CITY OF WAXAHACHIE, TEXAS

Annual Financial Report
Financial Statements

For the year ended
September 30, 2014

CITY OF WAXAHACHIE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Prepared by:
Department of Finance

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CITY OF WAXAHACHIE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED SEPTEMBER 30, 2014

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FINANCIAL SECTION

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waxahachie, Texas, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Waxahachie, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures

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that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Waxahachie, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2014 the City adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the analysis of funding progress and 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 4–12 and 55–60 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.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2015, on our consideration of the City of Waxahachie, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Waxahachie, Texas' internal control over financial reporting and compliance.

Pattillo, Brown + Hill L.L.P.

Hillsboro, Texas
March 18, 2015

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, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

At September 30, 2014, the City's total combined net position were $123,780,136. Of this amount, $34,728,930 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by $1,888,460 during the current fiscal year.

At the end of the fiscal year, the total fund balance of all governmental funds was $24,248,622, up $4,453,119 from the prior year. The majority of the increase was due to increased fund balance in the General Fund due to an increase in taxes revenue and transfers as well an increase in the 2014 Bond 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 $11,526,089, or about 44.97% 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

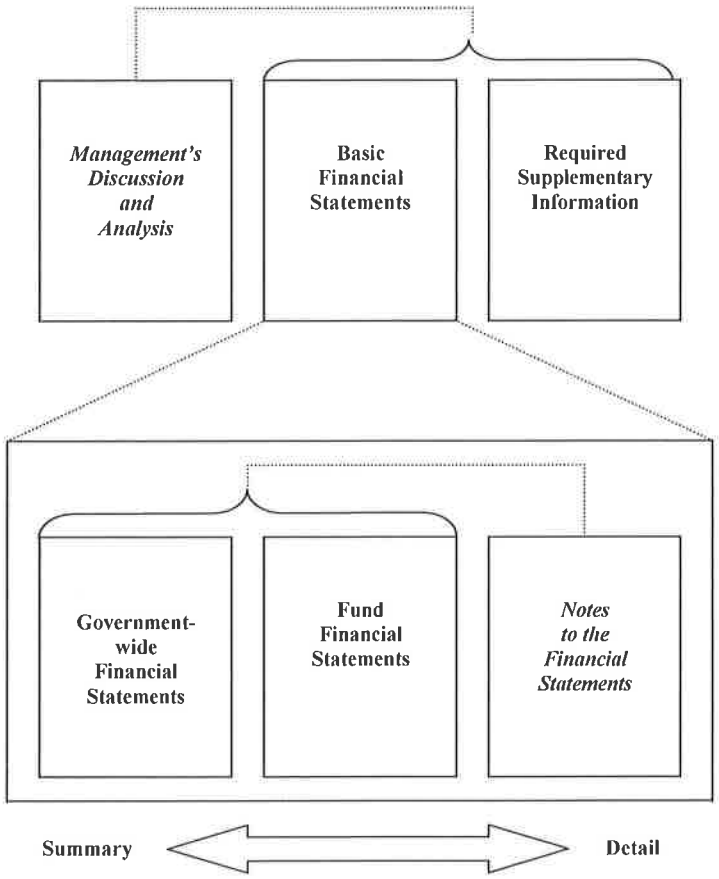

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of 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**
Scope	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
Required Financial Statements	Statement of Net Position. Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Fund Balances	Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Net Position.	Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	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
Types of asset/liability information	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.
Types of Inflow/outflow Information	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 position 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 position—the difference between the City's assets, deferred outflows of resources and liabilities—are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position 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 13 – 15 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 position 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 $123,780,136.

The largest portion of the City's net position (57.2%) 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 position (14.7%) represents resources that are subject to external restrictions on how they may have to be used. The remaining balance of unrestricted net position (28.1%) may be used to meet the government's ongoing obligations to citizens and creditors.

TABLE 1

CITY OF WAXAHACHIE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 36,767,231	$ 33,352,644	$ 45,882,406	$ 47,581,952	$ 82,649,637	$ 80,934,596
Capital assets	83,554,849	83,885,280	105,000,702	107,540,209	188,555,551	191,425,489
Total assets	120,322,080	117,237,924	150,883,108	155,122,161	271,205,188	272,360,085
Total deferred outflows of resources	785,509	863,555	1,120,840	1,176,882	1,906,349	2,040,437
Long-term liabilities	53,408,411	52,400,320	90,610,813	93,522,656	144,019,224	145,922,976
Other liabilities	3,320,118	3,558,848	1,992,059	1,992,053	5,312,177	5,550,901
Total liabilities	56,728,529	55,959,168	92,602,872	95,514,709	149,331,401	151,473,877
Net Position:						
Net investment in capital assets	32,898,144	34,926,447	37,935,569	38,436,933	70,833,713	73,363,380
Restricted	10,080,999	7,870,965	8,136,494	9,344,750	18,217,493	17,215,715
Unrestricted	21,399,917	19,344,899	13,329,013	13,002,651	34,728,930	32,347,550
Total net position	$ 64,379,060	$ 62,142,311	$ 59,401,076	$ 60,784,334	$ 123,780,136	$ 122,926,645

The following table provides a summary of the City's operations for the year ended September 30, 2014. Total governmental activities increased by $2,914,765. Overall, 2014 fiscal year expenses increased by $583,899, or about 1.2% over the prior fiscal year. The business-type activities expenses increased $1,241,334 (6.9%), while the governmental activities expenses decreased by $657,435 (2.1%). Notable changes between 2013 and 2014 fiscal year expenses include increases in water, wastewater and Sokoll WTP expenses (business-type activities) and decreases in the general government and culture and recreation categories offset by an increase in public safety (governmental activities).

TABLE 2

CITY OF WAXAHACHIE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 2,232,835	$ 1,725,390	$ 18,986,645	$ 18,238,826	$ 21,219,480	$ 19,964,216
Operating grants and contributions	120,277	339,892	-	-	120,277	339,892
Capital grants and contributions	2,400	296,238	-	-	2,400	296,238
General revenues:						
Property taxes	15,002,824	14,909,881	-	-	15,002,824	14,909,881
Sales taxes	9,744,609	9,109,791	-	-	9,744,609	9,109,791
Other	4,366,978	4,550,681	2,092,027	2,228,469	6,459,005	6,779,150
Total revenues	31,469,923	30,931,873	21,078,672	20,467,295	52,548,595	51,399,168
Expenses:						
General government	5,315,218	6,026,862	-	-	5,315,218	6,026,862
Public safety	14,332,800	13,759,421	-	-	14,332,800	13,759,421
Public works	6,453,273	6,783,609	-	-	6,453,273	6,783,609
Culture and recreation	2,949,763	3,347,144	-	-	2,949,763	3,347,144
Judicial	50,147	14,811	-	-	50,147	14,811
Interest on long-term debt	2,272,403	2,099,192	-	-	2,272,403	2,099,192
Water	-	-	9,934,179	9,222,667	9,934,179	9,222,667
Wastewater	-	-	5,462,476	5,211,965	5,462,476	5,211,965
Refuse services	-	-	1,063,819	1,009,245	1,063,819	1,009,245
Sokoll WTP	-	-	2,826,057	2,601,320	2,826,057	2,601,320
Total expenses	31,373,604	32,031,039	19,286,531	18,045,197	50,660,135	50,076,236
Increases in net position before transfers	96,319	(1,099,166)	1,792,141	2,422,098	1,888,460	1,322,932
Transfers	2,818,446	2,274,796	(2,818,446)	(2,274,796)	-	-
Increase (decrease) in net position	2,914,765	1,175,630	(1,026,305)	147,302	1,888,460	1,322,932
Net position, beginning	62,142,311	61,193,857	60,784,334	60,663,423	122,926,645	121,857,280
Prior period adjustment	(678,016)	(227,176)	(356,953)	(26,391)	(1,034,969)	(253,567)
Net position, ending	$ 64,379,060	$ 62,142,311	$ 59,401,076	$ 60,784,334	$ 123,780,136	$ 122,926,645

Governmental Activities

Governmental activities increased the City's net assets by $2,914,765.

Charges for services increased by more than $500,000 while other revenues increased more than $30,000. This resulted in an increase in total revenue of approximately $530,000. Total expenses decreased by about $650,000 due to the decreases in general government ($700,000), public works ($330,000) and culture and recreation (390,000) offset by an increase in public safety ($570,000).

Business-type Activities

Business-type activities decreased the City's net position by $1,026,305.

Total revenues increased by $611,377. The majority of this increase is related to an increase in wastewater and investment in Sokoll WTP ($796,896) charges for services offset by decreased miscellaneous revenue ($122,794).

Water expenses increased by $711,512, wastewater expenses increased by $250,511; refuse services expenses increased by $54,574 and investment in Sokoll WTP expenses increased $224,737.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The City's General Fund reported an ending unassigned fund balance of $11,526,089, with a total increase in fund balance of $2,500,877, compared with the previous fiscal year. Original budgetary projections had projected a decrease in fund balance of $998,804, and the amended budget anticipated a decrease of $1,419,721. Total expenditures were under budget by $190,608. Also, revenue categories other than ad valorem tax, miscellaneous and fines and forfeitures exceeded budget.

The City's Debt Service Fund saw its fund balance rise from $2,079,295 to $2,206,978. The original budget (adopted prior to the conclusion of the 2013 fiscal year) had proposed to bring this balance up to $2,183,694. Although debt service expenditures were higher than originally expected this was caused and offset by bonds issued.

Proprietary Funds

The City's Water and Wastewater Funds reported unrestricted ending net position of $5,843,711 and $5,601,270, respectively. The net position of the Water Fund decreased $1,632,724 mainly due to increased operating expenses as well as decreases in charges for services, miscellaneous income and transfers in. The Wastewater Fund's net position increased $448,093, primarily as a result of increased charges for services and miscellaneous revenue as well as decreased interest expense offset by an increase in cost of sales and services expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Total expenditures were increased by $659,112 to budget for various additional expenditures.
- Total public works expenditures were increased by $833,915 (12.48%) to budget for additional street department expenditures.

