

City of Waxahachie, Texas



ANNUAL FINANCIAL REPORT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
SEPTEMBER 30, 2011

PR&H

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

CITY OF WAXAHACHIE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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CITY OF WAXAHACHIE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2011

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FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
and Members of City Council
City of Waxahachie, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waxahachie, Texas, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Waxahachie, Texas' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely present component unit, each major fund, and the aggregate remaining fund information of the City of Waxahachie, Texas, as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with Government Auditing Standards, we have issued our report dated May 23, 2012, on our consideration of the City of Waxahachie, Texas' internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 56 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waxahachie, Texas' financial statements as a whole. The combining and individual 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 related to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Patullo, Brown & Hill, L.L.P.

May 23, 2012

**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, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

At September 30, 2011, the City's total combined net assets were \$120,744,417. Of this amount, \$36,935,747 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$4,386,369 during the current fiscal year.

At the end of the fiscal year, the total fund balance of all governmental funds was \$13,089,340, up \$837,014 from the prior year. The majority of the increase was due to a increased fund balance in the General Fund due to increased tax revenue as well as increases in the Debt Service and Special Revenue funds offsetting the decreases from Capital Projects Funds as projects were underway and completed throughout the period.

As of the close of the current fiscal year, unassigned fund balance for the General Fund was \$8,867,704, or about 41.7% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

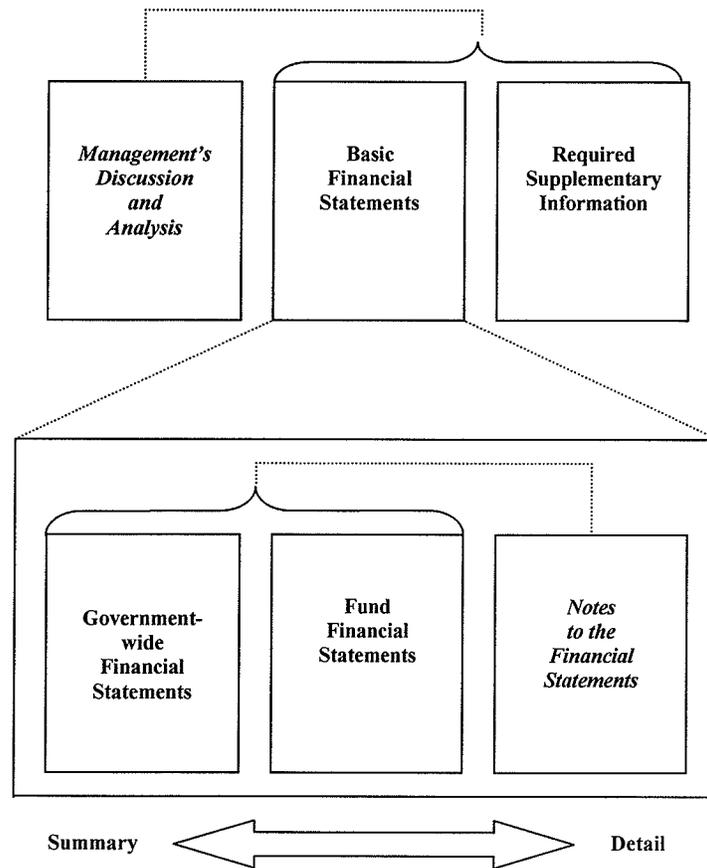


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of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

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

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Waxahachie, assets exceeded liabilities by \$120,744,417.

The largest portion of the City's net assets (65.2%) 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 assets (4.2%) represents resources that are subject to external restrictions on how they may have to be used. The remaining balance of unrestricted net assets (30.6%) may be used to meet the government's ongoing obligations to citizens and creditors.

TABLE 1

CITY OF WAXAHACHIE'S NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 25,913,872	\$ 20,935,782	\$ 47,033,185	\$ 19,291,812	\$ 72,947,057	\$ 40,227,594
Capital assets	85,448,155	88,386,807	111,587,386	90,387,845	197,035,541	178,774,652
Total assets	<u>111,362,027</u>	<u>109,322,589</u>	<u>158,620,571</u>	<u>109,679,657</u>	<u>269,982,598</u>	<u>219,002,246</u>
Long-term liabilities	46,965,225	49,691,780	97,613,106	48,708,164	144,578,331	98,399,944
Other liabilities	<u>3,027,275</u>	<u>3,009,501</u>	<u>1,632,575</u>	<u>1,234,753</u>	<u>4,659,850</u>	<u>4,244,254</u>
Total liabilities	<u>49,992,500</u>	<u>52,701,281</u>	<u>99,245,681</u>	<u>49,942,917</u>	<u>149,238,181</u>	<u>102,644,198</u>
Net assets:						
Invested in capital assets, net of related debt	40,571,614	40,742,876	38,117,985	40,535,863	78,689,599	81,278,739
Restricted	5,119,071	861,014	-	-	5,119,071	861,014
Unrestricted	<u>15,678,842</u>	<u>15,017,418</u>	<u>21,256,905</u>	<u>19,200,877</u>	<u>36,935,747</u>	<u>34,218,295</u>
Total net assets	<u>\$ 61,369,527</u>	<u>\$ 56,621,308</u>	<u>\$ 59,374,890</u>	<u>\$ 59,736,740</u>	<u>\$ 120,744,417</u>	<u>\$ 116,358,048</u>

The following table provides a summary of the City's operations for the year ended September 30, 2011. Total governmental activities increased by \$4,748,219. Overall, 2011 fiscal year expenses increased by \$4,338,951, or about 10.2% over the prior fiscal year. The business-type activities expenses increased \$2,611,638 (16.9%), while the governmental activities expenses increased by \$1,727,313 (6.4%). Notable changes between 2010 and 2011 fiscal year expenses are the in the increases from the addition of one-half of the Sokoll Water Treatment Plant activity being included (business-type activities) and increases in the general government, public safety and public works categories (governmental activities).

TABLE 2

CITY OF WAXAHACHIE'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,431,807	\$ 1,352,439	\$ 16,341,612	\$ 13,875,733	\$ 17,773,419	\$ 15,228,172
Operating grants and contributions	237,234	233,477	-	-	237,234	233,477
Capital grants and contributions	32,520	60,880	-	-	32,520	60,880
General revenues:						
Property taxes	14,765,828	13,375,502	-	-	14,765,828	13,375,502
Sales taxes	7,763,377	7,325,976	-	-	7,763,377	7,325,976
Other	8,401,237	3,178,609	2,230,454	2,566,907	10,631,691	5,745,516
Total revenues	32,632,003	25,526,883	18,572,066	16,442,640	51,204,069	41,969,523
Expenses:						
General government	4,968,161	4,468,347	-	-	4,968,161	4,468,347
Public safety	12,448,875	11,453,335	-	-	12,448,875	11,453,335
Public works	6,677,936	6,015,043	-	-	6,677,936	6,015,043
Culture and recreation	2,489,878	2,634,278	-	-	2,489,878	2,634,278
Judicial	7,309	10,047	-	-	7,309	10,047
Interest on long-term debt	2,174,472	2,458,268	-	-	2,174,472	2,458,268
Water	-	-	9,217,893	9,449,058	9,217,893	9,449,058
Wastewater	-	-	4,944,177	4,933,013	4,944,177	4,933,013
Refuse services	-	-	935,064	1,057,360	935,064	1,057,360
Sokoll WTP	-	-	2,953,935	-	2,953,935	-
Total expenses	28,766,631	27,039,318	18,051,069	15,439,431	46,817,700	42,478,749
Increases in net assets before transfers	3,865,372	(1,512,435)	520,997	1,003,209	4,386,369	(509,226)
Transfers	882,847	(1,780,404)	(882,847)	1,780,404	-	-
Increase (decrease) in net assets	4,748,219	(3,292,839)	(361,850)	2,783,613	4,386,369	(509,226)
Net assets, beginning	56,621,308	59,914,147	59,736,740	56,953,127	116,358,048	116,867,274
Net assets, ending	\$ 61,369,527	\$ 56,621,308	\$ 59,374,890	\$ 59,736,740	\$ 120,744,417	\$ 116,358,048

Governmental Activities

Governmental activities increased the City's net assets by \$4,748,219.

Property tax revenue increased by about \$1,400,000 and other revenue increased by about \$5,200,000 resulting in an increase in total revenue of approximately \$7,100,000. Total expenses increased by about \$1,700,000 due to the increases in general government (\$500,000), public safety (\$1,000,000) and public works (660,000).

Business-type Activities

Business-type activities decreased the City's net assets by \$361,850.

Total expenses increased primarily due to the expenses from the operation of Sokoll Water Treatment Plant of \$2,953,935. These increases were offset by additional charges for services both from increased water sales and \$921,460 from the Sokoll Water Treatment Plant. The other major cause for the decrease was the transfer of \$882,847 to Governmental activities.

Water expenses decreased by \$231,165, wastewater expenses increased by only \$11,104; and refuse services expenses decreased by \$122,296.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The City's General Fund reported an ending unassigned fund balance of \$8,867,704, with a total increase in fund balance of \$1,212,938, compared with the previous fiscal year. Original budgetary projections had projected an increase in fund balance of \$100,000, while the amended budget anticipated a decrease of \$56,426. Total expenses were under budget by \$364,239 while general government expenditures exceeded budget. However, all revenue categories other than interest exceeded budget.

The City's Debt Service Fund saw its fund balance rise from \$840,914 to \$1,281,408. The original budget (adopted prior to the conclusion of the 2010 fiscal year) had proposed to bring this balance up to \$1,273,568; however, more tax and miscellaneous revenue were collected than originally expected.

Proprietary Funds

The City's Water and Wastewater Funds reported unrestricted ending net assets of \$11,105,002 and \$7,921,995, respectively. The net assets of the Water Fund decreased \$409,768 due to the transfer out of \$495,171 which was the investment in Sokoll Water Treatment Plant at the beginning of the year into its own separate fund. The Wastewater Fund's net assets decreased \$375,530, primarily as a result of transfers to other funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Total expenditures were increased by \$83,492 to budget for various additional expenditures.
- Total culture and recreation expenditures were increased by \$53,794 (2.5%) to budget for additional parks and recreation, Chautauqua Auditorium and Penn Park Poll 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, 2011, amounts to \$197,035,541 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, machinery and equipment, and roads. Additional information on the City's capital assets can be found in Note 3. C. in the basic financial statements. Major capital asset events during the current fiscal period included the following:

- Completion of the \$1.3 million market depot project
- Approximately \$900,000 on construction of the firehouse project
- Approximately \$1,200,000 was spent on street drainage and water and wastewater lines located throughout the City

Debt Administration

During fiscal year 2011, the City did not issue any new bonds or other long-term debt.

ECONOMIC OUTLOOK

Throughout the recent recession, the City's economic fortunes roughly paralleled the broader national trend. After a rather abrupt contraction, the City experienced a slow, 18 month to two-year decline in most of the City's major revenue streams. This was followed by period of similar length, during which the local economy appeared to flatten out in most segments. Finally, during the second half of the 2011 fiscal year, positive signs of recovery began to be observed in some major areas. These indicators, (combined with the fact that significant expenditure reductions had allowed the City to actually increase its unreserved fund balance during the recession) led the City to be somewhat less defensive in terms of projecting revenues for the 2012 fiscal year. Although property values remain flat, there is less uncertainty surrounding the prospect that a significant decline in assessed values might occur. In retrospect, material decreases did not come to pass, however, the likelihood of such declines was greater in recent fiscal years. In another major revenue category, sales tax collections appear to be increasing ahead of the pace seen throughout most of the country. Customer growth in both City owned utilities has increased and usage (admittedly driven in part by unseasonably hot and dry conditions) has trended ahead of projections. In the General Fund, total budgeted revenues for the 2012 fiscal year are projected to be about 10% greater than the figure originally budgeted the previous year. About 75% of this increase is related to increases in transfers from the City's water and wastewater utilities. These transfers grew because of growth in the two utilities as well as the result of changes to the methodology underlying both transfers. The 2012 transfers better reflect the full cost of administrative overhead provided to these two utilities, by the General Fund. Most of the remaining increase is attributable to the increasing strength of retail sales and the resulting growth in sales tax collections. These factors resulted in 2012 budgeted revenues which are about 7% ahead of 2011 year-end projections, as they were forecasted at the time the 2012 budget was adopted. (2012 budgeted revenues and transfers-in amount to an increase of about 5% over actual 2011 revenues and transfers-in, since actual 2011 - collections were somewhat higher than those that were projected prior to the conclusion of that period. Most of that difference is attributable to higher than anticipated sales tax revenues earned during the final months of the 2011 fiscal year. Sales tax revenues for August and September are earned and remitted to the State before the City's September 30th year-end but not fully distributed to, or known by the City, until November.)

