



CITY OF WAXAHACHIE ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2018**

CITY OF WAXAHACHIE, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Prepared by:
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FINANCIAL SECTION

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component 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, 2018, and the related notes to the financial statements, which collectively comprise the City of Waxahachie, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Waxahachie, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in the notes to the financial statements, in fiscal year 2018 the City of Waxahachie, Texas adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2019 on our consideration of the City of Waxahachie, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Waxahachie, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
March 4, 2019

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**BASIC
FINANCIAL STATEMENTS**

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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, 2018. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At September 30, 2018, the City's total combined net position was \$135,978,546. Of this amount, \$20,930,776 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$17,519,093 during the current fiscal year.
- At the end of the fiscal year, the total fund balance of all governmental funds was \$35,651,079, down \$6,413,059 from the prior year. The decrease was primarily due to capital expenditures in the current fiscal year. The General Fund had an increase in fund balance of \$4,142,536 while the Debt Service Fund had a decrease in fund balance of \$51,063. The 2016 Public Safety Building Fund and 2017 Street Bond Fund had decreases in fund balance of \$11,067,032 and \$4,123,963, respectively.
- As of the close of the current fiscal year, unassigned fund balance for the General Fund was \$15,947,982, or about 42.7% 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

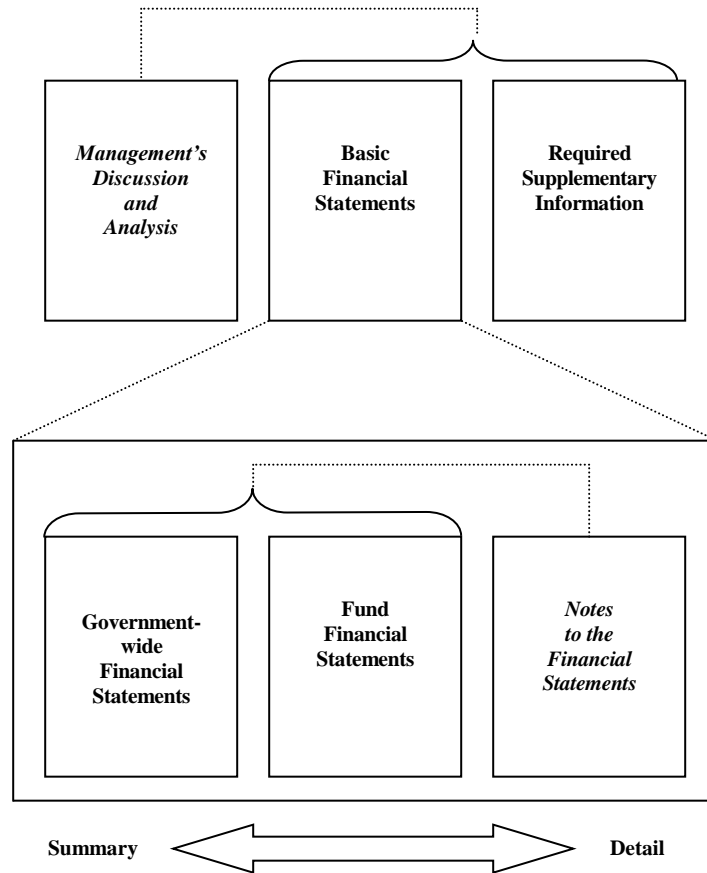


Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of 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 Position. Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Fund Balances	Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Net Position.	Statement of Changes in Fiduciary Net Position
<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 position includes all of the government's assets, deferred inflows/outflows of resources 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 position and how it has changed. Net position—the difference between the City's assets, deferred inflows/outflows of resources and liabilities—are one way to measure the City's financial health or position.

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

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

The government-wide financial statements can be found on pages 13 – 15 of this report.

FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Waxahachie, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$135,978,546.