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, 2014, amounts to $188,555,551 (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 on pages 37 – 39 of the basic financial statements. Major capital asset events during the current fiscal period included the following:

- Approximately $5,690,000 added to construction in progress for various projects
- Approximately $5,430,000 of completed construction for various street projects
- Approximately $2,023,000 of completed construction for the NE trunk sewer improvement project
- Approximately $1,250,000 of completed construction for Phase 2 of the SWT Transmission project
- Approximately $1,600,000 was spent on the purchase of various vehicles
- Approximately $880,000 for other various water improvement projects

Debt Administration

During fiscal year 2014, the City issued approximately $5.46 million in refunding bonds and approximately $3.8 million in municipal improvement bonds. More information about these bonds can be found on pages 39 – 44 of the financial statements.

ECONOMIC OUTLOOK

Budgeted General Fund revenues and transfers for the 2015 fiscal year are expected to increase by about 3.2% (or about $866,000) from the fiscal year 2014 final budget. Approximately 40% of this total stems from sales tax growth, which as a category, is anticipated to rise by about 4%. The remaining revenue increase is attributable to overall increases in a variety of other categories, collectively anticipated to grow at a slightly lower rate of about 2.9%.

Corresponding General Fund budgeted expenditures are anticipated to rise at a lower rate of about 1.4%, compared to final 2014 estimates; for a total increase of about $388,000. For 2015, expenditures for street maintenance are budgeted to decrease sharply (by about 1.1 million dollars). In 2014, the City focused on "catching up" on some deferred maintenance in this area, necessitated by the recent economic downturn. The 2015 allocation reflects a more normal allocation of resources toward street maintenance.

Functions reflecting notable increases for 2015 included:

- Police, with an increase of about $410,000, largely driven by the purchase of new vehicles

- Fire, with an increase of about $519,000 largely driven by the remodeling of Station #3

- Economic Development, reflecting an increase of about $312,000 to fund the cost of economic development incentives associated with the new Baylor Hospital program

- Parks, containing an increase of about $206,000 for the purchase of new playground equipment as well improvements to the City's hike and bike trail system.

Collectively, remaining General Fund expenditures are budgeted to rise by only about 2.6%; a rate below both the overall anticipated increase in revenues (i.e., about 3.2 %) and the growth in the population (i.e., about 3.0 %.)

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.

BASIC
FINANCIAL STATEMENTS

CITY OF WAXAHACHIE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and investments	$ 24,636,204	$ 9,057,056	$ 33,693,260	$ 2,735,871
Receivables (net of allowances for uncollectible)	1,814,361	3,135,245	4,949,606	43,453
Intergovernmental	1,797,930	-	1,797,930	589,544
Prepaids	72	-	72	
Restricted assets:				
Cash and investments	-	8,908,855	8,908,855	-
Due from other governments	-	23,595,000	23,595,000	-
Equity in joint venture	8,518,664	-	8,518,664	-
Intangible assets	-	1,186,250	1,186,250	-
Capital assets (net, where applicable, of accumulated depreciation):				
Land	8,317,762	1,008,123	9,325,885	650,670
Buildings	23,898,588	20,042,774	43,941,362	10,228,045
Improvements other than buildings	8,222,841	73,096,246	81,319,087	7,789,334
Machinery and equipment	1,360,074	6,366,375	7,726,449	142,233
Software	37,182	223,190	260,372	-
Vehicles	2,920,521	431,755	3,352,276	-
Infrastructure	36,573,457	3,793,264	40,366,721	-
Construction in progress	2,224,424	38,975	2,263,399	-
Total assets	120,322,080	150,883,108	271,205,188	22,179,150
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	785,509	1,120,840	1,906,349	289,513
Total deferred outflows of resources	785,509	1,120,840	1,906,349	289,513
LIABILITIES				
Accounts payable	1,718,883	339,737	2,058,620	55,899
Other payables	215,736	-	215,736	-
Accrued liabilities	738,262	152,400	890,662	38,970
Due to other governments	334,305	-	334,305	164
Customer deposits	3,900	772,361	776,261	54,416
Accrued interest payable	309,032	497,306	806,338	146,568
Accounts payable from restricted assets	-	230,255	230,255	-
Noncurrent liabilities:				
Due within one year	4,110,017	3,096,755	7,206,772	574,673
Due in more than one year	49,298,394	87,514,058	136,812,452	19,567,424
Total liabilities	56,728,529	92,602,872	149,331,401	20,438,114
NET POSITION				
Net investment in capital assets	32,898,144	37,935,569	70,833,713	(810,610)
Restricted for:				
Tourism	252,991	-	252,991	-
Capital projects	5,264,759	6,471,726	11,736,485	-
Debt service	2,206,978	-	2,206,978	1,445,990
Perpetual care	866,943	-	866,943	-
Public safety	211,671	-	211,671	-
Public works	1,128	-	1,128	-
Municipal court judicial efficiency	2,960	-	2,960	-
Municipal court technology	37,523	-	37,523	-
Municipal court security	17,350	-	17,350	-
Municipal court judicial	8,036	-	8,036	-
Culture and recreation	121,586	-	121,586	-
Downtown improvements	329,767	-	329,767	-
Impact fee projects	759,307	1,664,768	2,424,075	-
Unrestricted	21,399,917	13,329,013	34,728,930	1,395,169
Total net position	$ 64,379,060	$ 59,401,076	$ 123,780,136	$ 2,030,549

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

CITY OF WAXAHACHIE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 5,315,218	$ -	$ 69,702	$ 2,400
Public safety	14,332,800	1,202,728	44,435	-
Public works	6,453,273	984,261	-	-
Culture and recreation	2,949,763	4,275	6,140	-
Judicial	50,147	41,571	-	-
Interest on long-term debt	2,272,403	-	-	-
Total governmental activities	31,373,604	2,232,835	120,277	2,400
Business-type activities:				
Water utility	9,934,179	9,557,102	-	-
Wastewater utility	5,462,476	7,028,614	-	-
Refuse service	1,063,819	1,426,457	-	-
Investment in Sokoll WTP	2,826,057	974,472	-	-
Total business-type activities	19,286,531	18,986,645	-	-
Total primary government	$ 50,660,135	$ 21,219,480	$ 120,277	$ 2,400
Component Unit				
Waxahachie Community Development Corporation	$ 3,514,315	$ 651,439	$ -	$ -
Total component unit	$ 3,514,315	$ 651,439	$ -	$ -

General revenues:
- Property taxes
- Sales taxes
- Franchise taxes
- Other taxes
- Miscellaneous
- Unrestricted investment earnings

Capital contributions

Transfers

Total general revenues

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

The accompanying notes are integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	Component Units
$(5,243,116)	$ -	$(5,243,116)	$ -
(13,085,637)	-	(13,085,637)	-
(5,469,012)	-	(5,469,012)	-
(2,939,348)	-	(2,939,348)	-
(8,576)	-	(8,576)	-
(2,272,403)	-	(2,272,403)	-
(29,018,092)	-	(29,018,092)	-
-	(377,077)	(377,077)	-
-	1,566,138	1,566,138	-
-	362,638	362,638	-
-	(1,851,585)	(1,851,585)	-
-	(299,886)	(299,886)	-
(29,018,092)	(299,886)	(29,317,978)	-
-	-	-	(2,862,876)
-	-	-	(2,862,876)
15,002,824	-	15,002,824	-
9,744,609	-	9,744,609	3,248,203
3,344,158	-	3,344,158	-
533,082	-	533,082	-
468,301	389,929	858,230	6,819
21,437	18,301	39,738	2,939
-	1,683,797	1,683,797	-
2,818,446	(2,818,446)	-	-
31,932,857	(726,419)	31,206,438	3,257,961
2,914,765	(1,026,305)	1,888,460	395,085
62,142,311	60,784,334	122,926,645	1,967,264
(678,016)	(356,953)	(1,034,969)	(331,800)
$ 64,379,060	$ 59,401,076	$ 123,780,136	$ 2,030,549

CITY OF WAXAHACHIE, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 14,896,279	$ 2,197,854	$ 7,542,071	$ 24,636,204
Receivables (net of allowances for uncollectible):				
Taxes	143,520	88,817	-	232,337
Accounts	15,926	-	-	15,926
Fines	577,812	-	-	577,812
Other	219,410	49,861	130,287	399,558
Intergovernmental	1,796,370	1,560	-	1,797,930
Prepaid items	72	-	-	72
Total assets	17,649,389	2,338,092	7,672,358	27,659,839
LIABILITIES				
Accounts payable	1,314,936	-	403,947	1,718,883
Other payables	215,736	-	-	215,736
Accrued liabilities	726,955	-	11,307	738,262
Deposits payable	400	-	3,500	3,900
Due to other governments	334,305	-	-	334,305
Total liabilities	2,592,332	-	418,754	3,011,086
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	129,979	81,253	-	211,232
Unavailable revenue-court fines	139,038	-	-	139,038
Unavailable revenue-loan contract	-	49,861	-	49,861
Total deferred inflows of resources	269,017	131,114	-	400,131
FUND BALANCES				
Nonspendable:				
Prepaid items	72	-	-	72
Restricted:				
Tourism	-	-	252,991	252,991
Capital projects	-	-	5,264,759	5,264,759
Debt service	-	2,206,978	-	2,206,978
Perpetual care	-	-	866,943	866,943
Public safety	-	-	211,671	211,671
Public works	-	-	1,128	1,128
Municipal court judicial efficiency	-	-	2,960	2,960
Municipal court technology	-	-	37,523	37,523
Municipal court security	-	-	17,350	17,350
Municipal court judicial	-	-	8,036	8,036
Culture and recreation	-	-	121,586	121,586
Downtown improvements	-	-	329,767	329,767
Impact fee projects	759,307	-	-	759,307
Committed:				
Culture and recreation	-	-	138,890	138,890
Other purposes	2,484,599	-	-	2,484,599
Assigned:				
Community relations	17,973	-	-	17,973
Unassigned	11,526,089	-	-	11,526,089
Total fund balances	14,788,040	2,206,978	7,253,604	24,248,622
Total liabilities, deferred inflows of resources, and fund balances	$ 17,649,389	$ 2,338,092	$ 7,672,358	$ 27,659,839