The wastewater utility continues to be profitable. For 2012 it is budgeted revenues are budgeted to remain essentially flat, compared to the 2011 adopted budget. It is anticipated that the net impact of two factors will tend to negate each other. Residential customer growth continues to remain strong, growing at a rate of about 3%. However, it is expected that growth in this area will be largely offset by weaker than normal demand by some of the system's large commercial and industrial customers who may have seen their production (and thus their water and wastewater demand) impacted by the current economy.

It is anticipated that the water utility will continue to require subsidization from the wastewater utility for at least two more fiscal years (although the amount of the subsidy should fall sharply beyond the upcoming fiscal year). For 2012, that subsidy amounts to \$1,135,000. Additionally, the utility will need to raise rates by 8.5% for 2012. Reserves in the Wastewater Fund should be adequate to fund the transfers and hold wastewater rates stable over this period. Fiscal year 2012 operating expenditures are anticipated to increase by about 5% as a result of the increasing customer base and the rising cost of maintenance which had been held to an absolute minimum over the last two years.

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 (972) 937-7330, x130, Finance Department, City of Waxahachie, Texas 75168-0757. Email: charris@waxahachie.com.

**BASIC
FINANCIAL STATEMENTS**

CITY OF WAXAHACHIE, TEXAS

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 13,297,551	\$ 9,663,869	\$ 22,961,420	\$ 3,712,558
Receivables (net of allowances for uncollectibles)	2,062,189	1,990,849	4,053,038	7,778
Intergovernmental	1,399,390	-	1,399,390	445,155
Inventories	-	47,725	47,725	-
Restricted assets:				
Cash and investments	-	8,619,388	8,619,388	-
Deferred charges	518,803	392,354	911,157	382,847
Due from other governments	-	25,132,750	25,132,750	-
Equity in joint venture	8,635,939	-	8,635,939	-
Intangible assets	-	1,186,250	1,186,250	-
Capital assets (net, where applicable, of accumulated depreciation):				
Land	8,285,277	938,260	9,223,537	650,670
Buildings	23,465,915	22,645,712	46,111,627	9,270,761
Improvements other than buildings	9,613,695	75,210,497	84,824,192	8,510,288
Machinery and equipment	1,030,701	7,708,911	8,739,612	18,688
Software	38,998	466,823	505,821	-
Vehicles	928,492	276,858	1,205,350	674
Infrastructure	41,027,656	4,113,822	45,141,478	-
Construction in progress	1,057,421	226,503	1,283,924	-
Total assets	<u>111,362,027</u>	<u>158,620,571</u>	<u>269,982,598</u>	<u>22,999,419</u>
LIABILITIES				
Accounts payable	1,054,421	337,963	1,392,384	54,929
Other payables	356,741	-	356,741	-
Accrued liabilities	877,656	117,899	995,555	28,022
Due to other governments	411,386	-	411,386	44
Deferred revenue	1,500	-	1,500	-
Customer deposits	-	631,413	631,413	41,652
Accrued interest payable	325,571	542,536	868,107	156,872
Accounts payable from restricted assets	-	2,764	2,764	-
Noncurrent liabilities:				
Due within one year	3,119,039	2,633,174	5,752,213	513,899
Due in more than one year	<u>43,846,186</u>	<u>94,979,932</u>	<u>138,826,118</u>	<u>20,834,928</u>
Total liabilities	<u>49,992,500</u>	<u>99,245,681</u>	<u>149,238,181</u>	<u>21,630,346</u>
NET ASSETS				
Invested in capital assets, net of related debt	40,571,614	38,117,985	78,689,599	(493,572)
Restricted	5,119,071	-	5,119,071	1,423,393
Unrestricted	<u>15,678,842</u>	<u>21,256,905</u>	<u>36,935,747</u>	<u>439,252</u>
Total net assets	<u>\$ 61,369,527</u>	<u>\$ 59,374,890</u>	<u>\$ 120,744,417</u>	<u>\$ 1,369,073</u>

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

CITY OF WAXAHACHIE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 4,968,161	\$ -	\$ 50,825	\$ 32,520
Public safety	12,448,875	718,477	128,124	-
Public works	6,677,936	618,953	-	-
Culture and recreation	2,489,878	13,487	58,285	-
Judicial	7,309	80,890	-	-
Interest on long-term debt	2,174,472	-	-	-
Total governmental activities	<u>28,766,631</u>	<u>1,431,807</u>	<u>237,234</u>	<u>32,520</u>
Business-type activities:				
Water utility	9,217,893	8,443,592	-	-
Wastewater utility	4,944,177	5,779,833	-	-
Refuse service	935,064	1,196,727	-	-
Investment in Sokoll WTP	2,953,935	921,460	-	-
Total business-type activities	<u>18,051,069</u>	<u>16,341,612</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 46,817,700</u>	<u>\$ 17,773,419</u>	<u>\$ 237,234</u>	<u>\$ 32,520</u>
Component unit				
Waxahachie Community Development Corporation	<u>\$ 3,244,006</u>	<u>\$ 610,973</u>	<u>\$ -</u>	<u>\$ -</u>
Total component unit	<u>\$ 3,244,006</u>	<u>\$ 610,973</u>	<u>\$ -</u>	<u>\$ -</u>
		General revenues:		
		Property taxes		
		Sales taxes		
		Franchise taxes		
		Other taxes		
		Miscellaneous		
		Unrestricted investment earnings		
		Gain (loss) on disposal of capital assets		
		Capital contributions		
		Total general revenues		
		Change in net assets		
		Net assets, beginning		
		Net assets, ending		

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total	Component Unit
\$(4,884,816)	\$ -	\$(4,884,816)	\$ -
(11,602,274)	-	(11,602,274)	-
(6,058,983)	-	(6,058,983)	-
(2,418,106)	-	(2,418,106)	-
73,581	-	73,581	-
(2,174,472)	-	(2,174,472)	-
(27,065,070)	-	(27,065,070)	-
-	(774,301)	(774,301)	-
-	835,656	835,656	-
-	261,663	261,663	-
-	(2,032,475)	(2,032,475)	-
-	(1,709,457)	(1,709,457)	-
(27,065,070)	(1,709,457)	(28,774,527)	-
-	-	-	(2,633,033)
-	-	-	(2,633,033)
14,765,828	-	14,765,828	-
7,763,377	-	7,763,377	2,587,770
2,840,463	-	2,840,463	-
414,102	-	414,102	-
5,159,094	518,220	5,677,314	28,489
17,521	26,737	44,258	8,402
(29,943)	-	(29,943)	-
-	1,685,497	1,685,497	-
882,847	(882,847)	-	-
31,813,289	1,347,607	33,160,896	2,624,661
4,748,219	(361,850)	4,386,369	(8,372)
56,621,308	59,736,740	116,358,048	1,377,445
<u>\$ 61,369,527</u>	<u>\$ 59,374,890</u>	<u>\$ 120,744,417</u>	<u>\$ 1,369,073</u>

CITY OF WAXAHACHIE, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 7,990,243	\$ 1,258,935	\$ 4,048,373	\$ 13,297,551
Receivables (net of allowances for uncollectibles):				
Taxes	133,908	89,134	3,133	226,175
Accounts	3,889	-	-	3,889
Fines	892,335	-	-	892,335
Other	220,903	67,668	81,409	369,980
Intergovernmental	1,386,905	4,285	8,200	1,399,390
Due from other funds	<u>709,046</u>	<u>-</u>	<u>-</u>	<u>709,046</u>
Total assets	<u>11,337,229</u>	<u>1,420,022</u>	<u>4,141,115</u>	<u>16,898,366</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	546,924	-	507,497	1,054,421
Other payables	356,741	-	-	356,741
Accrued liabilities	877,656	-	-	877,656
Due to other funds	-	-	709,046	709,046
Due to other governments	411,386	-	-	411,386
Deferred revenue	<u>256,597</u>	<u>138,614</u>	<u>4,565</u>	<u>399,776</u>
Total liabilities	<u>2,449,304</u>	<u>138,614</u>	<u>1,221,108</u>	<u>3,809,026</u>
Fund balances:				
Restricted for:				
Tourism	-	-	145,076	145,076
Capital projects	-	-	984,623	984,623
Debt service	-	1,281,408	21,905	1,303,313
Perpetual care	-	-	747,233	747,233
Public safety	-	-	174,486	174,486
Industrial development	-	-	227,176	227,176
Municipal court judicial efficiency	-	-	13,912	13,912
Municipal court technology	-	-	103,051	103,051
Municipal court security	-	-	36,818	36,818
Municipal court judicial	-	-	7,790	7,790
Culture and recreation	-	-	88,212	88,212
Downtown improvements	-	-	510,421	510,421
Water district	-	-	776,960	776,960
Committed for:				
Culture and recreation	-	-	83,975	83,975
Assigned for:				
Community relations	20,221	-	-	20,221
Unassigned	<u>8,867,704</u>	<u>-</u>	<u>(1,001,631)</u>	<u>7,866,073</u>
Total fund balances	<u>8,887,925</u>	<u>1,281,408</u>	<u>2,920,007</u>	<u>13,089,340</u>
Total liabilities and fund balances	<u>\$ 11,337,229</u>	<u>\$ 1,420,022</u>	<u>\$ 4,141,115</u>	<u>\$ 16,898,366</u>

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

CITY OF WAXAHACHIE, TEXAS

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

SEPTEMBER 30, 2011

Total fund balances - governmental funds balance sheet	\$ 13,089,340
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	85,448,155
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	175,986
Payables for bond principal which are not due in the current period are not reported in the funds.	(44,965,602)
Payables for bond interest which are not due in the current period are not reported in the funds.	(325,571)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(1,895,452)
Payables for contracts which are not due in the current period are not reported in the funds.	(104,171)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	586,471
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	154,622
Franchise taxes receivable unavailable to pay for current period expenditures are not accrued in the funds.	569,810
Equity in a joint venture is not reported in the funds.	<u>8,635,939</u>
Net assets of governmental activities - statement of net assets	<u>\$ 61,369,527</u>

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

CITY OF WAXAHACHIE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 19,934,752	\$ 5,170,148	\$ 619,698	\$ 25,724,598
Charges for services	227,674	-	171,653	399,327
Licenses and permits	575,406	-	-	575,406
Fines and forfeitures	475,835	-	-	475,835
Intergovernmental	89,767	-	31,553	121,320
Miscellaneous	348,908	77,515	812,482	1,238,905
Interest	8,174	1,944	7,403	17,521
Total revenues	<u>21,660,516</u>	<u>5,249,607</u>	<u>1,642,789</u>	<u>28,552,912</u>
EXPENDITURES				
Current:				
General government	3,539,475	-	358,820	3,898,295
Public safety	12,205,903	-	56,309	12,262,212
Public works	3,424,182	-	10,196	3,434,378
Judicial	-	-	7,309	7,309
Culture and recreation	2,101,593	-	96,218	2,197,811
Capital outlay	-	-	1,856,878	1,856,878
Debt service:				
Principal	-	2,758,188	63,909	2,822,097
Interest	-	2,050,925	68,840	2,119,765
Total expenditures	<u>21,271,153</u>	<u>4,809,113</u>	<u>2,518,479</u>	<u>28,598,745</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>389,363</u>	<u>440,494</u>	<u>(875,690)</u>	<u>(45,833)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	898,575	-	108,713	1,007,288
Transfers out	<u>(75,000)</u>	<u>-</u>	<u>(49,441)</u>	<u>(124,441)</u>
Total other financing sources (uses)	<u>823,575</u>	<u>-</u>	<u>59,272</u>	<u>882,847</u>
NET CHANGE IN FUND BALANCES	1,212,938	440,494	(816,418)	837,014
FUND BALANCES, BEGINNING	<u>7,674,987</u>	<u>840,914</u>	<u>3,736,425</u>	<u>12,252,326</u>
FUND BALANCES, ENDING	\$ <u>8,887,925</u>	\$ <u>1,281,408</u>	\$ <u>2,920,007</u>	\$ <u>13,089,340</u>

