund* – This fund is used to account for donations to the Fire Department and for fees collected from other fire departments for use of our training facility. These funds are intended to be used for maintenance and improvements to the training facility and to run the Toys-for-Tots program.

*Veterans Memorial Donations* – This fund is used to account for donations to the “Veterans Memorial Donations” program. These funds are intended to be used to build a memorial to veterans.

*LEOSE* – This fund is used to account for amounts collected to fund law enforcement continuing education classes.

*Waxahachie Police Explorers* – This fund is used to account for donations to the police explorer program, a subsidiary of the Boy Scouts of America.

*Tax Increment Fund* – This fund is the General Fund of a component unit of the City. It is used to account for funds related to project costs for the Tax Increment Financing Reinvestment Zone No. 1 established by the City to improve the downtown area.

*Police Seizure Fund* – This fund is used to account for seizures by the police department.

*Police Forfeiture Fund* – This fund is used to account for forfeiture funds provided to the police department.

*Cemetery Perpetual Care* – This fund is used to account for principal trust amounts received and related interest income. Interest earnings are used to expenditures of cemetery maintenance.

*Industrial Development* – This fund is used to account for the proceeds of a grant that was received from the State of Texas in 1987 for any industrial development, recruitment, or business expansion.

*Water District General Fund* – This fund is the General Fund of a component unit of the City. It is used by the Water District to account for resources which are not required to be accounted for in another fund.

*Police Department Federal Forfeiture* – This fund is used to account for certain forfeiture funds provided to the Police Department.

***Texas Tobacco Compliance Grant*** – This fund is used to account for the receipt and expenditures for a grant from the state aimed at enforcing laws concerning tobacco consumption by minors.

***Park Dedication Impact Fee Fund*** – This fund is used to account for impact fees dedicated to park improvements.

***Municipal Court*** – This fund accounts for monies collected under State Statutes designated for specific Municipal Court related programs.

***Enforcing Underage Drinking Laws Grant*** – This fund is used to account for the receipt and expenditures for a grant from the state aimed at enforcing laws concerning alcohol consumption by minors.

***Miscellaneous Special Revenue*** – This fund is used to account for various sources of small amounts of funds dedicated to special projects.

***Debt Service Funds*** are used to account for the accumulation of resources and payment of general, certificate, and contractual obligation bond principal and interest from governmental resources. They are also used for the accumulation of resources and payment of special assessment bond principal and interest from special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

***Tax Increment Debt Service Fund*** – This fund is used to account for the accumulation of resources and payment of principal and interest for the Tax Increment Reinvestment Zone Number 1's certificate of obligation bonds.

***Water District Debt Service Fund*** – This fund is used to account for the accumulation of resources and payment of principal and interest for the Water District's general obligation bonds.

***Capital Project Funds*** are used to account for the acquisition or construction of governmental capital assets.

***2007 Bond Construction*** – This fund is used to account for the construction of the Waxahachie Senior Citizen's Center, two major street expansions and various smaller projects funded by this bond issue.

***2009 Bond Construction*** – This fund is used to account for the construction of the Downtown Parking Garage, the City's portion of the Midway Airport runway expansion and various smaller projects funded by this bond issue.

***2009 Bond Construction Tax Increment*** – This fund is used to account for the renovation of the MKT Railroad Passenger Station funded by this bond issue.

***2013 Street and Drainage Bond Construction*** – This fund is used to account for the cost of the major rehabilitation of Gingerbread Village Street and Kirven Street in addition to less extensive roadway repairs elsewhere in the City.