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 POSITION

SEPTEMBER 30, 2014

Total fund balances - governmental fund balance sheet	$	24,248,622
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		83,554,849
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		988,859
Long-term liabilites, including bonds payable, are not due and payable in the the current period and, therefore, are not reported in the funds.	(	52,931,934)
Equity in a joint venture are not reported in the funds.		8,518,664
Net position of government activities - statement of net position.	$	64,379,060

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

CITY OF WAXAHACHIE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 22,758,710	$ 5,143,160	$ 749,641	$ 28,651,511
Charges for services	1,036,424	-	195,184	1,231,608
Licenses and permits	616,297	-	-	616,297
Fines and forfeitures	441,077	-	-	441,077
Intergovernmental	67,011	-	8,017	75,028
Miscellaneous	378,274	86,968	124,078	589,320
Interest	12,627	3,873	4,937	21,437
Total revenues	25,310,420	5,234,001	1,081,857	31,626,278
EXPENDITURES				
Current:				
General government	3,871,889	-	359,384	4,231,273
Public safety	14,119,558	-	87,118	14,206,676
Public works	5,176,008	-	273,074	5,449,082
Judicial	-	-	50,147	50,147
Culture and recreation	2,460,534	-	299,320	2,759,854
Capital outlay	-	-	2,042,027	2,042,027
Debt service:				
Principal	-	3,090,628	73,419	3,164,047
Interest	-	2,017,490	63,514	2,081,004
Bond issuance costs	-	87,084	99,484	186,568
Total expenditures	25,627,989	5,195,202	3,347,487	34,170,678
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(317,569)	38,799	(2,265,630)	(2,544,400)
OTHER FINANCING SOURCES (USES)				
Transfers in	2,946,219	750	32,904	2,979,873
Transfers out	(127,773)	-	(33,654)	(161,427)
Bonds issued	-	5,465,000	3,830,000	9,295,000
Premium on bonds issued	-	314,110	260,939	575,049
Payment to bond escrow agent	-	(5,690,976)	-	(5,690,976)
Total other financing sources (uses)	2,818,446	88,884	4,090,189	6,997,519
NET CHANGE IN FUND BALANCE	2,500,877	127,683	1,824,559	4,453,119
FUND BALANCES, BEGINNING	12,287,163	2,079,295	5,429,045	19,795,503
FUND BALANCES, ENDINGS	$ 14,788,040	$ 2,206,978	$ 7,253,604	$ 24,248,622

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, 2014

Net change in fund balances - total governmental funds	$ 4,453,119
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	(318,791)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(14,451)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net position.	(11,640)
The issuance of long-term debt (e.g. bonds, contracts payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, govermental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,015,026)
Some expenses reported in the statement of activites do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(48,182)
Change in joint venture equity is not reported in the funds.	(130,264)
Change in net position of governmental activities - statement of activities	$ 2,914,765

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

CITY OF WAXAHACHIE, TEXAS
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
SEPTEMBER 30, 2014

	Water Utility	Wastewater Utility	Investment in Sokoll WTP	Refuse Services	Total Enterprise Funds
ASSETS					
Current assets:					
Cash and investments	$ 2,758,293	$ 4,285,103	$ -	$ 2,013,660	$ 9,057,056
Receivables (net of allowances for uncollectibles)					
Accounts receivable	1,383,096	788,716	-	160,751	2,332,563
Other receivables	1,364	19,225	-	182	20,771
Due from Rockett SUD	701,365	-	-	-	701,365
Inventories	80,546	-	-	-	80,546
Restricted assets:					
Cash and investments	6,411,879	1,315,157	1,181,819	-	8,908,855
Total current assets	11,336,543	6,408,201	1,181,819	2,174,593	21,101,156
Noncurrent assets:					
Due from Rockett SUD	-	-	23,595,000	-	23,595,000
Intangible assets	1,186,250	-	-	-	1,186,250
Capital assets:					
Land	312,920	244,707	366,847	83,649	1,008,123
Buildings	19,724,058	7,712,938	12,621,745	-	40,058,741
Improvements other than buildings	66,536,466	47,274,205	280,954	-	114,091,625
Infrastructure	-	-	4,274,101	-	4,274,101
Machinery and equipment	490,267	665,222	8,152,627	115,493	9,423,609
Software	521,428	-	67,211	-	588,639
Vehicles	380,052	961,274	14,093	-	1,355,419
Construction in progress	-	38,975	-	-	38,975
Accumulated depreciation	(40,985,375)	(20,556,002)	(4,204,362)	(92,791)	(65,838,530)
Total noncurrent assets	48,166,066	36,341,319	45,168,216	106,351	129,781,952
Total assets	59,502,609	42,749,520	46,350,035	2,280,944	150,883,108
LIABILITIES					
Current liabilities:					
Accounts payable	176,819	82,300	15,429	65,189	339,737
Accrued liabilities	70,706	73,603	3,048	5,043	152,400
Compensated absences payable - current	22,041	13,503	273	3,796	39,613
Accrued interest payable	159,282	153,785	184,239	-	497,306
General obligation bonds payable - current	238,322	460,986	-	-	699,308
Certificates of obligation bonds payable- current	620,770	627,064	1,110,000	-	2,357,834
Customer deposits	437,944	334,417	-	-	772,361
Accounts payable from restricted assets	228,097	-	2,158	-	230,255
Total current liabilities	1,953,981	1,745,658	1,315,147	74,028	5,088,814
Noncurrent liabilities:					
General obligation bonds payable	8,225,393	15,910,389	-	-	24,135,782
Certificates of obligation bonds payable	12,607,153	4,691,227	46,080,000	-	63,378,380
Premium (Discount) on bonds payable	(61,782)	(145,165)	88,829	-	(118,118)
Deferred loss on refunding bonds payable	(394,081)	(726,759)	-	-	(1,120,840)
Compensated absences payable	66,121	40,507	-	11,386	118,014
Total noncurrent liabilities	20,442,804	19,770,199	46,168,829	11,386	86,393,218
Total liabilities	22,396,785	21,515,857	47,483,976	85,414	91,482,032
NET POSITION					
Net investment in capital assets	25,288,178	14,651,653	(2,110,613)	106,351	37,935,569
Restricted for construction	5,289,907	-	1,181,819	-	6,471,726
Restricted for impact fee projects	684,028	980,740	-	-	1,664,768
Unrestricted	5,843,711	5,601,270	(205,147)	2,089,179	13,329,013
Total net position	$ 37,105,824	$ 21,233,663	$(1,133,941)	$ 2,195,530	$ 59,401,076

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

CITY OF WAXAHACHIE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION - ENTERPRISE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Fund			Nonmajor Enterprise	Total
	Water Utility	Wastewater Utility	Investment in Sokoll WTP	Refuse Services	Enterprise Funds
OPERATING REVENUES					
Charges for services	$ 9,557,102	$ 7,028,614	$ 974,472	$ 1,426,457	$ 18,986,645
Total operating revenues	9,557,102	7,028,614	974,472	1,426,457	18,986,645
OPERATING EXPENSES					
Cost of sales and services	6,865,637	3,169,985	744,175	1,053,093	11,832,890
Deprecation and amortization	2,040,294	1,270,366	937,384	10,726	4,258,770
Total operating expenses	8,905,931	4,440,351	1,681,559	1,063,819	16,091,660
OPERATING INCOME (LOSS)	651,171	2,588,263	(707,087)	362,638	2,894,985
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	10,649	4,802	1,128	1,722	18,301
Miscellaneous income	284,939	90,364	-	14,626	389,929
Interest expense	(1,028,248)	(1,022,125)	(1,144,498)	-	(3,194,871)
Total nonoperating revenues (expenses)	(732,660)	(926,959)	(1,143,370)	16,348	(2,786,641)
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTIRBUTIONS	(81,489)	1,661,304	(1,850,457)	378,986	108,344
TRANSFERS AND CAPITAL CONTRIBUTIONS					
Capital contributions	-	-	1,683,797	-	1,683,797
Transfers in	127,773	-	-	-	127,773
Transfers out	(1,679,008)	(1,213,211)	-	(54,000)	(2,946,219)
Total transfers and capital contributions	(1,551,235)	(1,213,211)	1,683,797	(54,000)	(1,134,649)
CHANGE IN NET POSITION	(1,632,724)	448,093	(166,660)	324,986	(1,026,305)
NET POSITION, BEGINNING	38,856,497	20,932,712	(875,419)	1,870,544	60,784,334
PRIOR PERIOD ADJUSTMENT	(117,949)	(147,142)	(91,862)	-	(356,953)
NET POSIITON, ENDING	$ 37,105,824	$ 21,233,663	$(1,133,941)	$ 2,195,530	$ 59,401,076

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, 2014

	Enterprise Fund			Nonmajor Enterprise	Total
	Water Utility	Wastewater Utility	Investment in Sokoll WTP	Refuse Services	Enterprise Funds
CASH FLOWS FROM OEPRATING ACTIVITIES					
Cash received from customers	$ 9,205,110	$ 7,110,212	$ 974,472	$ 1,437,954	$ 18,727,748
Cash payments to employees for services	(1,477,035)	(1,535,014)	(63,226)	(106,975)	(3,182,250)
Cash payments to other supplier for goods and services	(5,217,812)	(1,825,292)	(699,467)	(944,660)	(8,687,231)
Net cash provided (used) by operating activities	2,510,263	3,749,906	211,778	386,319	6,858,266
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers and receipts from other funds	127,773	-	-	-	127,773
Transfers and payments to other funds	(1,679,008)	(1,213,211)	-	(54,000)	(2,946,219)
Net cash provided (used) from nonoperating financing activities	(1,551,235)	(1,213,211)	-	(54,000)	(2,818,446)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal repayments on bonds	(818,122)	(1,040,772)	(532,500)	-	-
Interest and fiscal charges on debt	(1,010,734)	(985,212)	(1,151,673)	-	-
Capital contributions	-	-	1,683,797	-	-
Acquisitions and construction of capital assets	(1,497,722)	(225,080)	-	-	-
Proceeds from sale of capital assets	1,972	1,568	-	-	-
Net cash provided (used) by capital and related financing activities	(3,324,606)	(2,249,496)	(376)	-	(5,574,478)
CASH FROM INVESTING ACTIVITIES					
Interest on investments	10,649	4,802	1,129	1,722	-
Net cash provided (used) by investing activities	10,649	4,802	1,129	1,722	18,302
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,354,929)	292,001	212,531	334,041	(1,516,356)
CASH AND CASH EQUIVALENTS, BEGINNING	11,525,101	5,308,259	969,288	1,679,619	-
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-
CASH AND CASH EQUIVALENTS, ENDING	$ 9,170,172	$ 5,600,260	$ 1,181,819	$ 2,013,660	$ 17,965,911