The largest portion of the City's net position (72.8%) reflects its investment in capital assets (e.g. land, buildings, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that are still outstanding. The City uses these assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (11.8%) represents resources that are subject to external restrictions on how they may have to be used. The remaining balance of unrestricted net position (15.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

TABLE 1

CITY OF WAXAHACHIE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 50,803,582	\$ 54,975,473	\$ 27,034,763	\$ 19,517,031	\$ 77,838,345	\$ 74,492,504
Capital assets	110,280,451	89,355,606	80,035,409	78,393,637	190,315,860	167,749,243
Total assets	<u>161,084,033</u>	<u>144,331,079</u>	<u>107,070,172</u>	<u>97,910,668</u>	<u>268,154,205</u>	<u>242,241,747</u>
Total deferred outflows of resources	<u>3,867,495</u>	<u>6,123,828</u>	<u>1,819,374</u>	<u>2,185,568</u>	<u>5,686,869</u>	<u>8,309,396</u>
Long-term liabilities	81,438,112	82,719,783	46,461,959	42,886,033	127,900,071	125,605,816
Other liabilities	5,233,638	4,270,340	2,207,501	477,974	7,441,139	4,748,314
Total liabilities	<u>86,671,750</u>	<u>86,990,123</u>	<u>48,669,460</u>	<u>43,364,007</u>	<u>135,341,210</u>	<u>130,354,130</u>
Total deferred inflows of resources	<u>2,129,610</u>	<u>1,102,543</u>	<u>391,708</u>	<u>152,187</u>	<u>2,521,318</u>	<u>1,254,730</u>
Net Position:						
Net investment in capital assets	54,297,576	45,361,936	44,743,310	41,244,838	99,040,886	86,606,774
Restricted	8,580,142	7,188,105	7,426,742	5,071,992	16,006,884	12,260,097
Unrestricted	<u>13,272,450</u>	<u>9,812,200</u>	<u>7,658,326</u>	<u>10,263,212</u>	<u>20,930,776</u>	<u>20,075,412</u>
Total net position	<u>\$ 76,150,168</u>	<u>\$ 62,362,241</u>	<u>\$ 59,828,378</u>	<u>\$ 56,580,042</u>	<u>\$ 135,978,546</u>	<u>\$ 118,942,283</u>

The following table provides a summary of the City's operations for the year ended September 30, 2018. Total governmental activities changed in net position is \$14,169,158. Overall, 2018 fiscal year expenses increased by \$541,426, or about 1.0% over the prior fiscal year. The business-type activities expenses increased \$113,886 (0.7%), and the governmental activities expenses increased by \$655,312 (1.8%). Notable changes between 2017 and 2018 fiscal year expenses include a decrease in public works and an increase in public safety.

TABLE 2**CITY OF WAXAHACHIE'S CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 5,573,436	\$ 3,812,992	\$ 24,995,894	\$ 21,528,886	\$ 30,569,330	\$ 25,341,878
Operating grants and contributions	342,918	111,691	-	-	342,918	111,691
Capital grants and contributions	1,996,783	-	-	-	1,996,783	-
General revenues:						
Property taxes	20,061,239	18,580,260	-	-	20,061,239	18,580,260
Sales taxes	13,163,894	12,626,291	-	-	13,163,894	12,626,291
Other	5,741,342	5,320,075	458,547	343,710	6,199,889	5,663,785
Total revenues	<u>46,879,612</u>	<u>40,451,309</u>	<u>25,454,441</u>	<u>21,872,596</u>	<u>72,334,053</u>	<u>62,323,905</u>
Expenses:						
General government	7,547,823	7,428,574	-	-	7,547,823	7,428,574
Public safety	18,507,296	16,009,620	-	-	18,507,296	16,009,620
Public works	5,529,473	7,884,474	-	-	5,529,473	7,884,474
Culture and recreation	4,141,515	3,435,399	-	-	4,141,515	3,435,399
Judicial	17,912	11,585	-	-	17,912	11,585
Interest on long-term debt	1,898,868	2,217,923	-	-	1,898,868	2,217,923
Water	-	-	9,996,562	10,107,492	9,996,562	10,107,492
Wastewater	-	-	6,008,466	6,096,955	6,008,466	6,096,955
Refuse services	-	-	1,167,045	1,081,512	1,167,045	1,081,512
Total expenses	<u>37,642,887</u>	<u>36,987,575</u>	<u>17,172,073</u>	<u>17,285,959</u>	<u>54,814,960</u>	<u>54,273,534</u>
Increases in net position						
before transfers	9,236,725	3,463,734	8,282,368	4,586,637	17,519,093	8,050,371
Transfers	<u>4,932,433</u>	<u>4,053,103</u>	<u>(4,932,433)</u>	<u>(4,053,103)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	14,169,158	7,516,837	3,349,935	533,534	17,519,093	8,050,371
Net position, beginning	<u>62,362,241</u>	<u>54,845,404</u>	<u>56,580,042</u>	<u>56,046,508</u>	<u>118,942,283</u>	<u>110,891,912</u>
Prior period adjustment	<u>(381,231)</u>	<u>-</u>	<u>(101,599)</u>	<u>-</u>	<u>(482,830)</u>	<u>-</u>
Net position, ending	<u>\$ 76,150,168</u>	<u>\$ 62,362,241</u>	<u>\$ 59,828,378</u>	<u>\$ 56,580,042</u>	<u>\$ 135,978,546</u>	<u>\$ 118,942,283</u>