**CITY OF WAXAHACHIE, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR GOVERNMENTAL FUNDS**

**SEPTEMBER 30, 2012**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,280,949	\$ -	\$ 801,901	\$ 3,082,850
Receivables (net of allowances for uncollectibles):				
Taxes	-	2,557	-	2,557
Other	73,058	-	-	73,058
Intergovernmental	<u>21,500</u>	<u>-</u>	<u>-</u>	<u>21,500</u>
Total assets	<u>2,375,507</u>	<u>2,557</u>	<u>801,901</u>	<u>3,179,965</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	37,021	-	274,631	311,652
Accrued liabilities	5,945	-	-	5,945
Due to other funds	-	-	22,575	22,575
Deferred revenue	<u>-</u>	<u>2,552</u>	<u>-</u>	<u>2,552</u>
Total liabilities	<u>42,966</u>	<u>2,552</u>	<u>297,206</u>	<u>342,724</u>
Fund balances:				
Restricted for:				
Tourism	192,141	-	-	192,141
Capital projects	-	-	527,270	527,270
Debt service	-	5	-	5
Perpetual care	822,357	-	-	822,357
Public safety	269,170	-	-	269,170
Industrial development	227,176	-	-	227,176
Municipal court judicial efficiency	6	-	-	6
Municipal court technology	78,426	-	-	78,426
Municipal court security	1,141	-	-	1,141
Municipal court judicial	4,836	-	-	4,836
Culture and recreation	96,268	-	-	96,268
Downtown improvements	553,665	-	-	553,665
Committed for:				
Culture and recreation	87,355	-	-	87,355
Unassigned	<u>-</u>	<u>-</u>	<u>( 22,575)</u>	<u>( 22,575)</u>
Total fund balances	<u>2,332,541</u>	<u>5</u>	<u>504,695</u>	<u>2,837,241</u>
Total liabilities and fund balances	\$ <u>2,375,507</u>	\$ <u>2,557</u>	\$ <u>801,901</u>	\$ <u>3,179,965</u>

**CITY OF WAXAHACHIE, TEXAS**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 574,102	\$ 100,434	\$ -	\$ 674,536
Charges for services	230,165	-	-	230,165
Intergovernmental	161,774	-	-	161,774
Miscellaneous	150,949	-	-	150,949
Interest	6,319	55	2,364	8,738
Total revenues	1,123,309	100,489	2,364	1,226,162
<b>EXPENDITURES</b>				
Current:				
General government	479,085	-	-	479,085
Public safety	56,820	-	-	56,820
Public works	1,196	-	460,191	461,387
Judicial	34,466	-	-	34,466
Culture and recreation	261,354	-	-	261,354
Debt service:				
Principal	-	65,685	-	65,685
Interest	-	67,107	-	67,107
Capital Outlay	-	-	22,101	22,101
Total expenditures	832,921	132,792	482,292	1,448,005
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	290,388	( 32,303)	( 479,928)	( 221,843)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	32,966	-	32,966
Transfers out	( 872,957)	( 22,563)	-	( 895,520)
Total other financing sources (uses)	( 872,957)	10,403	-	( 862,554)
<b>NET CHANGE IN FUND BALANCES</b>				
	( 582,569)	( 21,900)	( 479,928)	( 1,084,397)
<b>FUND BALANCES, BEGINNING</b>				
	2,915,110	21,905	984,623	3,921,638
<b>FUND BALANCES, ENDING</b>				
	\$ 2,332,541	\$ 5	\$ 504,695	\$ 2,837,241

**CITY OF WAXAHACHIE, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2012**

	<u>Hotel/Motel Tax</u>	<u>Fire Department Donations</u>	<u>Veteran's Memorial Donations</u>	<u>LEOSE</u>
<b>ASSETS</b>				
Cash and investments	\$ 168,175	\$ 14,931	\$ 23,916	\$ 2,164
Receivables (net of allowances for uncollectibles):				
Other	72,418	-	-	-
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 240,593</u>	<u>\$ 14,931</u>	<u>\$ 23,916</u>	<u>\$ 2,164</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 29,457	\$ -	\$ -	\$ -
Accrued liabilities	<u>5,945</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>35,402</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Tourism	153,893	-	-	-
Perpetual care	-	-	-	-
Public safety	-	14,931	-	2,164
Industrial development	-	-	-	-
Municipal court judicial efficiency	-	-	-	-
Municipal court technology	-	-	-	-
Municipal court security	-	-	-	-
Municipal court judicial	-	-	-	-
Culture and recreation	51,298	-	23,916	-
Downtown improvements	-	-	-	-
Committed for:				
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>205,191</u>	<u>14,931</u>	<u>23,916</u>	<u>2,164</u>
Total liabilities and fund balances	<u>\$ 240,593</u>	<u>\$ 14,931</u>	<u>\$ 23,916</u>	<u>\$ 2,164</u>