CITY OF WAXAHACHIE, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Fund			Nonmajor Enterprise	Total
	Water Utility	Wastewater Utility	Investment in Sokoll WTP	Refuse Services	Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	$ 651,171	$ 2,588,263	$(707,087)	$ 362,638	$ 2,894,985
Adjustments to reconcile operating income to net cash provided by operating activities:					
Deprecation and amortization	2,040,294	1,270,366	937,384	10,726	4,258,770
Other revenues (expenses)	284,939	90,364	-	14,626	389,929
Change in assets and liabilities:					
Decrease (increase) in receivables	10,024	(2,896)	-	(3,129)	3,999
Decrease (increase) in due from other governments	(701,365)	-	-	-	(701,365)
Decrease (increase) in inventories	(8,897)	-	-	-	(8,897)
Increase (decrease) in accounts payable	166,732	(197,524)	(19,407)	716	(49,483)
Increase (decrease) in accrued liabilities	7,926	7,558	1,010	287	16,781
Increase (decrease) in customer deposits	54,410	(5,870)	-	-	48,540
Increase (decrease) in compensated absences	5,029	(355)	(122)	455	5,007
Total adjustments	1,859,092	1,161,643	918,865	23,681	3,963,281
Net cash and cash equivalents provided (used) by operating activities	$ 2,510,263	$ 3,749,906	$ 211,778	$ 386,319	$ 6,858,266

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting and reporting policies:

A. Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

Based on these criteria, the financial information of the following entities have been blended or discretely presented within the financial statements: Ellis County Water Control and Improvement District No. 1 (the Water District), Tax Increment Financing Reinvestment Zone No. 1 (TIFRZ) and Waxahachie Community Development Corporation (WCDC).

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. Contractual payments are treated as transfers. The Water District's General Fund is accounted for as a Special Revenue Fund and does not issue separate financial statements.

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 and does not issue separate financial statements.

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.

A separately issued financial report is available for the Waxahachie Community Development Corporation. This report may be obtained by contacting the following office.

City of Waxahachie
P.O. Box 757
Waxahachie, Texas 75168

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 are not prepared.

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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report 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.

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.

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 for 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.

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

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.

D. Assets, Liabilities, and Net Position or Equity

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.

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, 2014.

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.

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.

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.

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 $5,000 (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.

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	5 - 10 years
Vehicles	5 - 10 years

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.

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

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

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.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statements element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, court fines and loan contracts. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Prior Period Adjustment – Change in Accounting Principles

As the result of implementing GASB Statement No. 65, the City has decreased beginning net position as of October 1, 2013 by $678,016 for the governmental activities and by $356,953 for business-type activities. These decreases result from no longer deferring and amortizing bond issuance costs.

Further, the City has reclassified its deferred loss on bond refunding, previously reported as a component of long-term debt, to deferred outflows of resources in the government-wide statements in accordance with GASB Statement No. 65. The effect of this change increases the long-term liabilities of the governmental activities by $785,509 and of the business-type activities by $1,120,840, and corresponds to an increase in deferred outflows of resources as of October 1, 2013.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that, "capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this $83,554,849 difference are as follows:

Land	$ 8,317,762
Construction in Progress	2,224,424
Buildings	41,261,812
Less: Accumulated depreciation - buildings	(17,363,225)
Improvements other than buildings	18,922,141
Less: Accumulated depreciation - improvements other than buildings	(10,699,300)
Infrastructure	100,185,392
Less: Accumulated depreciation - infrastructure	(63,611,935)
Machinery and equipment	4,413,024
Less: Accumulated depreciation - machinery and equipment	(3,052,950)
Software	55,051
Less: Accumulated depreciation - software	(17,868)
Vehicles	5,763,135
Less: Accumulated depreciation - vehicles	(2,842,614)
Net adjustment to increase *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ 83,554,849

Another element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $52,931,934 difference are as follows:

Bonds and contracts payable	$ 49,850,769
Less: Deferred charge on refunding (to be amortized as interest expense)	(785,509)
Less: Issuance discount (to be amortized as interest expense)	(110,341)
Add: Issuance premium (to be amortized over life of debt)	1,392,754
Compensated absences	2,275,229
Accrued interest payable	309,032
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net position - governmental activities*	$ 52,931,934

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 position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, "governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period." The details of this $318,791 difference are as follows:

Capital outlay	$ 5,361,065
Depreciation expense	(5,679,856)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$(318,791)

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position." The details of this $11,640 difference is as follows:

In the statement of activites, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	$(11,640)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$(11,640)

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, contracts payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this $1,015,026 difference are as follows:

Debt issued or incurred:	
General obligation bonds	$ 5,465,000
Certificate of obligation bonds	3,830,000
Plus premium	575,049
Principal repayments:	
General obligation debt	(1,812,737)
Certificates of obligation debt	(1,343,369)
Contractual obligations	(7,941)
Payment to escrow agent for refunding	(5,690,976)
Net adjustment to decrease *changes in fund balance - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 1,015,026

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $48,182 difference are as follows:

Compensated absences	$(43,351)
Accrued interest	22,930
Amortization of bond premiums	81,810
Amortization of bond discounts	(10,549)
Amortization of deferred charge on refunding	(99,022)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$(48,182)

3. DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (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. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the **Public Funds Investment Act**, the City has adopted a deposit and investment policy. That policy does address the following risks:

a. ***Custodial Credit Risk:*** Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2014, the City and WCDC had cash in the amount of $1,582,987 on deposit with a bank balance of $1,656,224. These amounts were fully collateralized by securities held by a third party trustee in the name of the City.

b. ***Credit Risk:*** It is the City's policy to limit investments to investment types with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City's investments were rated AAAm by Standard and Poor's Investors Services.

c. ***Interest Rate Risk:*** In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days or less, dependent on market conditions.

d. ***Concentration of Credit Risk:*** The government's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

As of September 30, 2014, the City and WCDC had the following investments:

Investment Type	Fair Value
Primary government	
City general investments:	
Government sponsored investment pool (LOGIC)	$ 41,015,158
	41,015,158
Discretely presented component unit	
Waxahachie Community Development Corporation:	
Government sponsored investment pool (LOGIC)	2,735,871
Total discretely presented component unit	2,735,871
Total reporting entity	$ 43,751,029

Receivables and Deferred Inflows of Resources

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	Total
Property taxes	$ 191,930	$ 119,339	$ -	$ -	$ -	$ -	$ 311,269
Allowance	(48,410)	(30,522)	-	-	-	-	(78,932)
Net property taxes	143,520	88,817	-	-	-	-	232,337
Accounts receivable	15,926	-	-	6,435,430	1,151,525	297,210	7,900,091
Allowance	-	-	-	(5,052,334)	(362,809)	(136,459)	(5,551,602)
Net accounts receivable	15,926	-	-	1,383,096	788,716	160,751	2,348,489
Fines receivable	1,227,575	-	-	-	-	-	1,227,575
Allowance	(649,763)	-	-	-	-	-	(649,763)
Net fines recevable	577,812	-	-	-	-	-	577,812
Other receivables	219,410	49,861	130,287	1,364	19,225	182	420,329
Allowance	-	-	-	-	-	-	-
Net other receivables	219,410	49,861	130,287	1,364	19,225	182	420,329
Intergovernmental	1,796,370	1,560	-	701,365	-	-	2,499,295
Total net receivables	$ 2,753,038	$ 140,238	$ 130,287	$ 2,085,825	$ 807,941	$ 160,933	$ 6,078,262
Deferred inflows of resources							
Property taxes	$ 129,979	$ 81,253	$ -	$ -	$ -	$ -	$ 211,232
Court fines	139,038	-	-	-	-	-	139,038
Loan contract	-	49,861	-	-	-	-	49,861
Net deferred inflows	$ 269,017	$ 131,114	$ -	$ -	$ -	$ -	$ 400,131

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	$ 26,086
Uncollectibles related to wastewater services	41,552
Uncollectibles related to refuse service	9,070
	$ 76,708

Capital Assets

Capital asset activity for the year ended September 30, 2014:

	Balance 09/30/13	Additions	Retirements	Transfers and Completed Construction	Balance 9/30/14
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 8,317,762	$ -	$ -	$ -	$ 8,317,762
Construction in progress	4,308,917	4,286,634	-	(6,371,127)	2,224,424
Total capital assets not being depreciated	12,626,679	4,286,634	-	(6,371,127)	10,542,186
Capital assets, being depreciated:					
Buildings	41,261,813	-	-	-	41,261,813
Improvements other than buildings	18,922,141	-	-	-	18,922,141
Machinery and equipment	4,018,928	417,001	(22,905)	-	4,413,024
Software	55,050	-	-	-	55,050
Vehicles	4,229,776	657,430	(64,874)	940,803	5,763,135
Infrastructure	94,755,068	-	-	5,430,324	100,185,392
Total capital assets being depreciated	163,242,776	1,074,431	(87,779)	6,371,127	170,600,555
Less accumulated depreciation for:					
Buildings	(16,354,625)	(1,008,600)	-	-	(17,363,225)
Improvements other than buildings	(10,236,169)	(463,131)	-	-	(10,699,300)
Machinery and equipment	(2,800,241)	(271,414)	18,705	-	(3,052,950)
Software	(12,363)	(5,505)	-	-	(17,868)
Vehicles	(2,474,551)	(425,497)	57,434	-	(2,842,614)
Infrastructure	(60,106,226)	(3,505,709)	-	-	(63,611,935)
Total accumulated depreciation	(91,984,175)	(5,679,856)	76,139	-	(97,587,892)
Total capital assets being depreciated, net	71,258,601	(4,605,425)	(11,640)	6,371,127	73,012,663
Governmental activities capital assets, net	$ 83,885,280	$(318,791)	$(11,640)	$ -	$ 83,554,849