Governmental Activities

Governmental activities increased the City's net position by \$14,169,158. Operating grants and contributions increased by \$231,227, capital grants and contributions increased by \$1,996,783, property taxes increased by \$1,480,979, sales taxes increased by \$537,603, other revenues increased by \$421,267 while charges for services increased by \$1,760,444. This resulted in an increase in total revenue of \$6,428,303. Total expenses decreased by (\$655,312) due to a decrease public works (\$2,355,001) offset by an increase in public safety \$2,497,676.

Business-type Activities

Business-type activities increased the City's net position by \$3,248,336.

Total revenues increased by \$3,581,845. The majority of this increase is related to an increase in charges for services \$3,467,008.

Total expenses decreased by about (\$113,886) with the majority of this decrease attributed to a decrease of (\$110,930) in the water utility fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

The City's General Fund reported an ending unassigned fund balance of \$15,947,982, with a total increase in fund balance of \$4,142,536, compared with the previous fiscal year. Original budgetary projections anticipated an increase in fund balance of \$1,453,920, and the amended budget anticipated a decrease of \$590,761. Total expenditures were under budget by \$629,765. Also, revenues exceeded budget by \$1,706,513.

The City's Debt Service Fund saw its fund balance drop from \$2,643,920 to \$2,592,857. Total expenditures exceeded appropriation by \$213. Budgeted revenues exceeded actual revenues by \$51,067.

The City's 2016 Public Safety Building Fund saw a decrease in fund balance from the prior year of \$11,067,032 that can be attributed to capital expenditures of \$11,152,504 in the current fiscal year.

The City's 2017 Street Bond Fund saw a decrease in fund balance from the prior year of \$4,123,963 that can be attributed to capital expenditures of \$4,193,795 in the current fiscal year.

Proprietary Funds

The City's Water and Wastewater Funds reported unrestricted ending net position of \$1,339,294 and \$4,200,775, respectively. The net position of the Water Fund increased \$2,072,436 mainly due to increased operating income from increased charges for services. The Wastewater Fund's net position increased \$1,826,359 primarily as a result of increased charges for services.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Total budgetary expenditures were increased by \$2,973,788 to account for various issues – most of them relatively minor. Most of the change was related to Public Works category of expenditures which increased \$3,275,580. This increase was attributable to the re-appropriation of funds from the prior fiscal year, previously budgeted for projects in progress at the conclusion of the 2017 fiscal year. A variety of other issues accounted for an overall reduction in estimates for the other categories of cost, which amounted to just over \$300,000.

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, 2018, amounts to \$190,315,860 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, machinery and equipment, and roads. Additional information on the City's capital assets can be found on pages 38 – 39 of the basic financial statements. Major capital asset events during the current fiscal period included the following:

- Approximately \$14,000,000 added to construction in progress for various projects.
- Approximately \$1,500,000 added to improvements other than buildings.
- Approximately \$713,000 added for the purchase of vehicles.
- Approximately \$9,200,000 added to infrastructure.

Debt Administration

During fiscal year 2018, the City issued approximately \$10.92 million in municipal improvement bonds. More information about the City's debt can be found on pages 40 – 45 of the financial statements.

ECONOMIC OUTLOOK

Budgeted General Fund revenues and transfers for the 2019 fiscal year are expected to increase by about 3.5% (or about \$1,685,000) compared to the 2018 fiscal year final budget. Approximately 65% (or \$1,099,000) of this figure is attributable to increases in ad valorem tax collections. A projected increase of about \$586,000 in sales tax growth is the other component of major increase. Growth in sales tax is expected to be driven by an estimated population growth of 3% as well as continued growth in the retail base. A projected decrease in impact fee revenues is roughly offset by moderate gains across the remaining categories of revenue. The impact fee decline represents the expected result of a large retail development concluded in the prior fiscal year, contrasted to 2019, during which there are no similar projects anticipated.