<u>Waxahachie Police Explorers</u>	<u>Tax Increment</u>	<u>Police Seizure</u>	<u>Police Forfeiture</u>	<u>Cemetery Perpetual Care</u>	<u>Industrial Development</u>	<u>Water District General</u>
\$ 5,649	\$ 554,115	\$ 15,101	\$ 15,383	828,452	\$ 227,176	\$ -
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 5,649</u>	<u>\$ 554,115</u>	<u>\$ 15,101</u>	<u>\$ 15,383</u>	<u>\$ 828,452</u>	<u>\$ 227,176</u>	<u>\$ -</u>
\$ -	\$ 450	\$ -	\$ -	\$ 6,095	\$ -	\$ -
-	-	-	-	-	-	-
<u>-</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>6,095</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	822,357	-	-
5,649	-	15,101	15,383	-	-	-
-	-	-	-	-	227,176	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	553,665	-	-	-	-	-
-	-	-	-	-	-	-
<u>5,649</u>	<u>553,665</u>	<u>15,101</u>	<u>15,383</u>	<u>822,357</u>	<u>227,176</u>	<u>-</u>
<u>\$ 5,649</u>	<u>\$ 554,115</u>	<u>\$ 15,101</u>	<u>\$ 15,383</u>	<u>\$ 828,452</u>	<u>\$ 227,176</u>	<u>\$ -</u>

(continued)

**CITY OF WAXAHACHIE, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR SPECIAL REVENUE FUNDS**

(Continued)

**SEPTEMBER 30, 2012**

	<u>Police Department Federal Forfeiture</u>	<u>Texas Tobacco Compliance Grant</u>	<u>Park Dedication Impact Fee</u>
<b>ASSETS</b>			
Cash and investments	\$ 168,981	\$ 2,689	\$ 87,355
Receivables (net of allowances for uncollectibles):			
Other	-	-	-
Intergovernmental	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 168,981</u>	<u>\$ 2,689</u>	<u>\$ 87,355</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-
Total liabilities	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances:			
Restricted for:			
Tourism	-	-	-
Perpetual care	-	-	-
Public safety	168,981	2,689	-
Industrial development	-	-	-
Municipal court judicial efficiency	-	-	-
Municipal court technology	-	-	-
Municipal court security	-	-	-
Municipal court judicial	-	-	-
Culture and recreation	-	-	-
Downtown improvements	-	-	-
Committed for:			
Culture and recreation	-	-	87,355
Total fund balances	<u>168,981</u>	<u>2,689</u>	<u>87,355</u>
Total liabilities and fund balances	<u>\$ 168,981</u>	<u>\$ 2,689</u>	<u>\$ 87,355</u>

<u>Municipal Court</u>	<u>Enforce Underage Drinking Grant</u>	<u>Miscellaneous Special Revenue</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 84,409	\$ -	\$ 82,453	\$ 2,280,949
-	-	640	73,058
<u>-</u>	<u>-</u>	<u>21,500</u>	<u>21,500</u>
<u>\$ 84,409</u>	<u>\$ -</u>	<u>\$ 104,593</u>	<u>\$ 2,375,507</u>
\$ -	\$ -	\$ 1,019	37,021
-	-	-	5,945
<u>-</u>	<u>-</u>	<u>1,019</u>	<u>42,966</u>
-	-	38,248	192,141
-	-	-	822,357
-	-	44,272	269,170
-	-	-	227,176
6	-	-	6
78,426	-	-	78,426
1,141	-	-	1,141
4,836	-	-	4,836
-	-	21,054	96,268
-	-	-	553,665
<u>-</u>	<u>-</u>	<u>-</u>	<u>87,355</u>
<u>84,409</u>	<u>-</u>	<u>103,574</u>	<u>2,332,541</u>
<u>\$ 84,409</u>	<u>\$ -</u>	<u>\$ 104,593</u>	<u>\$ 2,375,507</u>