	Balance 09/30/13	Additions	Retirements	Transfers and Completed Construction	Adjustments	Balance 09/30/14
Business-type activities:						
Capital assets, not being depreciated:						
Land	$ 1,008,123	$ -	$ -	$ -	$ -	$ 1,008,123
Construction in progress	3,087,280	1,409,002	-	(4,457,307)	-	38,975
Total capital assets not being depreciated	4,095,403	1,409,002	-	(4,457,307)	-	1,047,098
Capital assets, being depreciated:						
Buildings	40,058,740	-	-	-	-	40,058,740
Improvements other than buildings	109,580,638	53,680	-	4,457,307	-	114,091,625
Infrastructure	4,274,101	-	-	-	-	4,274,101
Machinery and equipment	9,356,906	260,119	(193,415)	-	-	9,423,610
Software	588,639	-	-	-	-	588,639
Vehicles	1,616,609	-	(261,190)	-	-	1,355,419
Total capital assets being depreciated	165,475,633	313,799	(454,605)	4,457,307	-	169,792,134
Less accumulated depreciation for:						
Buildings	(19,148,657)	(867,309)	-	-	-	(20,015,966)
Improvements other than buildings	(38,451,696)	(2,543,683)	-	-	-	(40,995,379)
Infrastructure	(373,984)	(106,853)	-	-	-	(480,837)
Machinery and equipment	(2,674,679)	(572,433)	189,877	-	-	(3,057,235)
Software	(284,237)	(81,212)	-	-	-	(365,449)
Vehicles	(1,097,574)	(87,280)	261,190	-	-	(923,664)
Total accumulated depreciation	(62,030,827)	(4,258,770)	451,067	-	-	(65,838,530)
Total capital assets being depreciated, net	103,444,806	(3,944,971)	(3,538)	4,457,307	-	103,953,604
Business-type activities capital assets, net	$ 107,540,209	$(2,535,969)	$(3,538)	$ -	$ -	$ 105,000,702

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

Governmental activities:	
General government	$ 1,119,928
Public safety	576,917
Public works	3,711,860
Culture and recreation	271,151
Total depreciation expense - governmental activities	$ 5,679,856
Business-type activities:	
Water	$ 2,040,294
Wastewater	1,270,366
Sokoll	937,384
Refuse	10,726
Total depreciation expense - business-type activities	$ 4,258,770

Discretely Presented Component Unit – Waxahachie Community Development Corporation

	Balance 09/30/13	Additions	Retirements	Transfers and Completed Construction	Balance 09/30/14
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 650,670	$ -	$ -	$ -	$ 650,670
Construction in progress	1,327,145	466,984	-	(1,794,129)	-
Total capital assets not being depreciated	1,977,815	466,984	-	(1,794,129)	650,670
Capital assets, being depreciated:					
Buildings	12,763,798	174,822	-	1,794,129	14,732,749
Improvements other than buildings	9,612,729	-	-	-	9,612,729
Machinery and equipment	296,095	63,055	-	-	359,150
Vehicles	34,461	-	-	-	34,461
Total capital assets being depreciated	22,707,083	237,877	-	1,794,129	24,739,089
Less accumulated depreciation for:					
Buildings	(4,131,752)	(372,952)	-	-	(4,504,704)
Improvements other than buildings	(1,583,077)	(240,318)	-	-	(1,823,395)
Machinery and equipment	(201,515)	(15,402)	-	-	(216,917)
Vehicles	(34,461)	-	-	-	(34,461)
Total accumulated depreciation	(5,950,805)	(628,672)	-	-	(6,579,477)
Total capital assets being depreciated, net	16,756,278	(390,795)	-	1,794,129	18,159,612
Governmental activities capital assets, net	$ 18,734,093	$ 76,189	$ -	$ -	$ 18,810,282

Interfund Receivables, Payables and Transfers

The City had no interfund receivable or payable balances as of September, 30, 2014.

Interfund Transfers

The composition of interfund transfers as of September 30, 2014, is as follows:

Transfers From:	Transfers To: General Fund	Debt Service	Nonmajor Governmental Funds	Water Utility	Total Transfers From
General Fund	$ -	$ -	$ -	$ 127,773	127,773
Nonmajor Governmental Funds	-	750	32,904	-	33,654
Water Utility	1,679,008	-	-	-	1,679,008
Wastewater Utility	1,213,211	-	-	-	1,213,211
Nonmajor Enterprise Funds	54,000	-	-	-	54,000
Total	$ 2,946,219	$ 750	$ 32,904	$ 127,773	$ 3,107,646

The City transferred amounts between funds for the following reasons: (1) to reimburse the General Fund for nonspecific administrative costs, (2) to reimburse paying agent fees in the Debt Service Fund, and (3) to reimburse the water utility for infrastructure costs associated incentivizing certain economic development efforts.

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.

General debt current outstanding is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/14
Governmental activities					
General obligation bonds:					
Refunding and improvements	$ 18,805,000	2005	2020	2.50-5.25%	$ 2,900,000
Refunding	7,639,025	2007	2034	3.60-4.50%	7,116,472
Refunding	1,600,000	2012	2017	1.7000%	815,000
Refunding	5,465,000	2014	2020	2.00-4.00%	5,465,000
Total general obligation bonds					16,296,472
Certificate of obligation bonds:					
Municipal improvements	5,490,000	2004	2016	4.00-5.50%	279,315
Refunding and improvements	14,250,002	2007	2032	4.15-5.25%	11,841,752
Municipal improvements	8,720,000	2009	2029	2.50-5.00%	7,282,310
Municipal improvements	4,600,000	2011	2031	2.00-3.75%	4,055,000
Municipal improvements	4,920,000	2013	2033	2.00-4.55%	4,730,000
Municipal improvements	3,830,000	2014	2034	3.00-4.00%	3,830,000
Total certificates of obligation					32,018,377
Governmental activities - City					48,314,849
Tax increment financing					1,453,846
Less:					
Unamortized premium/discount					1,282,413
Total governmental type activities					$ 51,051,108

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/14
Business-type activities					
General obligation bonds:					
Water refunding and improvements	$ 9,085,196	2007	2034	3.60-4.50%	$ 8,463,715
Sewer refunding and improvements	17,573,505	2007	2034	3.60-4.50%	16,371,375
Total general obligation bonds					24,835,090
Certificate of obligation bonds:					
Water improvements	6,600,000	2004	2016	4.00-5.50%	335,790
Water improvements - Sokoll	53,000,000	2007	2038	4.00-5.00%	47,190,000
Water improvements	15,514,000	2007	2032	4.15-5.25%	12,892,132
Sewer improvements	5,236,000	2007	2032	4.15-5.25%	4,351,116
Sewer improvements	19,010,000	2004	2016	4.00-5.50%	967,176
Total certificates of obligation					65,736,214
Total business-type activities					90,571,304
Less:					
Unamortized premium					88,828
Unamortized discount					(206,946)
Total business-type activities					90,453,186
Total general debt					$ 141,504,294

Annual debt service requirements to maturity for debt:

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2015	$ 3,457,491	$ 1,906,663	$ 1,947,138	$ 1,920,144	$ 9,231,436
2016	3,448,597	1,787,089	2,038,346	1,839,711	9,113,743
2017	3,551,094	1,644,360	2,094,957	1,749,050	9,039,461
2018	3,121,591	1,514,756	2,187,583	1,658,408	8,482,338
2019	3,229,690	1,411,273	2,281,108	1,569,817	8,491,888
2020-2024	11,757,950	5,673,998	11,183,812	6,373,700	34,989,460
2025-2029	11,975,715	3,413,647	10,952,326	4,070,531	30,412,219
2030-2034	7,772,721	890,323	10,696,035	1,357,667	20,716,746
Total	$ 48,314,849	$ 18,242,109	$ 43,381,305	$ 20,539,028	$ 130,477,291

Long-term Debt

Year	TIFRZ		Total
	Principal	Interest	
2015	$ 75,371	$ 61,347	$ 136,718
2016	78,057	58,945	137,002
2017	78,949	56,458	135,407
2018	80,826	53,983	134,809
2019	84,202	51,098	135,300
2020-2024	458,238	203,744	661,982
2025-2029	546,959	94,995	641,954
2030-2034	51,244	7,114	58,358
Total	$ 1,453,846	$ 587,684	$ 2,041,530

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:

Year Ending September 30,	
2015	$ 12,211
2016	12,211
2017	12,211
2018	12,211
2019	12,211
2020-2024	38,667
Total	99,722
Less interest	(17,648)
	$ 82,074

Capitalized Lease Obligations

The city had no capitalized lease obligations at September 30, 2014.

Changes in Long-term Debt

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Balance 09/30/13	Additions	Retirements	Adjustments	Balance 09/30/14	Due Within One Year
Governmental activities:						
General debt	$ 47,772,535	$ 9,295,000	$ 3,082,686	$ 5,670,000	$ 48,314,849	$ 3,457,491
Waxahachie TIFRZ	1,527,266	-	73,420	-	1,453,846	75,371
Less unamortized premium/discount	778,625	575,049	71,261	-	1,282,413	-
Net bonds payable	50,078,426	9,870,049	3,227,367	5,670,000	51,051,108	3,532,862
Contract payable	90,015	-	7,941	-	82,074	8,348
Compensated absences	2,231,878	1,031,173	987,822	-	2,275,229	568,807
Total long-term debt	$ 52,400,319	$ 10,901,222	$ 4,223,130	$ 5,670,000	$ 53,408,411	$ 4,110,017

	Balance 09/30/13	Additions	Retirements	Adjustments	Balance 09/30/14	Due Within One Year
Business-type activities:						
Tax and revenue bonds	$ 93,495,198	$ -	$ 2,923,894	$ -	$ 90,571,304	$ 3,057,142
Less unamortized premium	92,530	-	3,702	-	88,828	-
Less unamortized discount	(217,691)	-	(10,745)	-	(206,946)	-
Net bonds payable	93,370,037	-	2,916,851	-	90,453,186	3,057,142
Compensated absences	152,989	111,005	106,367	-	157,627	39,613
Total long-term debt	$ 93,523,026	$ 111,005	$ 3,023,218	$ -	$ 90,610,813	$ 3,096,755

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.