Once again using 2018 final budget estimates to compare to 2019 budgeted figures, total General Fund expenditures are anticipated to remain relatively flat with a total decrease amounting to only about \$53,000 or about one-tenth of one percent. However, individual components of overall expenditures contained a few noteworthy fluctuations. The Street Department budget declined by just over \$2,100,000 since no funding was required to construct a similar level of projects begun in 2017 and carried over into 2018. This reduction was roughly offset by increases in Parks of \$776,000, and the Public Safety Category of about \$1,002,000.

There were no major new initiatives funded in the 2019 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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CITY OF WAXAHACHIE, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 36,234,783	\$ 10,479,756	\$ 46,714,539	\$ 8,836,896
Receivables, net	3,017,379	3,132,770	6,150,149	15,271
Intergovernmental receivables	2,292,900	-	2,292,900	762,234
Prepays	3,724	-	3,724	-
Restricted cash and investments	-	13,422,237	13,422,237	-
Equity in joint venture	9,254,796	-	9,254,796	-
Non-depreciable capital assets	35,531,422	4,333,244	39,864,666	1,081,304
Depreciable capital assets, net	74,749,029	75,702,165	150,451,194	16,180,322
Total assets	<u>161,084,033</u>	<u>107,070,172</u>	<u>268,154,205</u>	<u>26,876,027</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on refunding	1,176,080	1,385,863	2,561,943	693,808
Deferred outflow related to pension plans	2,659,530	425,015	3,084,545	107,465
Deferred outflow related to OPEB	31,885	8,496	40,381	2,148
Total deferred outflows of resources	<u>3,867,495</u>	<u>1,819,374</u>	<u>5,686,869</u>	<u>803,421</u>
LIABILITIES				
Accounts payable	1,969,275	478,837	2,448,112	288,814
Retainage payable	1,301,818	-	1,301,818	-
Other payables	433,015	-	433,015	1,812
Accrued liabilities	461,214	91,308	552,522	23,024
Due to other governments	727,659	-	727,659	135
Customer deposits	3,500	1,037,378	1,040,878	74,423
Accrued interest payable	337,157	199,816	536,973	119,411
Accounts payable from restricted assets	-	400,162	400,162	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	5,141,297	2,241,468	7,382,765	979,688
Total OPEB liability	3,606	960	4,566	243
Due in more than one year:				
Long-term debt	62,674,762	39,012,748	101,687,510	23,494,911
Net pension liability	13,171,315	1,750,640	14,921,955	442,650
Total OPEB liability	447,132	119,163	566,295	30,130
Equity (deficit) in joint venture	-	3,336,980	3,336,980	-
Total liabilities	<u>86,671,750</u>	<u>48,669,460</u>	<u>135,341,210</u>	<u>25,455,241</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to pension plans	2,129,610	391,708	2,521,318	99,044
Total deferred inflows of resources	<u>2,129,610</u>	<u>391,708</u>	<u>2,521,318</u>	<u>99,044</u>
NET POSITION				
Net investment in capital assets	54,297,576	44,743,310	99,040,886	(672,008)
Restricted for:				
Tourism	546,141	-	546,141	-
Capital projects	-	-	-	-
Debt service	2,407,422	-	2,407,422	412,241
Perpetual care	1,121,218	-	1,121,218	-
Public safety	293,221	-	293,221	-
Public works	2,151	-	2,151	-
Municipal court judicial efficiency	15,277	-	15,277	-
Municipal court technology	44,056	-	44,056	-
Municipal court security	77,021	-	77,021	-
Municipal court judicial	22,359	-	22,359	-
Culture and recreation	237,317	-	237,317	-
Downtown improvements	489,369	-	489,369	-
Impact fee projects	3,324,590	7,426,742	10,751,332	-
Unrestricted	13,272,450	7,658,326	20,930,776	2,384,930
Total net position	<u>\$ 76,150,168</u>	<u>\$ 59,828,378</u>	<u>\$ 135,978,546</u>	<u>\$ 2,125,163</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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 7,547,823	\$ -	\$ 74,205	\$ 1,996,783
Public safety	18,507,296	2,666,154	264,113	-
Public works	5,529,473	2,631,173	-	-
Culture and recreation	4,141,515	162,330	4,600	-
Judicial	17,912	113,779	-	-
Interest on long-term debt	1,898,868	-	-	-
Total governmental activities	<u>37,642,887</u>	<u>5,573,436</u>	<u>342,918</u>	<u>1,996,783</u>
Business-type activities:				
Water utility	9,996,562	14,197,786	-	-
Wastewater utility	6,008,466	9,250,111	-	-
Refuse service	1,167,045	1,547,997	-	-
Total business-type activities	<u>17,172,073</u>	<u>24,995,894</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 54,814,960</u>	<u>\$ 30,569,330</u>	<u>\$ 342,918</u>	<u>\$ 1,996,783</u>
Component Unit				
Waxahachie Community Development Corporation	\$ <u>5,127,377</u>	\$ <u>723,580</u>	\$ <u>-</u>	\$ <u>-</u>
Total component unit	<u>\$ 5,127,377</u>	<u>\$ 723,580</u>	<u>\$ -</u>	<u>\$ -</u>
		General revenues:		
		Property taxes		
		Sales taxes		
		Franchise taxes		
		Other taxes		
		Miscellaneous		
		Unrestricted investment earnings		
		Transfers		
		Total general revenues and transfers		
		Change in net position		
		Net position - beginning		
		Prior period adjustment		
		Net position - ending		