**CITY OF WAXAHACHIE, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**NONMAJOR SPECIAL REVENUE FUNDS**

**SEPTEMBER 30, 2012**

	<u>Hotel/Motel Tax</u>	<u>Fire Department Donations</u>	<u>Veteran's Memorial Donations</u>	<u>LEOSE</u>
<b>REVENUES</b>				
Taxes	\$ 388,167	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous	6,583	2,425	15,865	-
Interest	<u>374</u>	<u>34</u>	<u>48</u>	<u>-</u>
Total revenues	<u>395,124</u>	<u>2,459</u>	<u>15,913</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current:				
General government	98,545	-	13,474	-
Public safety	-	1,380	-	-
Public works	-	-	-	-
Judicial	-	-	-	-
Culture and recreation	<u>250,481</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>349,026</u>	<u>1,380</u>	<u>13,474</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>46,098</u>	<u>1,079</u>	<u>2,439</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	46,098	1,079	2,439	-
<b>FUND BALANCES, BEGINNING</b>	<u>159,093</u>	<u>13,852</u>	<u>21,477</u>	<u>2,164</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 205,191</u>	<u>\$ 14,931</u>	<u>\$ 23,916</u>	<u>\$ 2,164</u>

Waxahachie Police Explorers	Tax Increment	Police Seizure	Police Forfeiture	Cemetery Perpetual Care	Industrial Development	Water District General
\$ -	\$ 185,935	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	129,200	-	-
-	-	-	-	-	-	-
7,749	427	-	5,269	-	-	-
23	1,364	-	31	1,911	-	1,923
<u>7,772</u>	<u>187,726</u>	<u>-</u>	<u>5,300</u>	<u>131,111</u>	<u>-</u>	<u>1,923</u>
-	111,516	-	-	55,987	-	92
10,719	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>10,719</u>	<u>111,516</u>	<u>-</u>	<u>-</u>	<u>55,987</u>	<u>-</u>	<u>92</u>
( 2,947)	76,210	-	5,300	75,124	-	1,831
-	( 32,966)	-	-	-	-	( 778,791)
-	( 32,966)	-	-	-	-	( 778,791)
( 2,947)	43,244	-	5,300	75,124	-	( 776,960)
8,596	510,421	15,101	10,083	747,233	227,176	776,960
<u>\$ 5,649</u>	<u>\$ 553,665</u>	<u>\$ 15,101</u>	<u>\$ 15,383</u>	<u>\$ 822,357</u>	<u>\$ 227,176</u>	<u>\$ -</u>

(continued)

**CITY OF WAXAHACHIE, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**

**NONMAJOR SPECIAL REVENUE FUNDS**  
**(Continued)**  
**SEPTEMBER 30, 2012**

	Police Department Federal Forfeiture	Texas Tobacco Compliance Grant	Park Dedication Impact Fee
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Charges for services	79,291	-	3,170
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Interest	<u>262</u>	<u>-</u>	<u>210</u>
Total revenues	<u>79,553</u>	<u>-</u>	<u>3,380</u>
<b>EXPENDITURES</b>			
Current:			
General government	-	241	-
Public safety	-	-	-
Public works	-	-	-
Judicial	-	-	-
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>241</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>79,553</u>	<u>( 241)</u>	<u>3,380</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	79,553	( 241)	3,380
<b>FUND BALANCES, BEGINNING</b>	<u>89,428</u>	<u>2,930</u>	<u>83,975</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 168,981</u>	<u>\$ 2,689</u>	<u>\$ 87,355</u>