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, 2013, 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.

In 2014, the government issued $5,465,000 in public improvement bonds with an interest rate ranging from 2.00% – 4.00%. The proceeds were used to advance refund $5,670,000 of out-standing 2005 general obligations refunding bonds which had interest rates ranging from 2.50% to 5.25%. The net proceeds of $5,690,976 (including a $314,110 premium and after payment of $88,134 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 2005 general obligation refunding bonds are considered partially 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 $20,976. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The government advance refunded the 2005 general obligation refunding bonds to reduce its total debt service payments over 6 years by $819,530 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $771,024.

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 09/30/14
Revenue bonds outstanding					
WCDC sales tax and refunding	$ 23,555,000	2007	2037	4.00-5.00%	$ 20,275,000

Revenue bond debt service requirements to maturity:

Year	WCDC Principal	WCDC Interest	Total
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	640,000	828,348	1,468,348
2019	665,000	802,748	1,467,748
2020-2024	3,755,000	3,577,798	7,332,798
2025-2029	4,650,000	2,684,620	7,334,620
2030-2034	5,190,000	1,582,050	6,772,050
2035-2039	3,610,000	360,750	3,970,750
Total	$ 20,275,000	$ 12,464,358	$ 32,739,358

	Balance 09/30/13	Additions	Retirements	Balance 09/30/14	Due Within One Year
Discretely presented component unit					
Sales tax revenue bonds	$ 20,825,000	$ -	$ 550,000	$ 20,275,000	$ 565,000
Less unamortized discount	(185,894)	-	(14,300)	(171,594)	-
Compensated absences	35,066	30,579	26,954	38,691	9,673
Total long-term debt	$ 20,674,172	$ 30,579	$ 562,654	$ 20,142,097	$ 574,673

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, 2013, there was no amount outstanding on this refunded issue.

4. OTHER INFORMATION

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.

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, 2014:

Balance sheet	
Assets	$ 17,081,843
Liabilities	(44,514)
Net position	$ 17,037,329
Fund equity	
Components of restricted net position	
Federal government	$ 14,792,485
City of Midlothian, Texas	3,645,845
City of Waxahachie, Texas	3,640,645
Total restricted net position	22,078,975
Deficit	(5,041,646)
Net equity in joint venture	$ 17,037,329
Results of operations	
Revenues	$ 371,560
Expenses	(816,707)
Income (loss)	(445,147)
Capital contributions	184,618
Net income (loss)	$(260,529)

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, 2014.

Balance sheet	
Assets	$ 45,729,015
Liabilities	(47,800,547)
Net Position	$ (2,071,532)
Fund equity	
Net investment in capital assets	$(4,221,226)
Unrestricted	2,149,694
Net equity in joint venture	$(2,071,532)

Results of operations	
Revenues	$ 3,168,190
Expenses	(6,546,271)
Net Income (loss)	(3,378,081)
Capital contributions	3,367,594
Change in net position	$(10,487)

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.

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 position, 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 $130,265.

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.

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, 2038, 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.

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.

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 2013	Plan year 2014
Employee deposit rate	7%	7%
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 Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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 (i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015). Three-year trend information for annual pension cost and net pension obligation/(asset) are as follows:

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
9/30/2012	1,858,841	1,858,841	100%	-
9/30/2013	1,918,120	1,918,120	100%	-
9/30/2014	1,895,967	1,895,967	100%	-

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.9 years; closed period	24.9 years; closed period	25.0 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*	7.0%	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	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

Funding Status and Funding Progress –

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, the most recent actuarial valuation date, 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
12/31/2013	$ 40,332,926	$ 52,965,738	76.1%	$ 12,632,812	$ 11,335,494	111.4%

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.

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, presents 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, 2014:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them	31
Current employees, fully vested	22
Current employees, nonvested	32
Total active membership	54
Total fund membership	85

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.

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 16.21% 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, 2014, actuarial valuation is used in these footnotes. The September 30, 2014, actuarial valuation assumes that the City's contributions will average 16.21% of payroll in the future.

For the fiscal year ending September 30, 2014, the City of Waxahachie's annual pension cost of $601,811 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, 2014, 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 24.3 years as of the September 30, 2014, actuarial valuation.

Actuarial Valuation Date	9/30/2014	9/30/2013	9/30/2012
Actuarial Value of Assets	$ 13,717,245	*	$ 10,462,784
Actuarial Accrued Liabilities	19,907,219	*	16,226,624
Percentage Funded	68.9%	*	64.5%
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	6,189,974	*	5,763,840
Annual Covered Payroll	3,688,860	*	3,188,426
UAAL as a Percentage of Covered Payroll	167.8%	*	180.8%
Net Pension Obligation, beginning of period	$ -	$ -	$ -
Annual Pension Cost (APC):			
Annual Required Contribution (ARC)	601,811	583,331	564,266
Interest on Net Pension Obligation	-	-	-
Adjustment to the ARC	-	-	-
Total APC	601,811	583,331	564,266
Contributions Made (100%)	601,811	583,331	564,266
Increase (decrease) in Net Pension Obligation	-	-	-
Net Pension Obligation, end of period	$ -	$ -	$ -

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 eight years is presented in the Required Supplementary Information on page 58.

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
2012	0.04%	0.04%	100%
2013	0.04%	0.04%	100%
2014	0.04%	0.04%	100%

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:

Balance Sheet	General	Debt Service	Reserve	Capital Projects	Combined
Assets					
Current assets	$ 1,728,902	$ 1,056	$ 1,444,934	$ 193,976	$ 3,368,868
Liabilities					
Current liabilities	$ 148,474	$ -	$ -	$ 975	$ 149,449
Fund balance	1,580,428	1,056	1,444,934	193,001	3,219,419
Total liabilities and fund balance	$ 1,728,902	$ 1,056	$ 1,444,934	$ 193,976	$ 3,368,868

Revenues and Expenditures	General	Debt Service	Reserve	Capital Projects	Combined
Revenues	$ 3,907,551	$ 1,374	$ -	$ 475	$ 3,909,400
Current expenditures	2,172,147	-	-	466,984	2,639,131
Debt service	-	1,474,448	-	-	1,474,448
Total expenditures	2,172,147	1,474,448	-	466,984	4,113,579
Revenues over (under) expenditures	1,735,404	(1,473,074)	-	(466,509)	(204,179)
Other financing sources (uses)	(1,474,174)	1,474,174	-	-	-
Net change in fund balances	261,230	1,100	-	(466,509)	(204,179)
Fund balances, October 1	1,319,198	(44)	1,444,934	659,510	3,423,598
Fund balances, September 30	$ 1,580,428	$ 1,056	$ 1,444,934	$ 193,001	$ 3,219,419

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

Reconciliation of Balance Sheet	WCDC
Total fund balance	$ 3,219,419
Capital assets not reported in the funds	18,810,282
Accrued interest payable	(146,568)
Payable for loan principal not due currently	(19,813,893)
Payables for compensated absences	(38,691)
Net position - statement of net position	$ 2,030,549

Reconciliation of Statement of Revenues, Expenditures and Fund Balances	WCDC
Net change in fund balances	$(204,179)
Repayment of loan principal	523,114
Capital outlay	704,862
Depreciation	(628,673)
Change in accrued interest expense	3,586
Change in compensated absences	(3,625)
Change in net assets	$ 395,085

REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF WAXAHACHIE, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance - Positive
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	(Negative)
REVENUES						
Taxes:						
Ad valorem	$ 9,653,000	$ 9,585,300	$ 9,566,953	$ -	$ 9,566,953	$(18,347)
Franchise	2,982,000	3,237,240	3,365,999	-	3,365,999	128,759
Sales	9,400,000	9,550,000	9,744,609	-	9,744,609	194,609
Other	57,000	71,000	81,149	-	81,149	10,149
Charges for services	207,050	251,955	1,036,424	-	1,036,424	784,469
Licenses and permits	563,400	545,580	616,297	-	616,297	70,717
Fines and forfeitures	464,500	445,500	441,077	-	441,077	(4,423)
Intergovernmental	62,000	36,000	67,011	-	67,011	31,011
Miscellaneous	285,500	393,000	378,274	-	378,274	(14,726)
Interest	20,000	12,000	12,627	-	12,627	627
Total revenues	23,694,450	24,127,575	25,310,420	-	25,310,420	1,182,845
EXPENDITURES						
Current:						
General government						
General administration	873,300	803,410	796,346	4,190	800,536	2,874
Downtown development	174,180	175,961	180,925	-	180,925	(4,964)
Planning	307,820	259,920	272,270	-	272,270	(12,350)
Finance department	819,680	816,730	830,617	-	830,617	(13,887)
City attorney	133,300	132,750	132,095	-	132,095	655
General items	432,170	411,810	403,497	-	403,497	8,313
Human resources	323,200	297,505	286,953	-	286,953	10,552
Information technology	442,510	357,910	306,761	43,504	350,265	7,645
Economic development	677,670	675,635	570,116	14,210	584,326	91,309
Mid-Way airport	99,510	93,250	92,309	-	92,309	941
Total general government	4,283,340	4,024,881	3,871,889	61,904	3,933,793	91,088
Public safety						
Municipal court	231,500	219,350	214,749	-	214,749	4,601
Marshal	90,470	82,560	83,186	-	83,186	(626)
Building inspection	467,635	466,780	463,928	-	463,928	2,852
Fire department	6,039,337	6,055,450	6,089,793	32,159	6,121,952	(66,502)
Police department	7,179,240	7,351,925	7,267,902	68	7,267,970	83,955
Total public safety	14,008,182	14,176,065	14,119,558	32,227	14,151,785	24,280
Public works						
Engineering department	$ 378,440	$ 442,935	$ 370,358	$ -	$ 370,358	$ 72,577
Street department	4,952,450	5,848,505	3,740,330	2,389,959	6,130,289	(281,784)
Environmental health	813,370	697,410	574,618	-	574,618	122,792
Central garage	253,690	249,820	234,387	-	234,387	15,433
Animal control	285,950	279,145	256,315	-	256,315	22,830
Total public works	6,683,900	7,517,815	5,176,008	2,389,959	7,565,967	(48,152)