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

CITY OF WAXAHACHIE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds	\$	837,014
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the statement of activities.		2,312,283
The depreciation of capital assets used in governmental activities is not reported in the funds.	(5,194,017)
Trade-in or disposal of capital assets decrease net assets in the statement of activities but not in the funds.	(56,918)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(49,925)
Revenues in the statement of activities not providing current financial resources are not reported as revenues in the funds.	(6,614)
Repayment of bond principal is an expenditure in the funds but is not an expense in the statement of activities.		2,535,172
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the statement of activities.		279,502
Repayment of loan principal is an expenditure in the funds but is not an expense in the statement of activities.		7,423
Bond issuance costs and similar items are amortized in the statement of activities but not in the funds.	(79,201)
(Increase) decrease in accrued interest from beginning of period to end of period.		24,494
Compensated absences are reported as the amount earned in the statement of activities but as the amount paid in the funds.	(53,542)
Revenues in the statement of activities for court fines not providing current financial resources are not reported in the funds.		55,774
Revenues in the statement of activities for franchise taxes not providing current financial resources are not reported in the funds.		109,097
Change in joint venture equity is not reported in the funds.		<u>4,027,677</u>
Change in net assets of governmental activities - statement of activities	\$	<u>4,748,219</u>

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

CITY OF WAXAHACHIE, TEXAS
STATEMENT OF NET ASSETS - ENTERPRISE FUNDS
SEPTEMBER 30, 2011

	Enterprise Fund		Nonmajor Enterprise		Total Enterprise Funds
	Water Utility	Wastewater Utility	Refuse Services	Investment in Sokoll WTP	
ASSETS					
Current assets:					
Cash and investments	\$ 1,949,960	\$ 5,458,903	\$ 1,023,046	\$ 1,231,960	\$ 9,663,869
Receivables (net of allowances for uncollectibles)					
Accounts receivable	1,054,084	674,091	145,679	116,845	1,990,699
Other receivables	-	-	150	-	150
Inventories	47,725	-	-	-	47,725
Restricted assets:					
Cash and investments	7,191,019	1,428,369	-	-	8,619,388
Total current assets	<u>10,242,788</u>	<u>7,561,363</u>	<u>1,168,875</u>	<u>1,348,805</u>	<u>20,321,831</u>
Noncurrent assets:					
Deferred charges and other assets	131,197	161,946	-	99,211	392,354
Due from Rockett SUD	-	-	-	25,132,750	25,132,750
Intangible assets	1,186,250	-	-	-	1,186,250
Capital assets:					
Land	275,474	212,290	83,649	366,847	938,260
Buildings	19,724,058	7,712,938	-	12,621,744	40,058,740
Improvements other than buildings	64,306,198	44,408,906	-	-	108,715,104
Infrastructure	-	-	-	4,274,101	4,274,101
Machinery and equipment	465,609	538,704	142,396	8,152,627	9,299,336
Software	521,428	-	-	67,211	588,639
Vehicles	509,986	746,568	19,336	14,093	1,289,983
Construction in progress	-	184,056	-	42,447	226,503
Accumulated depreciation	(35,106,398)	(17,196,082)	(104,826)	(1,395,974)	(53,803,280)
Total noncurrent assets	<u>52,013,802</u>	<u>36,769,326</u>	<u>140,555</u>	<u>49,375,057</u>	<u>138,298,740</u>
Total assets	<u>62,256,590</u>	<u>44,330,689</u>	<u>1,309,430</u>	<u>50,723,862</u>	<u>158,620,571</u>
LIABILITIES					
Current liabilities:					
Accounts payable	171,752	97,804	61,391	7,016	337,963
Accrued liabilities	53,846	55,946	4,159	3,948	117,899
Compensated absences payable - current	23,147	9,949	3,554	98	36,748
Accrued interest payable	175,883	172,387	-	194,266	542,536
General obligation bonds payable - current	36,867	71,313	-	-	108,180
Certificates of obligation bonds payable - current	801,608	701,638	-	985,000	2,488,246
Customer deposits	354,774	276,639	-	-	631,413
Accounts payable from restricted assets	133	-	-	2,631	2,764
Total current liabilities	<u>1,618,010</u>	<u>1,385,676</u>	<u>69,104</u>	<u>1,192,959</u>	<u>4,265,749</u>
Noncurrent liabilities:					
General obligation bonds payable	8,912,709	17,239,863	-	-	26,152,572
Certificates of obligation bonds payable	14,377,479	6,487,846	-	49,280,000	70,145,325
Premium (Discount) on bonds payable	(71,748)	(167,432)	-	99,932	(139,248)
Deferred loss on refunding bonds payable	(453,193)	(835,773)	-	-	(1,288,966)
Compensated absences payable	69,442	29,848	10,663	296	110,249
Total noncurrent liabilities	<u>22,834,689</u>	<u>22,754,352</u>	<u>10,663</u>	<u>49,380,228</u>	<u>94,979,932</u>
Total liabilities	<u>24,452,699</u>	<u>24,140,028</u>	<u>79,767</u>	<u>50,573,187</u>	<u>99,245,681</u>
NET ASSETS					
Invested in capital assets, net of related debt	26,698,889	12,268,666	140,555	(990,125)	38,117,985
Unrestricted	11,105,002	7,921,995	1,089,108	1,140,800	21,256,905
Total net assets	<u>\$ 37,803,891</u>	<u>\$ 20,190,661</u>	<u>\$ 1,229,663</u>	<u>\$ 150,675</u>	<u>\$ 59,374,890</u>

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

CITY OF WAXAHACHIE, TEXAS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Enterprise Fund		Nonmajor Enterprise		Total Enterprise Funds
	Water Utility	Wastewater Utility	Refuse Services	Investment in Sokoll WTP	
OPERATING REVENUES					
Charges for services	\$ 8,443,592	\$ 5,779,833	\$ 1,196,727	\$ 921,460	\$ 16,341,612
Total operating revenues	8,443,592	5,779,833	1,196,727	921,460	16,341,612
OPERATING EXPENSES					
Cost of sales and services	6,042,143	2,646,114	922,756	816,202	10,427,215
Depreciation and amortization	2,045,580	1,171,714	12,308	934,034	4,163,636
Total operating expenses	8,087,723	3,817,828	935,064	1,750,236	14,590,851
OPERATING INCOME (LOSS)	355,869	1,962,005	261,663	(828,776)	1,750,761
NONOPERATING REVENUES (EXPENSES)					
Interest revenue	14,389	9,027	839	2,482	26,737
Miscellaneous income	458,172	49,777	10,271	-	518,220
Interest expense	(1,130,170)	(1,126,349)	-	(1,203,699)	(3,460,218)
Total nonoperating revenues (expenses)	(657,609)	(1,067,545)	11,110	(1,201,217)	(2,915,261)
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(301,740)	894,460	272,773	(2,029,993)	(1,164,500)
TRANSFERS AND CAPITAL CONTRIBUTIONS					
Capital contributions	-	-	-	1,685,497	1,685,497
Transfers in	909,905	-	-	495,171	1,405,076
Transfers out	(1,017,933)	(1,269,990)	-	-	(2,287,923)
Total transfers and capital contributions	(108,028)	(1,269,990)	-	2,180,668	802,650
CHANGE IN NET ASSETS	(409,768)	(375,530)	272,773	150,675	(361,850)
NET ASSETS, BEGINNING	38,213,659	20,566,191	956,890	-	59,736,740
NET ASSETS, ENDING	\$ 37,803,891	\$ 20,190,661	\$ 1,229,663	\$ 150,675	\$ 59,374,890

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, 2011

	Enterprise Fund		Nonmajor Enterprise		Total Enterprise Funds
	Water Utility	Wastewater Utility	Refuse Services	Investment in Sokoll WTP	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 8,689,463	\$ 5,883,599	\$ 1,247,877	\$ 832,854	\$ 16,653,793
Cash payments to employees for services	(1,324,309)	(1,430,444)	(102,834)	(65,062)	(2,922,649)
Cash payments to other suppliers for goods and services	(4,618,525)	(1,134,358)	(816,943)	(753,929)	(7,323,755)
Net cash provided (used) by operating activities	<u>2,746,629</u>	<u>3,318,797</u>	<u>328,100</u>	<u>13,863</u>	<u>6,407,389</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers and receipts from other funds	909,905	-	-	-	909,905
Transfers and payments to other funds	(522,762)	(1,269,990)	-	-	(1,792,752)
Net cash provided (used) from nonoperating financing activities	<u>387,143</u>	<u>(1,269,990)</u>	<u>-</u>	<u>-</u>	<u>(882,847)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal repayments on bonds	(795,327)	(734,501)	-	(475,000)	(2,004,828)
Interest and fiscal charges on debt	(1,112,670)	(1,087,514)	-	(1,210,497)	(3,410,681)
Capital Contributions	-	-	-	1,685,497	1,685,497
Acquisition and construction of capital assets	<u>1,149</u>	<u>(273,170)</u>	<u>-</u>	<u>(42,447)</u>	<u>(314,468)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,906,848)</u>	<u>(2,095,185)</u>	<u>-</u>	<u>(42,447)</u>	<u>(4,044,480)</u>
CASH FROM INVESTING ACTIVITIES					
Interest on investments	<u>14,389</u>	<u>9,027</u>	<u>839</u>	<u>2,482</u>	<u>26,737</u>
Net cash provided (used) by investing activities	<u>14,389</u>	<u>9,027</u>	<u>839</u>	<u>2,482</u>	<u>26,737</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>1,241,313</u>	<u>(37,351)</u>	<u>328,939</u>	<u>(26,102)</u>	<u>1,506,799</u>
CASH AND CASH EQUIVALENTS, BEGINNING	<u>7,899,666</u>	<u>6,924,623</u>	<u>694,107</u>	<u>1,258,062</u>	<u>16,776,458</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 9,140,979</u>	<u>\$ 6,887,272</u>	<u>\$ 1,023,046</u>	<u>\$ 1,231,960</u>	<u>\$ 18,283,257</u>

(continued)

CITY OF WAXAHACHIE, TEXAS

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2010**

	Enterprise Fund		Nonmajor Enterprise		Total Enterprise Funds
	Water Utility	Wastewater Utility	Refuse Services	Investment in Sokoll WTP	
RECONCILIATION OF OPERATING INCOME TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 355,869	\$ 1,962,005	\$ 261,663	\$(828,776)	\$ 1,750,761
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	2,045,580	1,171,714	12,308	934,034	4,163,636
Other revenues (expenses)	458,172	49,777	10,271	-	518,220
Change in assets and liabilities:					
Decrease (increase) in receivables	(239,475)	35,355	40,879	(88,606)	(251,847)
Decrease (increase) in inventories	26,338	-	-	-	26,338
Increase (decrease) in accounts payable	65,729	75,361	806	(3,818)	138,078
Increase (decrease) in accrued liabilities	4,780	5,831	2,097	1,778	14,486
Increase (decrease) in customer deposits	27,174	18,634	-	-	45,808
Increase (decrease) in compensated absences	2,462	120	76	(749)	1,909
Total adjustments	<u>2,390,760</u>	<u>1,356,792</u>	<u>66,437</u>	<u>842,639</u>	<u>4,656,628</u>
Net cash and cash equivalents provided (used) by operating activities	<u>\$ 2,746,629</u>	<u>\$ 3,318,797</u>	<u>\$ 328,100</u>	<u>\$ 13,863</u>	<u>\$ 6,407,389</u>

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

CITY OF WAXAHACHIE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Waxahachie, Texas (the "City") is a Home Rule City incorporated about 1849. The City operates under the Council-Manager form of government adopted on October 22, 1946 and provides the following services authorized by its charter: public safety (police and fire); highways and streets; sanitation; health and social services; parks and recreation; public improvements; planning and zoning; and general administrative services. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Blended Component Units

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

Discretely Presented Component Unit

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

Joint Ventures

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

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

(continued)

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

(continued)

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

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

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.