<u>Municipal Court</u>	<u>Enforce Underage Drinking Grant</u>	<u>Miscellaneous Special Revenue</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ 574,102
18,504	-	-	230,165
-	4,113	157,661	161,774
-	-	112,631	150,949
-	-	139	6,319
<u>18,504</u>	<u>4,113</u>	<u>270,431</u>	<u>1,123,309</u>
-	-	199,230	479,085
-	4,113	40,608	56,820
-	-	1,196	1,196
34,466	-	-	34,466
-	-	10,873	261,354
<u>34,466</u>	<u>4,113</u>	<u>251,907</u>	<u>832,921</u>
( 15,962)	-	18,524	290,388
( 61,200)	-	-	( 872,957)
( 61,200)	-	-	( 872,957)
( 77,162)	-	18,524	( 582,569)
<u>161,571</u>	<u>-</u>	<u>85,050</u>	<u>2,915,110</u>
<u>\$ 84,409</u>	<u>\$ -</u>	<u>\$ 103,574</u>	<u>\$ 2,332,541</u>

**CITY OF WAXAHACHIE, TEXAS**

**HOTEL/MOTEL TAX**

**SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other taxes	\$ 315,000	\$ 336,000	\$ 388,167	\$ 52,167
Miscellaneous	-	3,375	6,583	3,208
Interest	40	40	374	334
Total revenues	315,040	339,415	395,124	55,709
<b>EXPENDITURES</b>				
Current:				
General government				
Economic development	315,000	335,139	98,545	236,594
Culture and recreation	-	-	250,481	( 250,481)
Total expenditures	315,000	335,139	349,026	( 13,887)
<b>NET CHANGE IN FUND BALANCES</b>	40	4,276	46,098	41,822
<b>FUND BALANCES, BEGINNING</b>	159,093	159,093	159,093	-
<b>FUND BALANCES, ENDING</b>	\$ 159,133	\$ 163,369	\$ 205,191	\$ 41,822

**CITY OF WAXAHACHIE, TEXAS**

**COMBINING BALANCE SHEET**

**NONMAJOR DEBT SERVICE FUNDS**

**SEPTEMBER 30, 2012**

	<u>Tax Increment</u>	<u>Water District</u>	<u>Total Nonmajor Debt Service Funds</u>
<b>ASSETS</b>			
Receivables (net of allowances for uncollectibles):			
Taxes	\$ <u>          -</u>	\$ <u>      2,557</u>	\$ <u>      2,557</u>
Total assets	\$ <u>          -</u>	\$ <u>      2,557</u>	\$ <u>      2,557</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Deferred revenue	\$ <u>          -</u>	\$ <u>      2,552</u>	\$ <u>      2,552</u>
Total liabilities	<u>          -</u>	<u>      2,552</u>	<u>      2,552</u>
Fund balances:			
Restricted for:			
Debt service	<u>          -</u>	<u>          5</u>	<u>          5</u>
Total fund balances	<u>          -</u>	<u>          5</u>	<u>          5</u>
Total liabilities and fund balances	\$ <u>          -</u>	\$ <u>      2,557</u>	\$ <u>      2,557</u>

**CITY OF WAXAHACHIE, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**NONMAJOR DEBT SERVICE FUNDS**

**SEPTEMBER 30, 2012**

	<u>Tax Increment</u>	<u>Water District</u>	<u>Total Nonmajor Debt Service Funds</u>
<b>REVENUES</b>			
Taxes	\$ 99,826	\$ 608	\$ 100,434
Interest	<u>-</u>	<u>55</u>	<u>55</u>
Total revenues	<u>99,826</u>	<u>663</u>	<u>100,489</u>
<b>EXPENDITURES</b>			
Debt service:			
Principal	65,685	-	65,685
Interest	<u>67,107</u>	<u>-</u>	<u>67,107</u>
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>132,792</u>	<u>-</u>	<u>132,792</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 32,966)</u>	<u>663</u>	<u>( 32,303)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	32,966	-	32,966
Transfers out	<u>-</u>	<u>( 22,563)</u>	<u>( 22,563)</u>
Total other financing sources (uses)	<u>32,966</u>	<u>( 22,563)</u>	<u>10,403</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>( 21,900)</u>	<u>( 21,900)</u>
<b>FUND BALANCES, BEGINNING</b>	<u>-</u>	<u>21,905</u>	<u>21,905</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ 5</u>