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total	Component Unit
\$(5,476,835)	\$ -	\$(5,476,835)	\$ -
(15,577,029)	-	(15,577,029)	-
(2,898,300)	-	(2,898,300)	-
(3,974,585)	-	(3,974,585)	-
95,867	-	95,867	-
(1,898,868)	-	(1,898,868)	-
(29,729,750)	-	(29,729,750)	-
-	4,201,224	4,201,224	-
-	3,241,645	3,241,645	-
-	380,952	380,952	-
-	7,823,821	7,823,821	-
(29,729,750)	7,823,821	(21,905,929)	-
-	-	-	(4,403,797)
-	-	-	(4,403,797)
20,061,239	-	20,061,239	-
13,163,894	-	13,163,894	4,387,965
3,473,762	-	3,473,762	-
937,299	-	937,299	-
604,089	162,306	766,395	52,350
726,192	296,241	1,022,433	139,600
4,932,433	(4,932,433)	-	-
43,898,908	(4,473,886)	39,425,022	4,579,915
14,169,158	3,349,935	17,519,093	176,118
62,362,241	56,580,042	118,942,283	1,974,734
(381,231)	(101,599)	(482,830)	(25,689)
<u>\$ 76,150,168</u>	<u>\$ 59,828,378</u>	<u>\$ 135,978,546</u>	<u>\$ 2,125,163</u>