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.

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.

(continued)

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

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

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Utility Enterprise Fund, the Wastewater Utility Enterprise Fund, and the Refuse Service Fund are charges to customers for sales and services. The utility funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(continued)

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

2. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. Uncollectible trade accounts are estimated on 0.5% of billed revenue during the fiscal year. The property tax receivable allowance is equal to 25% of outstanding property taxes at September 30, 2011.

(continued)

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

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

2. Receivables and Payables (Continued)

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

6. Compensated Absences

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

7. Long-term Obligations

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

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

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund Equity

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

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

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Fund Equity (Continued)

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

Restricted for Tourism	\$ 145,076
Restricted for Capital Projects	984,623
Restricted for Debt Service	1,303,313
Restricted for Perpetual Care	747,233
Restricted for Public Safety	174,486
Restricted for Industrial Development	227,176
Restricted for Municipal Court Judicial Efficiency	13,912
Restricted for Municipal Court Technology	103,051
Restricted for Municipal Court Security	36,818
Restricted for Municipal Court Judicial	7,790
Restricted for Culture and Recreation	88,212
Restricted for Downtown Improvements	510,421
Restricted for Water District	<u>776,960</u>
Total	<u>\$ 5,119,071</u>

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that, "Other long-term assets are not available to pay for current period expenditures and are deferred in the funds." The details of this \$586,471 difference are as follows:

Bonds issuance costs:	
City	\$ 481,478
Tax Increment Financing Reinvestment Zone No. 1	37,325
Loan receivable recognized as income, but deferred in the funds	<u>67,668</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ 586,471</u>

(continued)

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Revenues in the Statement of Activities not providing current financial resources are not reported as revenues in the funds.” The details of this \$6,614 difference are as follows:

Arbitrage liability decrease	\$ -
Change in deferred contract revenue	(6,614)
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$(6,614)</u>

3. **DETAILED NOTES ON ALL FUNDS**

A. Deposits and Investments

As of September 30, 2011, the City and WCDC had cash in the amount of \$12,058,816 on deposit with a bank balance of \$12,481,411. These amounts were collateralized by securities held by a third party trustee in the name of the City.

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

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

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

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

As of September 30, 2011, the City and WCDC had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Primary government	
City general investments:	
Government sponsored investment pool (LOGIC)	\$ 19,518,166
	<u>19,518,166</u>
Discretely presented component unit	
Waxahachie Community Development Corporation:	
Government sponsored investment pool (LOGIC)	<u>3,712,558</u>
Total discretely presented component unit	<u>3,712,558</u>
 Total reporting entity	 \$ <u>23,230,724</u>

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

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

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

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

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

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

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

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

	General	Debt Service	Nonmajor and Other	Water Utility	Wastewater Utility	Nonmajor Refuse Service	Nonmajor Investment in Sokoll WTP	Total
Property taxes	\$ 178,544	\$ 118,845	\$ 4,177	\$ -	\$ -	\$ -	\$ -	\$ 301,566
Allowance	(44,636)	(29,711)	(1,044)	-	-	-	-	(75,391)
Net property taxes	<u>133,908</u>	<u>89,134</u>	<u>3,133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,175</u>
Accounts receivable	12,625	-	-	2,956,592	1,024,921	309,218	116,845	4,420,201
Allowance	(8,736)	-	-	(1,902,508)	(350,830)	(163,539)	-	(2,425,613)
Net accounts receivable	<u>3,889</u>	<u>-</u>	<u>-</u>	<u>1,054,084</u>	<u>674,091</u>	<u>145,679</u>	<u>116,845</u>	<u>1,994,588</u>
Fines receivable	1,931,612	-	-	-	-	-	-	1,931,612
Allowance	(1,039,277)	-	-	-	-	-	-	(1,039,277)
Net fines receivable	<u>892,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>892,335</u>
Other receivables	220,903	67,668	81,409	-	-	150	-	370,130
Allowance	-	-	-	-	-	-	-	-
Net other receivables	<u>220,903</u>	<u>67,668</u>	<u>81,409</u>	<u>-</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>370,130</u>
Intergovernmental	\$ <u>1,386,905</u>	\$ <u>4,285</u>	\$ <u>8,200</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,399,390</u>

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

Uncollectibles related to water sales	\$ 34,989
Uncollectibles related to wastewater services	47,673
Uncollectibles related to refuse service	<u>132</u>
	<u>\$ 82,794</u>

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

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	\$ 101,975	\$ -
Fines revenue (general fund)	154,622	-
Delinquent property taxes receivable (debt service fund)	70,946	-
Loan receivable not yet due (debt service fund)	67,668	-
Delinquent property taxes receivable (water district debt service)	3,065	-
Sponsorship received but not yet expended (hotel/motel tax fund)	<u>-</u>	<u>1,500</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 398,276</u>	<u>\$ 1,500</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended September 30, 2011:

	Balance 09/30/10	Additions	Retirements	Transfers and Completed Construction	Balance 9/30/11
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 7,903,996	\$ 381,281	\$ -	\$ -	\$ 8,285,277
Construction in progress	1,203,760	1,486,477	-	(1,632,816)	1,057,421
Total capital assets not being depreciated	9,107,756	1,867,758	-	(1,632,816)	9,342,698
Capital assets, being depreciated:					
Buildings	36,455,861	-	-	1,391,324	37,847,185
Improvements other than buildings	18,922,141	-	-	-	18,922,141
Machinery and equipment	3,138,492	265,961	(16,117)	99,972	3,488,308
Software	-	41,051	-	-	41,051
Vehicles	3,304,872	127,364	(134,755)	-	3,297,481
Infrastructure	94,138,469	10,149	(21,150)	141,520	94,268,988
Total capital assets being depreciated	155,959,835	444,525	(172,022)	1,632,816	157,865,154
Less accumulated depreciation for:					
Buildings	(13,473,546)	(907,724)	-	-	(14,381,270)
Improvements other than buildings	(8,844,522)	(463,924)	-	-	(9,308,446)
Machinery and equipment	(2,260,841)	(212,883)	16,117	-	(2,457,607)
Software	-	(2,053)	-	-	(2,053)
Vehicles	(2,282,089)	(185,887)	98,987	-	(2,368,989)
Infrastructure	(49,819,786)	(3,421,546)	-	-	(53,241,332)
Total accumulated depreciation	(76,680,784)	(5,194,017)	115,104	-	(81,759,697)
Total capital assets being depreciated, net	79,279,051	(4,749,492)	(56,918)	1,632,816	76,105,457
Governmental activities capital assets, net \$	88,386,807	\$(2,881,734)	\$(56,918)	\$ -	\$ 85,448,155

	Balance 09/30/10	Additions	Retirements	Transfers and Completed Construction	Adjustments	Balance 09/30/11
Business-type activities:						
Capital assets, not being depreciated:						
Land	\$ 571,413	\$ -	\$ -	\$ -	\$ 366,847	\$ 938,260
Construction in progress	1,028,467	226,503	(1,149)	(1,027,318)	-	226,503
Total capital assets not being depreciated	1,599,880	226,503	(1,149)	(1,027,318)	366,847	1,164,763
Capital assets, being depreciated:						
Buildings	27,436,996	-	-	-	12,621,744	40,058,740
Improvements other than buildings	107,609,423	78,363	-	1,027,318	-	108,715,104
Infrastructure	-	-	-	-	4,274,101	4,274,101
Machinery and equipment	1,135,958	10,751	-	-	8,152,627	9,299,336
Software	521,428	-	-	-	67,211	588,639
Vehicles	1,275,890	-	-	-	14,093	1,289,983
Total capital assets being depreciated	137,979,695	89,114	-	1,027,318	25,129,776	164,225,903
Less accumulated depreciation for:						
Buildings	(16,386,459)	(868,797)	-	-	(157,772)	(17,413,028)
Improvements other than buildings	(31,058,596)	(2,446,011)	-	-	-	(33,504,607)
Infrastructure	-	(106,852)	-	-	(53,427)	(160,279)
Machinery and equipment	(769,919)	(570,589)	-	-	(249,917)	(1,590,425)
Software	(37,245)	(81,211)	-	-	(3,360)	(121,816)
Vehicles	(939,511)	(72,476)	-	-	(1,138)	(1,013,125)
Total accumulated depreciation	(49,191,730)	(4,145,936)	-	-	(465,614)	(53,803,280)
Total capital assets being depreciated, net	88,787,965	(4,056,822)	-	1,027,318	24,664,162	110,422,623
Business-type activities capital assets, net \$	90,387,845	\$(3,830,319)	\$(1,149)	\$ -	\$ 25,031,009	\$ 111,587,386

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 1,104,083
Public safety	264,893
Public works	3,533,119
Culture and recreation	<u>291,922</u>
Total depreciation expense - governmental activities	<u>\$ 5,194,017</u>
Business-type activities:	
Water	\$ 2,038,956
Wastewater	1,164,312
Sokoll	930,360
Refuse	<u>12,308</u>
Total depreciation expense - business-type activities	<u>\$ 4,145,936</u>

Discretely Presented Component Unit – Waxahachie Community Development Corporation

	Balance 09/30/10	Additions	Retirements	Transfers and Completed Construction	Balance 09/30/11
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 575,679	\$ -	\$ -	\$ 74,991	\$ 650,670
Construction in progress	<u>5,615,589</u>	<u>75,832</u>	<u>-</u>	<u>(5,691,421)</u>	<u>-</u>
Total capital assets not being depreciated	<u>6,191,268</u>	<u>75,832</u>	<u>-</u>	<u>(5,616,430)</u>	<u>650,670</u>
Capital assets, being depreciated:					
Buildings	12,763,798	-	-	-	12,763,798
Improvements other than buildings	4,008,283	-	-	5,604,446	9,612,729
Machinery and equipment	197,896	-	-	11,984	209,880
Vehicles	<u>34,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,461</u>
Total capital assets being depreciated	<u>17,004,438</u>	<u>-</u>	<u>-</u>	<u>5,616,430</u>	<u>22,620,868</u>
Less accumulated depreciation for:					
Buildings	(3,173,679)	(319,358)	-	-	(3,493,037)
Improvements other than buildings	(932,178)	(170,263)	-	-	(1,102,441)
Machinery and equipment	(182,374)	(8,818)	-	-	(191,192)
Vehicles	<u>(31,094)</u>	<u>(2,693)</u>	<u>-</u>	<u>-</u>	<u>(33,787)</u>
Total accumulated depreciation	<u>(4,319,325)</u>	<u>(501,132)</u>	<u>-</u>	<u>-</u>	<u>(4,820,457)</u>
Total capital assets being depreciated, net	<u>12,685,113</u>	<u>(501,132)</u>	<u>-</u>	<u>5,616,430</u>	<u>17,800,411</u>
Governmental activities capital assets, net \$	<u>18,876,381</u>	<u>\$ (425,300)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,451,081</u>

(continued)

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

D. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Interfund receivables arise from covering overdrafts in pooled cash at year-end. The City had the following interfund balances as of September, 30, 2011:

	General Fund	Payable To:	
		Nonmajor Governmental Funds	Total Transfers From
Nonmajor Governmental Funds	\$ 709,046	\$ -	\$ 709,046
Total	\$ 709,046	\$ -	\$ 709,046

Interfund Transfers

The composition of interfund transfers as of September 30, 2011, is as follows:

Transfers From:	Transfers To:				Total Transfers From
	General Fund	Nonmajor Governmental Funds	Water Utility	Nonmajor Enterprise Fund	
General Fund	\$ -	\$ 75,000	\$ -	\$ -	75,000
Nonmajor Governmental Funds	15,728	33,713	-	-	49,441
Water Utility	522,762	-	-	495,171	1,017,933
Wastewater Utility	360,085	-	909,905	-	1,269,990
Total	\$ 898,575	\$ 108,713	\$ 909,905	\$ 495,171	\$ 2,412,364

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

E. Long-term Debt

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

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

General debt current outstanding is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/11
Governmental activities					
General obligation bonds:					
Refunding and improvements	\$ 18,805,000	2005	2020	2.50-5.25%	\$ 12,485,000
Refunding	7,639,025	2007	2034	3.60-4.50%	7,524,993
Total general obligation bonds					<u>20,009,993</u>
Certificate of obligation bonds:					
Wastewater improvements	3,935,000	1996	2017	3.95-4.45%	1,555,000
Municipal improvements	4,900,000	2002	2012	4.00-5.125%	231,000
Municipal improvements	5,490,000	2004	2016	4.00-5.50%	654,071
Refunding and improvements	14,250,002	2007	2032	4.15-5.25%	12,971,573
Municipal improvements	8,720,000	2009	2029	2.50-5.00%	8,344,580
Total certificates of obligation					<u>23,756,224</u>
Governmental activities - City					43,766,217
Tax increment financing					1,664,460
Less:					
Unamortized loss on refunding					(1,048,598)
Unamortized premium/discount					<u>583,523</u>
Total governmental type activities					<u>\$ 44,965,602</u>

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/11
Business-type activities					
General obligation bonds:					
Water refunding and improvements	\$ 9,085,196	2007	2034	3.60-4.50%	\$ 8,949,576
Sewer refunding and improvements	17,573,505	2007	2034	3.60-4.50%	17,311,176
Total general obligation bonds					<u>26,260,752</u>
Certificate of obligation bonds:					
Refunding and improvements	9,100,000	2002	2012	4.00-5.125%	429,000
Water improvements	6,600,000	2004	2016	4.00-5.50%	786,316
Water improvements - Sokoll	53,000,000	2007	2038	4.00-5.00%	50,265,000
Water improvements	15,514,000	2007	2032	4.15-5.25%	14,122,171
Sewer improvements	5,236,000	2007	2032	4.15-5.25%	4,766,256
Sewer improvements	19,010,000	2004	2016	4.00-5.50%	2,264,828
Total certificates of obligation					<u>72,633,571</u>
Total business-type activities					98,894,323
Less:					
Unamortized loss on refunding					(1,288,966)
Unamortized premium					99,932
Unamortized discount					<u>(239,180)</u>
Total business-type activities					<u>97,466,109</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Annual debt service requirements to maturity for debt:

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2012	\$ 2,572,888	\$ 1,929,814	\$ 2,596,426	\$ 4,519,050	\$ 11,618,178
2013	2,585,794	1,835,839	2,802,698	4,412,018	11,636,349
2014	2,687,686	1,743,886	2,923,894	4,298,541	11,654,007
2015	2,802,491	1,643,310	3,057,138	4,180,138	11,683,077
2016	2,943,597	1,515,691	3,198,346	4,055,305	11,712,939
2017-2021	12,861,773	5,570,292	18,057,130	18,167,956	54,657,151
2022-2026	7,475,987	3,380,016	18,699,550	14,130,092	43,685,645
2027-2031	7,683,398	1,580,504	22,458,786	9,514,157	41,236,845
2031-2036	2,152,603	159,935	18,835,355	4,073,006	25,220,899
2037-2038	-	-	6,265,000	473,750	6,738,750
Total	\$ <u>43,766,217</u>	\$ <u>19,359,287</u>	\$ <u>98,894,323</u>	\$ <u>67,824,013</u>	\$ <u>229,843,840</u>

Year	TIFRZ		Total
	Principal	Interest	
2012	\$ 65,686	\$ 67,028	\$ 132,714
2013	71,508	65,294	136,802
2014	73,420	63,347	136,767
2015	75,371	61,347	136,718
2016	78,057	58,945	137,002
2017-2021	421,097	254,237	675,334
2022-2026	484,463	164,455	648,918
2027-2031	362,816	45,775	408,591
2032-2036	32,042	2,924	34,966
Total	\$ <u>1,664,460</u>	\$ <u>783,352</u>	\$ <u>2,447,812</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Contract Payable

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

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

<u>Year Ending September 30,</u>	
2012	\$ 11,193
2013	12,211
2014	12,211
2015	12,211
2016	12,211
2017-2021	61,053
2022-2023	<u>14,246</u>
Total	135,336
Less interest	(31,165)
	<u>\$ 104,171</u>

Capitalized Lease Obligations

Governmental – the City entered into a lease to acquire certain radio equipment.

Capitalized lease obligations outstanding at year-end are as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Year of Issue</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 09/30/11</u>
Radio equipment	\$ 1,341,114	2007	2011	3.8400%	<u>\$ -</u>

Capital lease obligation debt service requirements to maturity are as follows:

<u>Year Ending September 30,</u>	
2012	<u>-</u>
Total payments	-
Less imputed interest	<u>-</u>
Total capital lease obligations	<u>\$ -</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Changes in Long-term Debt

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Balance 09/30/10	Additions	Retirements	Balance 09/30/11	Due Within One Year
Governmental activities:					
General debt	\$ 46,237,479	\$ -	\$ 2,471,262	\$ 43,766,217	\$ 2,572,888
Waxahachie TIFRZ	1,728,370	-	63,910	1,664,460	65,686
Less loss on refunding	(1,145,452)	-	(96,854)	(1,048,598)	-
Less unamortized premium/discount	638,377	-	54,854	583,523	-
Net bonds payable	<u>47,458,774</u>	<u>-</u>	<u>2,493,172</u>	<u>44,965,602</u>	<u>2,638,574</u>
Capital leases	279,502	-	279,502	-	-
Contract payable	111,594	-	7,423	104,171	6,602
Compensated absences	<u>1,841,910</u>	<u>1,043,233</u>	<u>989,691</u>	<u>1,895,452</u>	<u>473,863</u>
Total long-term debt	<u>\$ 49,691,780</u>	<u>\$ 1,043,233</u>	<u>\$ 3,769,788</u>	<u>\$ 46,965,225</u>	<u>\$ 3,119,039</u>

	Balance 09/30/10	Additions	Retirements	Adjustments	Balance 09/30/11	Due Within One Year
Business-type activities:						
Tax and revenue bonds	\$ 50,159,151	\$ -	\$ 2,479,828	\$ 51,215,000	\$ 98,894,323	\$ 2,596,426
Less loss on refunding	(1,345,008)	-	(56,042)	-	(1,288,966)	-
Less unamortized premium	-	-	3,701	103,633	99,932	-
Less unamortized discount	(249,924)	-	(10,744)	-	(239,180)	-
Net bonds payable	48,564,219	-	2,416,743	51,318,633	97,466,109	2,596,426
Compensated absences	<u>143,945</u>	<u>170,093</u>	<u>168,184</u>	<u>1,143</u>	<u>146,997</u>	<u>36,748</u>
Total long-term debt	<u>\$ 48,708,164</u>	<u>\$ 170,093</u>	<u>\$ 2,584,927</u>	<u>\$ 51,319,776</u>	<u>\$ 97,613,106</u>	<u>\$ 2,633,174</u>

Refundings

In 2002, the Water District issued \$4,694,927 of unlimited tax and revenue 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 \$4,695,000 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 by \$258,343 and resulted in an economic gain of \$205,513.

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Refundings (Continued)

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, 2011, the amount outstanding on this refunded issue was approximately \$32,350,000.

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 09/30/11
Revenue bonds outstanding					
WCDC sales tax and refunding	\$ 23,555,000	2007	2037	4.00-5.00%	\$ <u>21,855,000</u>

Revenue bond service requirements to maturity:

Year	WCDC		Total
	Principal	Interest	
2012	\$ 505,000	\$ 962,148	\$ 1,467,148
2013	525,000	941,948	1,466,948
2014	550,000	920,948	1,470,948
2015	565,000	898,948	1,463,948
2016	590,000	876,348	1,466,348
2017-2021	3,325,000	4,007,675	7,332,675
2022-2026	4,085,000	3,248,185	7,333,185
2027-2031	4,935,000	2,259,300	7,194,300
2032-2036	5,515,000	1,110,900	6,625,900
2037-2041	<u>1,260,000</u>	<u>63,000</u>	<u>1,323,000</u>
Total	\$ <u>21,855,000</u>	\$ <u>15,289,400</u>	\$ <u>37,144,400</u>

(continued)

3. DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-term Debt (Continued)

Discretely Presented Component Unit (Continued)

	Balance 09/30/10	Additions	Retirements	Balance 09/30/11	Due Within One Year
Discretely presented component unit					
Sales tax revenue bonds	\$ 22,340,000	\$ -	\$ 485,000	\$ 21,855,000	\$ 505,000
Deferred loss on refunding	(339,860)	-	(12,586)	(327,274)	-
Less unamortized discount	(228,791)	-	(14,298)	(214,493)	-
Compensated absences	32,030	42,715	39,151	35,594	8,899
Total long-term debt	\$ 22,333,112	\$ 42,715	\$ 497,267	\$ 21,348,827	\$ 513,899

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, 2011, there was no amount outstanding on this refunded issue.

4. OTHER INFORMATION

A. Risk Management

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

B. Related Party Transaction

As discussed in Note 4 D, the City has committed, under a joint venture agreement, to funding 50 percent of the cost to operate an airport with the City of Midlothian, Texas. The following is a summary of financial information of the joint venture at September 30, 2011:

Balance sheet	
Assets	\$ 17,304,333
Liabilities	(32,455)
 Net assets	 <u>\$ 17,271,878</u>

(continued)

4. **OTHER INFORMATION** (Continued)

B. Related Party Transaction (Continued)

Fund equity	
Components of restricted net assets	
Federal government	\$ 14,387,096
City of Midlothian, Texas	3,291,601
City of Waxahachie, Texas	<u>3,286,401</u>
Total restricted net assets	20,965,098
Deficit	<u>(3,693,220)</u>
Net equity in joint venture	\$ <u>17,271,878</u>
Results of operations	
Revenues	\$ 338,651
Expenses	<u>(721,128)</u>
Income (loss)	(382,477)
Capital contributions	<u>8,437,832</u>
Net income (loss)	\$ <u>8,055,355</u>

The City has also committed, under a joint venture agreement, to funding 50% of the cost to build and operate a water treatment plant. The following is a summary of financial information of the joint venture at September 30, 2011:

Balance sheet	
Assets	\$ 51,182,225
Liabilities	<u>(50,881,375)</u>
Net Assets	\$ <u>300,850</u>
Fund equity	
Invested in capital assets, net of related debt	\$(1,980,249)
Unrestricted	<u>2,281,099</u>
Net equity in joint venture	\$ <u>300,850</u>
Revenues	\$ 1,847,883
Expenses	<u>(5,907,870)</u>
Net Income (loss)	(4,059,987)
Capital contributions	<u>3,370,994</u>
Change in net assets	\$ <u>(688,993)</u>

(continued)

4. OTHER INFORMATION (Continued)

C. Contingent Liabilities

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

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

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

D. Joint Ventures

Midlothian/Waxahachie Airport

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

The Board is responsible for the supervision and operation of the airport assets, grounds, and improvements. Each year, the Board shall prepare a budget for consideration by the Cities. The Airport Budget is funded by equal contributions from each City, user fees, and a tax on fuel. The Cities of Midlothian and Waxahachie each have a 50% share of assets, liabilities and fund equity. Most of the construction of the airport was funded by grants from the Federal Aviation Administration. In the government-wide statement of changes in net assets, contributions and refunds of equity are reflected in the asset. Changes in equity due to operations are reported as program costs or revenues. The City's share of income from operations was \$4,027,678.