CITY OF WAXAHACHIE, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance - Positive
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	(Negative)
EXPENDITURES						
Culture and recreation						
Parks and recreation	1,170,902	1,052,305	1,011,178	206	1,011,384	40,921
Chautauqua Auditorium	42,160	42,530	40,563	303	40,866	1,664
Rodeo	16,130	22,120	18,272	-	18,272	3,848
Penn Park Pool	52,370	91,470	39,226	-	39,226	52,244
Optimist Pool	21,900	25,000	21,123	-	21,123	3,877
Sims Library	1,030,200	1,023,900	1,021,238	-	1,021,238	2,662
Senior Citizens Center	335,000	327,110	308,934	-	308,934	18,176
Total culture and recreation	2,668,662	2,584,435	2,460,534	509	2,461,043	123,392
Total expenditures	27,644,084	28,303,196	25,627,989	2,484,599	28,112,588	190,608
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(3,949,634)	(4,175,621)	(317,569)	(2,484,599)	(2,802,168)	1,373,453
OTHER FINANCING RESOURCES (USES)						
Transfers in	2,950,830	2,966,900	2,946,219	-	2,946,219	(20,681)
Transfers out	-	(211,000)	(127,773)	-	(127,773)	83,227
Total other financing sources (uses)	2,950,830	2,755,900	2,818,446	-	2,818,446	62,546
NET CHANGE IN FUND BALANCES	(998,804)	(1,419,721)	2,500,877	(2,484,599)	16,278	1,435,999
FUND BALANCES, BEGINNING	12,287,163	12,287,163	12,287,163	-	12,287,163	-
FUND BALANCES, ENDING	$ 11,288,359	$ 10,867,442	$ 14,788,040	$(2,484,599)	$ 12,303,441	$ 1,435,999

CITY OF WAXAHACHIE, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM SCHEDULE OF FUNDING PROGRESS

FOR THE YEAR ENDED SEPTEMBER 30, 2014
(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
12/31/2011	$ 33,495,383	$ 43,772,283	76.5%	$ 10,276,900	$ 10,306,283	99.7%
12/31/2012	37,109,480	46,269,491	80.2%	9,160,011	10,800,093	84.8%
12/31/2013	40,332,926	52,965,738	76.1%	12,632,812	11,335,494	111.4%

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, 2014
(Unaudited)

Actuarial valuation date	9/30/14	9/30/13	9/30/12	9/30/11	9/30/10	9/30/09	9/30/08	9/30/07
Actuarial value of assets	$ 13,717,245	*	$ 10,462,784	*	$ 8,159,658	*	$ 6,355,060	*
Actuarial accrued liabilities	19,907,219	*	16,226,624	*	13,319,237	*	10,915,427	*
Percentage funded	68.9%	*	64.5%	*	61.3%	*	58.2%	*
Unfunded (overfunded) actuarial accrued	6,189,974	*	5,763,840	*	5,159,579	*	4,560,367	*
Annual covered payroll	3,688,860	*	3,188,426	*	2,961,077	*	2,959,238	*
UAAL as a percentage of covered payroll	167.8%	*	180.8%	*	174.2%	*	154.1%	*
Net pension obligation (NPO) at the beginning of period	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual pension cost (APC):								
Annual required contributions (ARC)	601,811	583,331	564,266	621,402	533,132	488,917	386,427	320,473
Interest on NPO	-	-	-	-	-	-	-	-
Adjustment to the ARC	-	-	-	-	-	-	-	-
Total APC	601,811	583,331	564,266	621,402	533,132	488,917	386,427	320,473
Contributions made (100%)	601,811	583,331	564,266	621,402	533,132	488,917	386,427	320,473
Increase (decrease) in NPO	-	-	-	-	-	-	-	-
NPO at end of period	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

* An actuarial valuation is not available.

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.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures in excess of appropriations:

General Fund	
Downtown development	$ 4,964
Planning	12,350
Finance department	13,887
Marshal	626
Fire department	66,502
Street department	281,784
Hotel/Motel Fund	
General government	15,483
Debt Service Fund	
Bond issuance costs	87,084

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.

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.

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.

2011 Bond Firehouse Construction – This fund is used to account for the construction of a new firehouse.

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.

2014 Bond Construction – This fund is used to account for the costs of various street projects throughout the City.

CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2014

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	$ 1,963,687	$ -	$ 5,578,384	$ 7,542,071
Receivables (net of allowances for uncollectibles):				
Other	130,287	-	-	130,287
Total assets	2,093,974	-	5,578,384	7,672,358
LIABILITIES				
Accounts payable	94,005	-	309,942	403,947
Accrued liabilities	7,624	-	3,683	11,307
Deposits payable	3,500	-	-	3,500
Total liabilities	105,129	-	313,625	418,754
FUND BALANCES				
Restricted:				
Tourism	252,991	-	-	252,991
Capital projects	-	-	5,264,759	5,264,759
Perpetual care	866,943	-	-	866,943
Public safety	211,671	-	-	211,671
Public works	1,128	-	-	1,128
Municipal court judicial efficiency	2,960	-	-	2,960
Municipal court technology	37,523	-	-	37,523
Municipal court security	17,350	-	-	17,350
Municipal court judicial	8,036	-	-	8,036
Culture and recreation	121,586	-	-	121,586
Downtown improvements	329,767	-	-	329,767
Committed:				
Culture and recreation	138,890	-	-	138,890
Total fund balances	1,988,845	-	5,264,759	7,253,604
Total liabilities and fund balances	$ 2,093,974	$ -	$ 5,578,384	$ 7,672,358

CITY OF WAXAHACHIE, TEXAS

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Taxes	$ 645,438	$ 104,203	$ -	$ 749,641
Charges for services	195,184	-	-	195,184
Intergovernmental	8,017	-	-	8,017
Miscellaneous	124,078	-	-	124,078
Interest	1,797	-	3,140	4,937
Total revenues	974,514	104,203	3,140	1,081,857
EXPENDITURES				
Current:				
General government	359,287	97	-	359,384
Public safety	87,118	-	-	87,118
Public works	907	-	272,167	273,074
Judicial	50,147	-	-	50,147
Culture and recreation	299,320	-	-	299,320
Debt service:				
Principal	-	73,419	-	73,419
Interest	-	63,514	-	63,514
Bond issuance costs	-	-	99,484	99,484
Capital Outlay	-	-	2,042,027	2,042,027
Total expenditures	796,779	137,030	2,413,678	3,347,487
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	177,735	(32,827)	(2,410,538)	(2,265,630)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	32,904	-	32,904
Transfers out	(32,904)	-	(750)	(33,654)
Bond issued	-	-	3,830,000	3,830,000
Premium on bonds issued	-	-	260,939	260,939
Total other financing sources (uses)	(32,904)	32,904	4,090,189	4,090,189
NET CHANGE IN FUND BALANCES	144,831	77	1,679,651	1,824,559
FUND BALANCES, BEGINNING	1,844,014	(77)	3,585,108	5,429,045
FUND BALANCES, ENDING	$ 1,988,845	$ -	$ 5,264,759	$ 7,253,604

CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2014

	Hotel/Motel Tax	Fire Department Donations	Veteran's Memorial Donations	LEOSE
ASSETS				
Cash and investments	$ 203,663	$ 18,957	$ 29,470	$ 2,500
Receivables (net of allowances for uncollectibles):				
Other	130,287	-	-	-
Total assets	$ 333,950	$ 18,957	$ 29,470	$ 2,500
LIABILITIES				
Accounts payable	51,777	-	-	-
Accrued liabilities	7,624	-	-	-
Deposits payable	-	-	-	-
Total liabilities	59,401	-	-	-
FUND BALANCES				
Restricted:				
Tourism	205,912	-	-	-
Perpetual care	-	-	-	-
Public safety	-	18,957	-	2,500
Public works	-	-	-	-
Municipal court judicial efficiency	-	-	-	-
Municipal court technology	-	-	-	-
Municipal court security	-	-	-	-
Municipal court judicial	-	-	-	-
Culture and recreation	68,637	-	29,470	-
Downtown improvements	-	-	-	-
Committed:				
Culture and recreation	-	-	-	-
Total fund balances	274,549	18,957	29,470	2,500
Total liabilities and fund balances	$ 333,950	$ 18,957	$ 29,470	$ 2,500

Waxahachie Police Explorers	Tax Increment	Police Seizure	Police Forfeiture	Cemetery Perpetual Care	Police Department Federal Forfeiture	Texas Tobacco Compliance Grant
$ 8,419	$ 335,724	$ 9,401	$ 23,101	$ 871,218	$ 105,871	$ 1,434
-	-	-	-	-	-	-
$ 8,419	$ 335,724	$ 9,401	$ 23,101	$ 871,218	$ 105,871	$ 1,434
153	2,457	-	-	4,275	-	-
-	-	-	-	-	-	-
-	3,500	-	-	-	-	-
153	5,957	-	-	4,275	-	-
-	-	-	-	-	-	-
-	-	-	-	866,943	-	-
8,266	-	9,401	23,101	-	105,871	1,434
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	329,767	-	-	-	-	-
-	-	-	-	-	-	-
8,266	329,767	9,401	23,101	866,943	105,871	1,434
$ 8,419	$ 335,724	$ 9,401	$ 23,101	$ 871,218	$ 105,871	$ 1,434

CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
SEPTEMBER 30, 2014

	Park Dedication Impact Fee	Municipal Court	Miscellaneous Special Revenue	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and investments	$ 138,890	$ 100,076	$ 114,963	$ 1,963,687
Receivables (net of allowances for uncollectibles):				
Other	-	-	-	130,287
Total assets	$ 138,890	$ 100,076	$ 114,963	$ 2,093,974
LIABILITIES				
Accounts payable	-	34,207	1,136	94,005
Accrued liabilities	-	-	-	7,624
Deposits payable	-	-	-	3,500
Total liabilities	-	34,207	1,136	105,129
FUND BALANCES				
Restricted:				
Tourism	-	-	47,079	252,991
Perpetual care	-	-	-	866,943
Public safety	-	-	42,141	211,671
Public works	-	-	1,128	1,128
Municipal court judicial efficiency	-	2,960	-	2,960
Municipal court technology	-	37,523	-	37,523
Municipal court security	-	17,350	-	17,350
Municipal court judicial	-	8,036	-	8,036
Culture and recreation	-	-	23,479	121,586
Downtown improvements	-	-	-	329,767
Committed:				
Culture and recreation	138,890	-	-	138,890
Total fund balances	138,890	65,869	113,827	1,988,845
Total liabilities and fund balances	$ 138,890	$ 100,076	$ 114,963	$ 2,093,974

CITY OF WAXAHACHIE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2014

	Hotel/Motel Tax	Fire Department Donations	Veteran's Memorial Donations	LEOSE
REVENUES				
Taxes	$ 451,933	$ -	$ -	$ -
Charges for services	-	1,050	-	-
Intergovernmental	-	-	-	5,617
Miscellaneous	4,500	-	12,315	-
Interest	179	18	24	-
Total revenues	456,612	1,068	12,339	5,617
EXPENDITURES				
Current:				
General government	112,983	-	11,240	-
Public safety	-	366	-	4,338
Public works	-	-	-	-
Judicial	-	-	-	-
Culture and recreation	296,718	-	-	-
Total expenditures	409,701	366	11,240	4,338
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	46,911	702	1,099	1,279
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	46,911	702	1,099	1,279
FUND BALANCES, BEGINNING	227,638	18,255	28,371	1,221
FUND BALANCES, ENDING	$ 274,549	$ 18,957	$ 29,470	$ 2,500

Waxahachie Police Explorers	Tax Increment	Police Seizure	Police Forfeitures	Cemetery Perpetual Care	Police Department Federal Forfeiture	Texas Tobacco Compliance Grant
$ -	$ 193,505	$ -	$ -	$ -	$ -	$ -
-	-	-	-	142,530	24,400	-
-	-	-	-	-	-	-
11,586	16,299	-	-	-	-	-
11	317	-	21	942	100	-
11,597	210,121	-	21	143,472	24,500	-
-	79,448	-	-	84,902	-	639
11,551	-	411	-	-	54,068	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,551	79,448	411	-	84,902	54,068	639
46	130,673	(411)	21	58,570	(29,568)	(639)
-	(32,904)	-	-	-	-	-
-	(32,904)	-	-	-	-	-
46	97,769	(411)	21	58,570	(29,568)	(639)
8,220	231,998	9,812	23,080	808,373	135,439	2,073
$ 8,266	$ 329,767	$ 9,401	$ 23,101	$ 866,943	$ 105,871	$ 1,434

CITY OF WAXAHACHIE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS (Continued) SEPTEMBER 30, 2014

	Park Dedication Impact Fees	Municipal Court	Miscellaneous Special Revenue	Total Nonmajor Special Revenue Funds
REVENUES				
Taxes	$ -	$ -	$ -	$ 645,438
Charges for services	4,125	23,079	-	195,184
Intergovernmental	-	-	2,400	8,017
Miscellaneous	-	-	79,378	124,078
Interest	130	-	55	1,797
Total revenues	4,255	23,079	81,833	974,514
EXPENDITURES				
Current:				
General government	-	-	70,075	359,287
Public safety	-	-	16,384	87,118
Public works	-	-	907	907
Judicial	-	50,147	-	50,147
Culture and recreation	-	-	2,602	299,320
Total expenditures	-	50,147	89,968	796,779
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,255	(27,068)	(8,135)	177,735
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(32,904)
Total other financing sources (uses)	-	-	-	(32,904)
NET CHANGE IN FUND BALANCES	4,255	(27,068)	(8,135)	144,831
FUND BALANCES, BEGINNING	134,635	92,937	121,962	1,844,014
FUND BALANCES, ENDING	$ 138,890	$ 65,869	$ 113,827	$ 1,988,845

CITY OF WAXAHACHIE, TEXAS

HOTEL/MOTEL TAX

SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Other taxes	$ 390,000	$ 395,000	$ 451,933	$ 56,933
Miscellaneous	4,500	4,500	4,500	-
Interest	300	200	179	(21)
Total revenues	394,800	399,700	456,612	56,912
EXPENDITURES				
Current:				
General government	97,500	97,500	112,983	(15,483)
Culture and recreation	292,970	297,800	296,718	1,082
Total expenditures	390,470	395,300	409,701	(14,401)
NET CHANGE IN FUND BALANCES	4,330	4,400	46,911	42,511
FUND BALANCES, BEGINNING	227,638	227,638	227,638	-
FUND BALANCES, ENDING	$ 231,968	$ 232,038	$ 274,549	$ 42,511

CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR DEBT SERVICE FUNDS

SEPTEMBER 30, 2014

	Tax Increment	Water District	Total Nonmajor Debt Service Funds
ASSETS			
Receivables (net of allowances for uncollectibles):			
Taxes	$ -	$ -	$ -
Total assets	$ -	$ -	$ -
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	-	-
Fund balances:			
Restricted for:			
Debt service	-	-	-
Unassigned	-	-	-
Total fund balances	-	-	-
Total liabilities and fund balances	$ -	$ -	$ -

CITY OF WAXAHACHIE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR DEBT SERVICE FUNDS

SEPTEMBER 30, 2014

	Tax Increment	Water District	Total Nonmajor Debt Service Funds
REVENUES			
Taxes	$ 104,203	$ -	$ 104,203
Total revenues	104,203	-	104,203
EXPENDITURES			
Current:			
General government	-	97	97
Debt service:			
Principal	73,419	-	73,419
Interest	63,514	-	63,514
Total expenditures	136,933	97	137,030
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32,730)	(97)	(32,827)
OTHER FINANCING SOURCES (USES)			
Transfers in	32,904	-	32,904
Total other financing sources (uses)	32,904	-	32,904
NET CHANGE IN FUND BALANCES	174	(97)	77
FUND BALANCES, BEGINNING	(174)	97	(77)
FUND BALANCES, ENDING	$ -	$ -	$ -

CITY OF WAXAHACHIE, TEXAS

DEBT SERVICE

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Ad valorem taxes	$ 5,135,000	$ 5,142,000	$ 5,143,160	$ 1,160
Miscellaneous	71,500	86,960	86,968	8
Interest	4,200	4,200	3,873	(327)
Total revenues	5,210,700	5,233,160	5,234,001	841
EXPENDITURES				
Debt service:				
Principal	3,094,899	3,094,899	3,090,628	4,271
Interest	2,011,402	2,018,832	2,017,490	1,342
Bond issuance costs	-	-	87,084	(87,084)
Total expenditures	5,106,301	5,113,731	5,195,202	(81,471)
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	104,399	119,429	38,799	(80,630)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	750	750
Bonds issued	-	-	5,465,000	5,465,000
Premium on bonds issued	-	-	314,110	314,110
Payment to bond escrow agent	-	-	(5,690,976)	(5,690,976)
Total other financing sources (uses)	-	-	88,884	88,884
NET CHANGE IN FUND BALANCES	104,399	119,429	127,683	8,254
FUND BALANCES, BEGINNING	2,079,295	2,079,295	2,079,295	-
FUND BALANCES, ENDING	$ 2,183,694	$ 2,198,724	$ 2,206,978	$ 8,254

CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2014

	2007 Bond Construction	2009 Bond Construction	2009 Bond Construction Tax Increment
ASSETS			
Cash and investments	$ 5	$ 32,471	$ 115,377
Total assets	$ 5	$ 32,471	$ 115,377
LIABILITIES			
Accounts payable	-	-	-
Accrued liabilities	-	-	-
Total liabilities	-	-	-
FUND BALANCES			
Restricted:			
Capital projects	5	32,471	115,377
Total fund balances	5	32,471	115,377
Total liabilities and fund balances	$ 5	$ 32,471	$ 115,377

2011 Bond Firehouse Construction	2013 Street and Drainage Bond Construction	2014 Bond Construction	Total Nonmajor Capital Projects Funds
$ 83,971	$ 1,529,829	$ 3,816,731	$ 5,578,384
$ 83,971	$ 1,529,829	$ 3,816,731	$ 5,578,384
-	302,332	7,610	309,942
-	3,683	-	3,683
-	306,015	7,610	313,625
83,971	1,223,814	3,809,121	5,264,759
83,971	1,223,814	3,809,121	5,264,759
$ 83,971	$ 1,529,829	$ 3,816,731	$ 5,578,384

CITY OF WAXAHACHIE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES

NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2014

	2007 Bond Construction	2009 Bond Construction	2009 Bond Construction Tax Increment
REVENUES			
Interest	$ 22	$ 31	$ 110
Total revenues	22	31	110
EXPENDITURES			
Current:			
Public works	14,744	-	-
Debt service:			
Bond issuance costs	-	-	-
Capital Outlay	-	-	-
Total expenditures	14,744	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(14,722)	31	110
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCES	(14,722)	31	110
FUND BALANCES, BEGINNING	14,727	32,440	115,267
FUND BALANCES, ENDING	$ 5	$ 32,471	$ 115,377

2011 Bond Firehouse Construction	2013 Street and Drainage Bond Construction	2014 Bond Construction	Total Nonmajor Capital Projects Funds
$ 80	$ 2,522	$ 375	$ 3,140
80	2,522	375	3,140
-	75,464	181,959	272,167
-	-	99,484	99,484
-	2,042,027	-	2,042,027
-	2,117,491	281,443	2,413,678
80	(2,114,969)	(281,068)	(2,410,538)
-	-	3,830,000	3,830,000
-	-	260,939	260,939
-	-	(750)	(750)
-	-	4,090,189	4,090,189
80	(2,114,969)	3,809,121	1,679,651
83,891	3,338,783	-	3,585,108
$ 83,971	$ 1,223,814	$ 3,809,121	$ 5,264,759