**CITY OF WAXAHACHIE, TEXAS**

**DEBT SERVICE**

**DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	(Negative)
<b>REVENUES</b>				
Ad valorem taxes	\$ 5,010,000	\$ 5,010,000	\$ 5,007,391	\$ ( 2,609)
Miscellaneous	72,130	72,130	80,505	8,375
Interest	<u>2,000</u>	<u>2,000</u>	<u>6,024</u>	<u>4,024</u>
Total revenues	<u>5,084,130</u>	<u>5,084,130</u>	<u>5,093,920</u>	<u>9,790</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	2,649,542	2,649,542	2,775,105	( 125,563)
Interest	<u>2,041,320</u>	<u>2,041,320</u>	<u>2,001,196</u>	<u>40,124</u>
Total expenditures	<u>4,690,862</u>	<u>4,690,862</u>	<u>4,776,301</u>	<u>( 85,439)</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES</b>				
	<u>393,268</u>	<u>393,268</u>	<u>317,619</u>	<u>( 75,649)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	500	500
Refunding bonds issued	-	-	1,600,000	1,600,000
Payment to refunded bond escrow agent	<u>-</u>	<u>-</u>	<u>( 1,581,764)</u>	<u>( 1,581,764)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>18,736</u>	<u>18,736</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	393,268	393,268	336,355	( 56,913)
<b>FUND BALANCES, BEGINNING</b>				
	<u>1,281,408</u>	<u>1,281,408</u>	<u>1,281,408</u>	<u>-</u>
<b>FUND BALANCES, ENDING</b>				
	<u>\$ 1,674,676</u>	<u>\$ 1,674,676</u>	<u>\$ 1,617,763</u>	<u>\$ ( 56,913)</u>

**CITY OF WAXAHACHIE, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2012**

	<u>2007 Bond Construction</u>	<u>2009 Bond Construction</u>	<u>2009 Bond Construction Tax Increment</u>
<b>ASSETS</b>			
Cash and investments	\$ <u>654,410</u>	\$ <u>32,393</u>	\$ <u>115,098</u>
Total assets	<u>654,410</u>	<u>32,393</u>	<u>115,098</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	274,631	-	-
Due to other funds	-	-	-
Total liabilities	<u>274,631</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Capital projects	379,779	32,393	115,098
Unassigned	-	-	-
Total fund balances	<u>379,779</u>	<u>32,393</u>	<u>115,098</u>
Total liabilities and fund balances	\$ <u>654,410</u>	\$ <u>32,393</u>	\$ <u>115,098</u>

<u>2013 Street and Drainage Bond Construction</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ <u>          -</u>	\$ <u>  801,901</u>
<u>          -</u>	<u>  801,901</u>
- <u>  22,575</u>	274,631 <u>  22,575</u>
<u>  22,575</u>	<u>  297,206</u>
- <u>(  22,575)</u>	527,270 <u>(  22,575)</u>
<u>(  22,575)</u>	<u>  504,695</u>
\$ <u>          -</u>	\$ <u>  801,901</u>

**CITY OF WAXAHACHIE, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**SEPTEMBER 30, 2012**

	<u>2007 Bond Construction</u>	<u>2009 Bond Construction</u>	<u>2009 Bond Construction Tax Increment</u>
<b>REVENUES</b>			
Interest	\$ <u>2,022</u>	\$ <u>74</u>	\$ <u>268</u>
Total revenues	<u>2,022</u>	<u>74</u>	<u>268</u>
<b>EXPENDITURES</b>			
Current:			
Public works	437,616	-	-
Debt service:			
Capital Outlay	<u>22,101</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>459,717</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	( 457,695)	74	268
<b>FUND BALANCES, BEGINNING</b>	<u>837,474</u>	<u>32,319</u>	<u>114,830</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 379,779</u>	<u>\$ 32,393</u>	<u>\$ 115,098</u>

<u>2013 Street and Drainage Bond Construction</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ <u>          -</u>	\$ <u>      2,364</u>
<u>          -</u>	<u>      2,364</u>
22,575	460,191
<u>          -</u>	<u>      22,101</u>
<u>      22,575</u>	<u>      482,292</u>
( 22,575)	( 479,928)
<u>          -</u>	<u>      984,623</u>
\$( <u>      22,575</u> )	\$ <u>      504,695</u>