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

Robert W. Sokoll Water Treatment Plan

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

(continued)

4. OTHER INFORMATION (Continued)

D. Joint Ventures (Continued)

Robert W. Sokoll Water Treatment Plan (Continued)

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

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

E. Employee Retirement Systems and Pension Plans

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

Texas Municipal Retirement System

Plan Description

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

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

(continued)

4. OTHER INFORMATION (Continued)

E. Employee Retirement Systems and Pension Plans (Continued)

Texas Municipal Retirement System (Continued)

Plan Description (Continued)

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

	Plan year 2010	Plan year 2011
Employee deposit rate	7.00%	7.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

Fiscal Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation/ (Asset)
9/30/2009	\$ 1,698,085	\$ 1,698,085	100%	\$ -
9/30/2010	1,774,867	1,774,867	100%	-
9/30/2011	1,893,335	1,893,335	100%	-

(continued)

4. OTHER INFORMATION (Continued)

E. Employee Retirement Systems and Pension Plans (Continued)

Texas Municipal Retirement System (Continued)

Contributions (Continued)

The required contribution rates for fiscal year 2011 were determined as part of the December 31, 2008 and 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

Valuation Date	12/31/08	12/31/09	12/31/10 Restructured
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	29.0 years; closed period	28.0 years; closed period	26.9 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	Amortized Cost	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return*	7.5%	7.5%	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 June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report (CAFR).

(continued)

4. **OTHER INFORMATION (Continued)**

E. Employee Retirement Systems and Pension Plans (Continued)

Texas Municipal Retirement System (Continued)

Contributions (Continued)

The funded status as of December 31, 2010, under the two separate actuarial valuations, 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
12/31/2010 ¹	\$ 21,575,291	\$ 34,374,974	62.8%	\$ 12,799,683	\$ 10,157,943	126.0%
12/31/2010 ²	30,402,604	41,532,760	73.2%	11,130,156	10,157,943	109.6%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

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, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Firefighters' Relief and Retirement Fund

Plan Description

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

(continued)

4. OTHER INFORMATION (Continued)

E. Employee Retirement Systems and Pension Plans (Continued)

Firefighters' Relief and Retirement Fund (Continued)

The plan obtains an actuarial evaluation in even numbered years only; therefore, the table below summarizes the membership of the fund at September 30, 2010:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them	24
Current employees, fully vested	19
Current employees, nonvested	29
Total active membership	<u>48</u>
Total fund membership	<u>72</u>

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, 2005, 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.

(continued)

4. **OTHER INFORMATION** (Continued)

E. Employee Retirement Systems and Pension Plans (Continued)

Firefighters' Relief and Retirement Fund (Continued)

Contributions Required and Contributions Made (Continued)

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 18.09% 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, 2010, actuarial valuation is used in these footnotes. The September 30, 2010, actuarial valuation assumes that the City's contributions will average 18.09% of payroll in the future.

For the fiscal year ending September 30, 2011, the City of Waxahachie's annual pension cost of \$621,402 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, 2010, 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 13.8 years as of the September 30, 2010, actuarial valuation.

(continued)

4. **OTHER INFORMATION** (Continued)

E. Employee Retirement Systems and Pension Plans (Continued)

Firefighters' Relief and Retirement Fund (Continued)

Contributions Required and Contributions Made (Continued)

Actuarial Valuation Date	9/30/2011	9/30/2010	9/30/2009
Actuarial Value of Assets	*	\$ 8,159,658	*
Actuarial Accrued Liabilities	*	13,319,237	*
Percentage Funded	*	61.3%	*
Unfunded (Overfunded) Actuarial Accrued Liability (UAAL)	*	5,159,579	*
Annual Covered Payroll	*	2,961,077	*
UAAL as a Percentage of Covered Payroll	*	174.2%	*
Net Pension Obligation, beginning of period	\$ -	\$ -	\$ -
Annual Pension Cost (APC):			
Annual Required Contribution (ARC)	621,402	533,132	488,917
Interest on Net Pension Obligation	-	-	-
Adjustment to the ARC	-	-	-
Total APC	621,402	533,132	488,917
Contributions Made (100%)	621,402	533,132	488,917
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 seven years is presented in the Required Supplementary Information on page 59.

F. Other Postemployment Benefits

Supplemental Death Benefits Fund

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

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

(continued)

4. OTHER INFORMATION (Continued)

F. Other Postemployment Benefits (Continued)

Supplemental Death Benefits Fund (Continued)

Contributions

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
2009	0.03%	0.03%	100%
2010	0.03%	0.03%	100%
2011	0.04%	0.04%	100%

G. Condensed Financial Information for Discretely Presented Component Unit

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

Balance Sheet	General	Debt Service	Reserve	Capital Projects	Combined
Assets					
Current assets	\$ 756,365	\$ -	\$ 1,423,393	\$ 1,985,733	\$ 4,165,491
Liabilities					
Current liabilities	\$ 124,647	\$ -	\$ -	\$ -	\$ 124,647
Fund balance	631,718	-	1,423,393	1,985,733	4,040,844
Total liabilities and fund balance	\$ 756,365	\$ -	\$ 1,423,393	\$ 1,985,733	\$ 4,165,491

(continued)

4. OTHER INFORMATION (Continued)

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

Revenues and Expenditures	General	Debt Service	Reserve	Capital Projects	Combined
Revenues	\$ 3,229,042	\$ -	\$ 1,485	\$ 5,107	\$ 3,235,634
Current expenditures	1,668,707	-	-	115,643	1,784,350
Debt service	-	1,466,548	-	-	1,466,548
Total expenditures	1,668,707	1,466,548	-	115,643	3,250,898
Revenues over (under) expenditures	1,560,335	(1,466,548)	1,485	(110,536)	(15,264)
Other financing sources (uses)	(1,293,848)	1,466,534	26,300	(198,986)	-
Net change in fund balances	266,487	(14)	27,785	(309,522)	(15,264)
Fund balances, October 1	365,231	14	1,395,608	2,295,255	4,056,108
Fund balances, September 30	\$ 631,718	\$ -	\$ 1,423,393	\$ 1,985,733	\$ 4,040,844

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	\$ 4,040,844
Capital assets not reported in the funds	18,451,081
Deferred charges	382,847
Accrued interest payable	(156,872)
Payable for loan principal not due currently	(21,313,233)
Payables for compensated absences	(35,594)
Net assets - statement of net assets	\$ 1,369,073

Reconciliation of Statement of Revenues, Expenditures and Fund Balances	WCDC
Net change in fund balances	\$(15,264)
Repayment of loan principal	458,116
Bond issuance cost	(25,523)
Capital outlay	75,832
Depreciation	(501,132)
Change in accrued interest expense	3,163
Change in compensated absences	(3,564)
Change in net assets	\$(8,372)

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF WAXAHACHIE, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Taxes:				
Ad valorem	\$ 9,298,000	\$ 9,298,000	9,366,432	\$ 68,432
Franchise	2,602,000	2,602,000	2,731,366	129,366
Sales	7,385,000	7,385,000	7,763,377	378,377
Other	70,000	70,000	73,577	3,577
Charges for services	225,800	225,800	227,674	1,874
Licenses and permits	465,500	465,500	575,406	109,906
Fines and forfeitures	440,500	440,500	475,835	35,335
Intergovernmental	72,700	72,700	89,767	17,067
Miscellaneous	152,400	154,466	348,908	194,442
Interest	9,000	9,000	8,174	(826)
Total revenues	<u>20,720,900</u>	<u>20,722,966</u>	<u>21,660,516</u>	<u>937,550</u>
EXPENDITURES				
Current:				
General government				
General administration	739,250	739,250	694,247	45,003
Downtown development	159,495	159,495	153,664	5,831
Planning	130,335	130,335	120,924	9,411
Finance department	753,990	753,990	763,401	(9,411)
City attorney	115,000	115,000	110,629	4,371
General items	388,396	388,396	919,646	(531,250)
Human resources	315,455	315,455	300,840	14,615
Information technology	296,295	296,295	288,683	7,612
Economic development	172,800	172,800	141,872	30,928
Mid-Way Airport	3,500	3,500	40,000	(36,500)
Miscellaneous	-	-	5,569	(5,569)
Total general government	<u>3,074,516</u>	<u>3,074,516</u>	<u>3,539,475</u>	<u>(464,959)</u>
Public safety				
Municipal court	285,130	285,130	281,388	3,742
Building inspection	488,496	488,496	460,769	27,727
Fire department	5,326,392	5,337,122	5,329,197	7,925
Police department	6,425,482	6,425,482	6,134,549	290,933
Total public safety	<u>12,525,500</u>	<u>12,536,230</u>	<u>12,205,903</u>	<u>330,327</u>

(continued)

CITY OF WAXAHACHIE, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive
				(Negative)
EXPENDITURES (Continued)				
Public works				
Engineering department	\$ 349,230	\$ 349,230	\$ 343,908	\$ 5,322
Street department	2,440,852	2,440,852	2,099,750	341,102
Environmental health	588,804	588,804	514,595	74,209
Central garage	235,487	254,495	240,625	13,870
Animal control	<u>223,830</u>	<u>223,830</u>	<u>225,304</u>	(1,474)
Total public works	<u>3,838,203</u>	<u>3,857,211</u>	<u>3,424,182</u>	<u>433,029</u>
Culture and recreation				
Parks and recreation	784,647	816,451	769,716	46,735
Chautauqua Auditorium	8,370	13,270	12,143	1,127
Rodeo	10,359	11,359	12,152	(793)
Penn Park Pool	28,274	44,324	38,389	5,935
Optimist Pool	10,888	10,888	12,339	(1,451)
Sims Library	1,037,000	1,037,000	1,041,972	(4,972)
Senior Citizens Center	<u>234,143</u>	<u>234,143</u>	<u>214,882</u>	<u>19,261</u>
Total culture and recreation	<u>2,113,681</u>	<u>2,167,435</u>	<u>2,101,593</u>	<u>65,842</u>
Total expenditures	<u>21,551,900</u>	<u>21,635,392</u>	<u>21,271,153</u>	<u>364,239</u>
EXCESS (DEFICIENCY) OF REVENUE				
OVER (UNDER) EXPENDITURES	(831,000)	(912,426)	389,363	1,301,789
OTHER FINANCING SOURCES (USES)				
Transfers in	971,000	971,000	898,575	(72,425)
Transfers out	(40,000)	(115,000)	(75,000)	40,000
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>931,000</u>	<u>856,000</u>	<u>823,575</u>	<u>(32,425)</u>
NET CHANGE IN FUND BALANCES	100,000	(56,426)	1,212,938	1,269,364
FUND BALANCES, BEGINNING	<u>7,674,987</u>	<u>7,674,987</u>	<u>7,674,987</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 7,774,987</u>	<u>\$ 7,618,561</u>	<u>\$ 8,887,925</u>	<u>\$ 1,269,364</u>

CITY OF WAXAHACHIE, TEXAS

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2011
(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
12/31/2008	17,281,743	30,138,411	57.3%	12,856,668	10,796,692	119.1%
12/31/2009	19,529,740	32,421,994	60.2%	12,892,254	10,748,877	119.9%
12/31/2010 ¹	21,575,291	34,374,974	62.8%	12,799,683	10,157,943	126.0%
12/31/2010 ²	30,402,604	41,532,760	73.2%	11,130,156	10,157,943	109.6%

(1) Actuarial valuation performed under the original fund structure

(2) Actuarial valuation performed under the new fund structure

CITY OF WAXAHACHIE, TEXAS

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

SEVEN YEARS ENDED SEPTEMBER 30, 2011
(Unaudited)

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

* An actuarial valuation is not available.

CITY OF WAXAHACHIE, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED SEPTEMBER 30, 2011

A. BUDGETARY INFORMATION

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

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

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

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

(continued)

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures in excess of appropriations:

General Fund	
Finance department	\$ 9,411
General items	531,250
Mid-Way airport	36,500
Miscellaneous	5,569
Animal control	1,474
Rodeo	793
Optimist pool	1,451
Sims library	4,972
 Debt Service Fund	
Interest	15,599

**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.

Abandoned Vehicle Sales – This fund is used to account for money generated by the sale of abandoned vehicles that have been impounded by the Police Department. Any funds remaining after towing and storage fees are paid may be used for law enforcement purposes, but cannot be used for salaries.

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.

East Side Renewal Fund – This fund is used to account for the money collected in the effort to improve the housing in an economically depressed area of Waxahachie. New homes are built and a percentage of the sales go to this fund. Proceeds are used to assist other new homebuyers with home purchase costs.

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

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

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

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

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

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

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

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

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

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

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

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

Police Department Radio Grant – This fund is used to account for the receipt and expenditures for a grant from the Department of Justice for a new radio system.

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

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

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

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

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

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

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

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

CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2011

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,870,451	\$ 21,762	\$ 1,156,160	\$ 4,048,373
Receivables (net of allowances for uncollectibles):				
Taxes	-	3,133	-	3,133
Other	81,409	-	-	81,409
Intergovernmental	<u>8,125</u>	<u>75</u>	<u>-</u>	<u>8,200</u>
 Total assets	 <u>2,959,985</u>	 <u>24,970</u>	 <u>1,156,160</u>	 <u>4,141,115</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	42,250	-	465,247	507,497
Due to other funds	1,125	-	707,921	709,046
Deferred revenue	<u>1,500</u>	<u>3,065</u>	<u>-</u>	<u>4,565</u>
Total liabilities	<u>44,875</u>	<u>3,065</u>	<u>1,173,168</u>	<u>1,221,108</u>
Fund balances:				
Restricted for:				
Tourism	145,076	-	-	145,076
Capital projects	-	-	984,623	984,623
Debt service	-	21,905	-	21,905
Perpetual care	747,233	-	-	747,233
Public safety	174,486	-	-	174,486
Industrial development	227,176	-	-	227,176
Municipal court judicial efficiency	13,912	-	-	13,912
Municipal court technology	103,051	-	-	103,051
Municipal court security	36,818	-	-	36,818
Municipal court judicial	7,790	-	-	7,790
Culture and recreation	88,212	-	-	88,212
Downtown improvements	510,421	-	-	510,421
Water district	776,960	-	-	776,960
Committed for:				
Culture and recreation	83,975	-	-	83,975
Unassigned	<u>-</u>	<u>-</u>	<u>(1,001,631)</u>	<u>(1,001,631)</u>
Total fund balances	<u>2,915,110</u>	<u>21,905</u>	<u>(17,008)</u>	<u>2,920,007</u>
 Total liabilities and fund balances	 <u>\$ 2,959,985</u>	 <u>\$ 24,970</u>	 <u>\$ 1,156,160</u>	 <u>\$ 4,141,115</u>

CITY OF WAXAHACHIE, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes	\$ 518,878	\$ 100,820	\$ -	\$ 619,698
Charges for services	171,653	-	-	171,653
Intergovernmental	31,553	-	-	31,553
Miscellaneous	791,332	-	21,150	812,482
Interest	<u>1,825</u>	<u>21</u>	<u>5,557</u>	<u>7,403</u>
Total revenues	<u>1,515,241</u>	<u>100,841</u>	<u>26,707</u>	<u>1,642,789</u>
EXPENDITURES				
Current:				
General government	358,820	-	-	358,820
Public safety	56,309	-	-	56,309
Public works	1,770	-	8,426	10,196
Judicial	7,309	-	-	7,309
Culture and recreation	96,218	-	-	96,218
Debt service:				
Principal	-	63,909	-	63,909
Interest	-	68,840	-	68,840
Capital Outlay	<u>74,822</u>	<u>-</u>	<u>1,782,056</u>	<u>1,856,878</u>
Total expenditures	<u>595,248</u>	<u>132,749</u>	<u>1,790,482</u>	<u>2,518,479</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>919,993</u>	<u>(31,908)</u>	<u>(1,763,775)</u>	<u>(875,690)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	75,000	33,713	-	108,713
Transfers out	<u>(49,441)</u>	<u>-</u>	<u>-</u>	<u>(49,441)</u>
Total other financing sources (uses)	<u>25,559</u>	<u>33,713</u>	<u>-</u>	<u>59,272</u>
NET CHANGE IN FUND BALANCES	945,552	1,805	(1,763,775)	(816,418)
FUND BALANCES, BEGINNING	<u>1,969,558</u>	<u>20,100</u>	<u>1,746,767</u>	<u>3,736,425</u>
FUND BALANCES, ENDING	<u>\$ 2,915,110</u>	<u>\$ 21,905</u>	<u>\$ (17,008)</u>	<u>\$ 2,920,007</u>

CITY OF WAXAHACHIE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2011

	<u>Hotel/Motel Tax</u>	<u>Abandoned Vehicle Sales</u>	<u>Fire Department Donations</u>	<u>Veteran's Memorial Donations</u>
ASSETS				
Cash and investments	\$ 132,094	\$ -	\$ 13,852	\$ 21,477
Receivables (net of allowances for uncollectibles):				
Other	56,525	-	-	-
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 188,619</u>	<u>\$ -</u>	<u>\$ 13,852</u>	<u>\$ 21,477</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 28,026	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deferred revenue	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>29,526</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted for:				
Tourism	119,320	-	-	-
Perpetual care	-	-	-	-
Public safety	-	-	13,852	-
Industrial development	-	-	-	-
Municipal court judicial efficiency	-	-	-	-
Municipal court technology	-	-	-	-
Municipal court security	-	-	-	-
Municipal court judicial	-	-	-	-
Culture and recreation	39,773	-	-	21,477
Downtown improvements	-	-	-	-
Water district	-	-	-	-
Committed for:				
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>159,093</u>	<u>-</u>	<u>13,852</u>	<u>21,477</u>
Total liabilities and fund balances	<u>\$ 188,619</u>	<u>\$ -</u>	<u>\$ 13,852</u>	<u>\$ 21,477</u>

East Side Renewal	LEOSE	Waxahachie Police Explorers	Tax Increment	Police Seizure	Police Forfeiture	Cemetery Perpetual Care
\$ -	\$ 2,164	\$ 8,607	\$ 485,893	\$ 15,101	\$ 10,083	751,981
-	-	-	24,884	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ 2,164</u>	<u>\$ 8,607</u>	<u>\$ 510,777</u>	<u>\$ 15,101</u>	<u>\$ 10,083</u>	<u>\$ 751,981</u>
\$ -	\$ -	\$ 11	\$ 356	\$ -	\$ -	\$ 4,748
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>11</u>	<u>356</u>	<u>-</u>	<u>-</u>	<u>4,748</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	747,233
-	2,164	8,596	-	15,101	10,083	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	510,421	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>2,164</u>	<u>8,596</u>	<u>510,421</u>	<u>15,101</u>	<u>10,083</u>	<u>747,233</u>
<u>\$ -</u>	<u>\$ 2,164</u>	<u>\$ 8,607</u>	<u>\$ 510,777</u>	<u>\$ 15,101</u>	<u>\$ 10,083</u>	<u>\$ 751,981</u>

(continued)

CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

(Continued)

SEPTEMBER 30, 2011

	<u>Industrial Development</u>	<u>Water District General</u>	<u>Police Department Federal Forfeiture</u>
ASSETS			
Cash and investments	\$ 227,176	\$ 776,960	\$ 89,428
Receivables (net of allowances for uncollectibles):			
Other	-	-	-
Intergovernmental	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 227,176</u>	<u>\$ 776,960</u>	<u>\$ 89,428</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<hr/>	<hr/>	<hr/>
Fund balances:			
Restricted for:			
Tourism	-	-	-
Perpetual care	-	-	-
Public safety	-	-	89,428
Industrial development	227,176	-	-
Municipal court judicial efficiency	-	-	-
Municipal court technology	-	-	-
Municipal court security	-	-	-
Municipal court judicial	-	-	-
Culture and recreation	-	-	-
Downtown improvements	-	-	-
Water district	-	776,960	-
Committed for:			
Culture and recreation	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>227,176</u>	<u>776,960</u>	<u>89,428</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 227,176</u>	<u>\$ 776,960</u>	<u>\$ 89,428</u>

<u>Texas Tobacco Compliance Grant</u>	<u>Park Dedication Impact Fee</u>	<u>Municipal Court</u>	<u>Police Department Radio Grant</u>	<u>Enforce Underage Drinking Grant</u>	<u>Miscellaneous Special Revenue</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 2,930	\$ 83,975	\$ 161,571	\$ -	\$ -	\$ 87,159	\$ 2,870,451
-	-	-	-	-	-	81,409
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,125</u>	<u>7,000</u>	<u>8,125</u>
<u>\$ 2,930</u>	<u>\$ 83,975</u>	<u>\$ 161,571</u>	<u>\$ -</u>	<u>\$ 1,125</u>	<u>\$ 94,159</u>	<u>\$ 2,959,985</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,109	42,250
-	-	-	-	1,125	-	1,125
-	-	-	-	-	-	1,500
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,125</u>	<u>9,109</u>	<u>44,875</u>
-	-	-	-	-	25,756	145,076
-	-	-	-	-	-	747,233
2,930	-	-	-	-	32,332	174,486
-	-	-	-	-	-	227,176
-	-	13,912	-	-	-	13,912
-	-	103,051	-	-	-	103,051
-	-	36,818	-	-	-	36,818
-	-	7,790	-	-	-	7,790
-	-	-	-	-	26,962	88,212
-	-	-	-	-	-	510,421
-	-	-	-	-	-	776,960
<u>-</u>	<u>83,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,975</u>
<u>2,930</u>	<u>83,975</u>	<u>161,571</u>	<u>-</u>	<u>-</u>	<u>85,050</u>	<u>2,915,110</u>
<u>\$ 2,930</u>	<u>\$ 83,975</u>	<u>\$ 161,571</u>	<u>\$ -</u>	<u>\$ 1,125</u>	<u>\$ 94,159</u>	<u>\$ 2,959,985</u>

CITY OF WAXAHACHIE, TEXAS

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

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2011

	<u>Hotel/Motel Tax</u>	<u>Abandoned Vehicle Sales</u>	<u>Fire Department Donations</u>	<u>Veteran's Memorial Donations</u>
REVENUES				
Taxes	\$ 340,525	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous	34,373	-	1,955	13,075
Interest	<u>55</u>	<u>2</u>	<u>20</u>	<u>18</u>
Total revenues	<u>374,953</u>	<u>2</u>	<u>1,975</u>	<u>13,093</u>
EXPENDITURES				
Current:				
General government	164,878	-	-	9,488
Public safety	-	-	7,957	-
Public works	-	-	-	-
Judicial	-	-	-	-
Culture and recreation	57,570	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>222,448</u>	<u>-</u>	<u>7,957</u>	<u>9,488</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>152,505</u>	<u>2</u>	<u>(5,982)</u>	<u>3,605</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>(2,316)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(2,316)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	152,505	(2,314)	(5,982)	3,605
FUND BALANCES, BEGINNING	<u>6,588</u>	<u>2,314</u>	<u>19,834</u>	<u>17,872</u>
FUND BALANCES, ENDING	<u>\$ 159,093</u>	<u>\$ -</u>	<u>\$ 13,852</u>	<u>\$ 21,477</u>

<u>East Side Renewal</u>	<u>LEOSE</u>	<u>Waxahachie Police Explorers</u>	<u>Tax Increment</u>	<u>Police Seizure</u>	<u>Police Forfeiture</u>	<u>Cemetery Perpetual Care</u>
\$ -	\$ -	\$ -	\$ 178,353	\$ -	\$ -	\$ -
-	-	-	-	10,521	-	88,400
-	5,992	-	-	-	-	-
-	-	5,401	-	-	4,900	-
<u>3</u>	<u>-</u>	<u>11</u>	<u>410</u>	<u>-</u>	<u>37</u>	<u>740</u>
<u>3</u>	<u>5,992</u>	<u>5,412</u>	<u>178,763</u>	<u>10,521</u>	<u>4,937</u>	<u>89,140</u>
-	-	-	26,234	-	-	60,140
-	3,828	5,999	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,920</u>	<u>30,902</u>
<u>-</u>	<u>3,828</u>	<u>5,999</u>	<u>26,234</u>	<u>-</u>	<u>43,920</u>	<u>91,042</u>
<u>3</u>	<u>2,164</u>	<u>(587)</u>	<u>152,529</u>	<u>10,521</u>	<u>(38,983)</u>	<u>(1,902)</u>
-	-	-	-	-	-	75,000
<u>(2,913)</u>	<u>-</u>	<u>-</u>	<u>(33,713)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(2,913)</u>	<u>-</u>	<u>-</u>	<u>(33,713)</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
<u>(2,910)</u>	<u>2,164</u>	<u>(587)</u>	<u>118,816</u>	<u>10,521</u>	<u>(38,983)</u>	<u>73,098</u>
<u>2,910</u>	<u>-</u>	<u>9,183</u>	<u>391,605</u>	<u>4,580</u>	<u>49,066</u>	<u>674,135</u>
<u>\$ -</u>	<u>\$ 2,164</u>	<u>\$ 8,596</u>	<u>\$ 510,421</u>	<u>\$ 15,101</u>	<u>\$ 10,083</u>	<u>\$ 747,233</u>

(continued)

CITY OF WAXAHACHIE, TEXAS

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

NONMAJOR SPECIAL REVENUE FUNDS

(Continued)

SEPTEMBER 30, 2011

	<u>Industrial Development</u>	<u>Water District General</u>	<u>Police Department Federal Forfeiture</u>
REVENUES			
Taxes	\$ -	\$ -	\$ -
Charges for services	-	-	32,499
Intergovernmental	-	-	-
Miscellaneous	-	562,690	-
Interest	-	308	88
Total revenues	<u>-</u>	<u>562,998</u>	<u>32,587</u>
EXPENDITURES			
Current:			
General government	-	844	-
Public safety	-	-	19,057
Public works	-	-	-
Judicial	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>844</u>	<u>19,057</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>562,154</u>	<u>13,530</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	562,154	13,530
FUND BALANCES, BEGINNING	<u>227,176</u>	<u>214,806</u>	<u>75,898</u>
FUND BALANCES, ENDING	<u>\$ 227,176</u>	<u>\$ 776,960</u>	<u>\$ 89,428</u>

<u>Texas Tobacco Compliance Grant</u>	<u>Park Dedication Impact Fee</u>	<u>Municipal Court</u>	<u>Police Department Radio Grant</u>	<u>Enforce Underage Drinking Grant</u>	<u>Miscellaneous Special Revenue</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 518,878
-	15,117	25,116	-	-	-	171,653
2,000	-	-	4,499	10,542	8,520	31,553
-	-	-	-	-	168,938	791,332
-	79	-	-	-	54	1,825
<u>2,000</u>	<u>15,196</u>	<u>25,116</u>	<u>4,499</u>	<u>10,542</u>	<u>177,512</u>	<u>1,515,241</u>
2,649	-	-	-	-	94,587	358,820
-	-	-	-	10,542	8,926	56,309
-	-	-	-	-	1,770	1,770
-	-	7,309	-	-	-	7,309
-	-	-	-	-	38,648	96,218
-	-	-	-	-	-	74,822
<u>2,649</u>	<u>-</u>	<u>7,309</u>	<u>-</u>	<u>10,542</u>	<u>143,931</u>	<u>595,248</u>
(649)	15,196	17,807	4,499	-	33,581	919,993
-	-	-	-	-	-	75,000
-	-	(6,000)	(4,499)	-	-	(49,441)
-	-	(6,000)	(4,499)	-	-	25,559
(649)	15,196	11,807	-	-	33,581	945,552
<u>3,579</u>	<u>68,779</u>	<u>149,764</u>	<u>-</u>	<u>-</u>	<u>51,469</u>	<u>1,969,558</u>
<u>\$ 2,930</u>	<u>\$ 83,975</u>	<u>\$ 161,571</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,050</u>	<u>\$ 2,915,110</u>

CITY OF WAXAHACHIE, TEXAS

HOTEL/MOTEL TAX

**SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other taxes	\$ 288,000	\$ 288,000	\$ 340,525	\$ 52,525
Miscellaneous	-	-	34,373	34,373
Interest	40	40	55	15
Total revenues	<u>288,040</u>	<u>288,040</u>	<u>374,953</u>	<u>86,913</u>
EXPENDITURES				
Current:				
General government				
Economic development	<u>288,000</u>	<u>288,000</u>	<u>164,878</u>	<u>123,122</u>
Total expenditures	<u>288,000</u>	<u>288,000</u>	<u>164,878</u>	<u>123,122</u>
NET CHANGE IN FUND BALANCES	40	40	210,075	210,035
FUND BALANCES, BEGINNING	<u>6,588</u>	<u>6,588</u>	<u>6,588</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 6,628</u>	<u>\$ 6,628</u>	<u>\$ 216,663</u>	<u>\$ 210,035</u>

CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR DEBT SERVICE FUNDS

SEPTEMBER 30, 2011

	<u>Tax Increment</u>	<u>Water District</u>	<u>Total Nonmajor Debt Service Funds</u>
ASSETS			
Cash and investments	\$ -	\$ 21,762	\$ 21,762
Receivables (net of allowances for uncollectibles):			
Taxes	-	3,133	3,133
Intergovernmental	-	75	75
	<u>-</u>	<u>75</u>	<u>75</u>
Total assets	\$ <u>-</u>	\$ <u>24,970</u>	\$ <u>24,970</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue	\$ -	\$ 3,065	\$ 3,065
Total liabilities	<u>-</u>	<u>3,065</u>	<u>3,065</u>
Fund balances:			
Restricted for:			
Debt service	-	21,905	21,905
Total fund balances	<u>-</u>	<u>21,905</u>	<u>21,905</u>
Total liabilities and fund balances	\$ <u>-</u>	\$ <u>24,970</u>	\$ <u>24,970</u>

CITY OF WAXAHACHIE, TEXAS

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

NONMAJOR DEBT SERVICE FUNDS

SEPTEMBER 30, 2011

	<u>Tax Increment</u>	<u>Water District</u>	<u>Total Nonmajor Debt Service Funds</u>
REVENUES			
Taxes	\$ 99,036	\$ 1,784	\$ 100,820
Interest	<u>-</u>	<u>21</u>	<u>21</u>
Total revenues	<u>99,036</u>	<u>1,805</u>	<u>100,841</u>
EXPENDITURES			
Debt service:			
Principal	63,909	-	63,909
Interest	<u>68,840</u>	<u>-</u>	<u>68,840</u>
Total expenditures	<u>132,749</u>	<u>-</u>	<u>132,749</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(33,713)</u>	<u>1,805</u>	<u>(31,908)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>33,713</u>	<u>-</u>	<u>33,713</u>
Total other financing sources (uses)	<u>33,713</u>	<u>-</u>	<u>33,713</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>1,805</u>	<u>1,805</u>
FUND BALANCES, BEGINNING	<u>-</u>	<u>20,100</u>	<u>20,100</u>
FUND BALANCES, ENDING	<u>\$ -</u>	<u>\$ 21,905</u>	<u>\$ 21,905</u>

CITY OF WAXAHACHIE, TEXAS

DEBT SERVICE

**DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE**

FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Ad valorem taxes	\$ 5,157,200	\$ 5,157,200	\$ 5,170,148	\$ 12,948
Miscellaneous	72,130	72,130	77,515	5,385
Interest	<u>1,600</u>	<u>1,600</u>	<u>1,944</u>	<u>344</u>
Total revenues	<u>5,230,930</u>	<u>5,230,930</u>	<u>5,249,607</u>	<u>18,677</u>
EXPENDITURES				
Debt service:				
Principal	2,762,950	2,762,950	2,758,188	4,762
Interest	<u>2,035,326</u>	<u>2,035,326</u>	<u>2,050,925</u>	<u>(15,599)</u>
Total expenditures	<u>4,798,276</u>	<u>4,798,276</u>	<u>4,809,113</u>	<u>(10,837)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>432,654</u>	<u>432,654</u>	<u>440,494</u>	<u>7,840</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	432,654	432,654	440,494	7,840
FUND BALANCES, BEGINNING	<u>840,914</u>	<u>840,914</u>	<u>840,914</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 1,273,568</u>	<u>\$ 1,273,568</u>	<u>\$ 1,281,408</u>	<u>\$ 7,840</u>

CITY OF WAXAHACHIE, TEXAS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2011

	<u>2007 Bond Construction</u>	<u>2009 Bond Construction</u>	<u>2009 Bond Construction Tax Increment</u>
ASSETS			
Cash and investments	\$ <u>1,009,011</u>	\$ <u>32,319</u>	\$ <u>114,830</u>
Total assets	<u>1,009,011</u>	<u>32,319</u>	<u>114,830</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	171,537	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>171,537</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Capital projects	837,474	32,319	114,830
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>837,474</u>	<u>32,319</u>	<u>114,830</u>
Total liabilities and fund balances	\$ <u>1,009,011</u>	\$ <u>32,319</u>	\$ <u>114,830</u>

<u>2011 Bond Firehouse Construction</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ <u> -</u>	\$ <u> 1,156,160</u>
<u> -</u>	<u> 1,156,160</u>
293,710	465,247
<u> 707,921</u>	<u> 707,921</u>
<u> 1,001,631</u>	<u> 1,173,168</u>
-	984,623
(<u> 1,001,631</u>)	(<u> 1,001,631</u>)
(<u> 1,001,631</u>)	(<u> 17,008</u>)
<u> -</u>	<u> 1,156,160</u>

CITY OF WAXAHACHIE, TEXAS

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

NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2011

	<u>2007 Bond Construction</u>	<u>2009 Bond Construction</u>	<u>2009 Bond Construction Tax Increment</u>
REVENUES			
Miscellaneous	\$ 21,150	\$ -	\$ -
Interest	<u>1,317</u>	<u>3,692</u>	<u>548</u>
Total revenues	<u>22,467</u>	<u>3,692</u>	<u>548</u>
EXPENDITURES			
Current:			
Public works	6,570	-	1,856
Capital Outlay	<u>4,295</u>	<u>350,379</u>	<u>425,751</u>
Total expenditures	<u>10,865</u>	<u>350,379</u>	<u>427,607</u>
NET CHANGE IN FUND BALANCES	11,602	(346,687)	(427,059)
FUND BALANCES, BEGINNING	<u>825,872</u>	<u>379,006</u>	<u>541,889</u>
FUND BALANCES, ENDING	<u>\$ 837,474</u>	<u>\$ 32,319</u>	<u>\$ 114,830</u>

<u>2011 Bond Firehouse Construction</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ -	\$ 21,150
<u>-</u>	<u>5,557</u>
<u>-</u>	<u>26,707</u>
-	8,426
<u>1,001,631</u>	<u>1,782,056</u>
<u>1,001,631</u>	<u>1,790,482</u>
(1,001,631)	(1,763,775)
<u>-</u>	<u>1,746,767</u>
<u>\$(1,001,631)</u>	<u>\$(17,008)</u>