CITY OF WAXAHACHIE, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	2016		2017		Other	Total
	General	Debt Service	Public Safety Building	Street Bonds	Governmental Funds	Governmental Funds
ASSETS						
Cash and investments	\$ 20,471,190	\$ 2,585,480	\$ 661,013	\$ 1,664,497	\$ 10,852,603	\$ 36,234,783
Receivables, net	2,526,108	157,341	-	-	133,930	2,817,379
Intergovernmental receivables	2,291,142	1,758	-	-	-	2,292,900
Prepaid items	3,724	-	-	-	-	3,724
Total assets	<u>\$ 25,292,164</u>	<u>\$ 2,744,579</u>	<u>\$ 661,013</u>	<u>\$ 1,664,497</u>	<u>\$ 10,986,533</u>	<u>\$ 41,348,786</u>
LIABILITIES						
Accounts payable	\$ 1,246,100	\$ -	\$ -	\$ 523,163	\$ 200,012	\$ 1,969,275
Retainage payable	-	-	661,013	204,351	436,454	1,301,818
Other payables	433,015	-	-	-	-	433,015
Accrued liabilities	456,990	-	-	-	4,224	461,214
Deposits payable	-	-	-	-	3,500	3,500
Due to other governments	727,659	-	-	-	-	727,659
Total liabilities	<u>2,863,764</u>	<u>-</u>	<u>661,013</u>	<u>727,514</u>	<u>644,190</u>	<u>4,896,481</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	245,417	126,283	-	-	-	371,700
Unavailable revenue-court fines	404,087	-	-	-	-	404,087
Unavailable revenue-loan contract	-	25,439	-	-	-	25,439
Total deferred inflows of resources	<u>649,504</u>	<u>151,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>801,226</u>
FUND BALANCES						
Nonspendable:						
Prepaid items	3,724	-	-	-	-	3,724
Restricted:						
Tourism	-	-	-	-	546,141	546,141
Capital projects	-	-	-	936,983	6,696,240	7,633,223
Debt service	-	2,592,857	-	-	-	2,592,857
Perpetual care	-	-	-	-	1,121,218	1,121,218
Public safety	-	-	-	-	293,221	293,221
Public works	-	-	-	-	2,151	2,151
Municipal court judicial efficiency	-	-	-	-	15,277	15,277
Municipal court technology	-	-	-	-	44,056	44,056
Municipal court security	-	-	-	-	77,021	77,021
Municipal court judicial	-	-	-	-	22,359	22,359
Culture and recreation	-	-	-	-	237,317	237,317
Downtown improvements	-	-	-	-	489,369	489,369
Impact fee projects	3,324,590	-	-	-	-	3,324,590
Committed:						
Culture and recreation	-	-	-	-	391,847	391,847
Assigned:						
Community relations	16,587	-	-	-	-	16,587
Capital projects	-	-	-	-	406,126	406,126
Other purposes	2,486,013	-	-	-	-	2,486,013
Unassigned	15,947,982	-	-	-	-	15,947,982
Total fund balances	<u>21,778,896</u>	<u>2,592,857</u>	<u>-</u>	<u>936,983</u>	<u>10,342,343</u>	<u>35,651,079</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,292,164</u>	<u>\$ 2,744,579</u>	<u>\$ 661,013</u>	<u>\$ 1,664,497</u>	<u>\$ 10,986,533</u>	<u>\$ 41,348,786</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 POSITION

SEPTEMBER 30, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance, governmental funds	\$ 35,651,079
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	110,280,451
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the statement of net position.	1,001,226
Some liabilities and deferred outflows and inflows are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.	
Bonds payable	(58,747,799)
Premium on bonds	(5,998,346)
Interest payable	(337,157)
Contractual obligation	(46,033)
Compensated absences	(3,023,881)
Deferred resources related to pensions	529,920
Deferred resources related to OPEB	31,885
Net pension liability	(13,171,315)
Total OPEB liability	(450,738)
Equity in joint venture is not reported in the funds.	<u>9,254,796</u>
Net position of governmental activities	\$ <u><u>76,150,168</u></u>

CITY OF WAXAHACHIE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General	Debt Service	2016 Public Safety Building	2017 Street Bonds	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 31,485,734	\$ 4,927,130	\$ -	\$ -	\$ 1,331,674	\$ 37,744,538
Charges for services	2,765,786	-	-	-	385,286	3,151,072
Licenses and permits	1,354,210	-	-	-	-	1,354,210
Fines and forfeitures	1,065,248	-	-	-	-	1,065,248
Intergovernmental	161,626	-	-	-	89,089	250,715
Miscellaneous	419,415	94,305	-	-	157,848	671,568
Interest	<u>376,321</u>	<u>95,298</u>	<u>85,472</u>	<u>69,832</u>	<u>99,269</u>	<u>726,192</u>
Total revenues	<u>37,628,340</u>	<u>5,116,733</u>	<u>85,472</u>	<u>69,832</u>	<u>2,063,166</u>	<u>44,963,543</u>
Current:						
General government	6,805,388	-	-	-	669,717	7,475,105
Public safety	18,635,501	-	-	-	230,671	18,866,172
Public works	8,080,305	-	-	-	-	8,080,305
Judicial	-	-	-	-	17,912	17,912
Culture and recreation	3,838,106	-	-	-	493,722	4,331,828
Capital outlay	-	-	11,152,504	4,193,795	1,164,459	16,510,758
Debt service:						
Principal	-	3,964,596	-	-	108,830	4,073,426
Interest	-	2,112,876	-	-	40,922	2,153,798
Bond issuance costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,488</u>	<u>69,488</u>
Total expenditures	<u>37,359,300</u>	<u>6,077,472</u>	<u>11,152,504</u>	<u>4,193,795</u>	<u>2,795,721</u>	<u>61,578,792</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>269,040</u>	<u>(960,739)</u>	<u>(11,067,032)</u>	<u>(4,123,963)</u>	<u>(732,555)</u>	<u>(16,615,249)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	4,279,622	909,676	-	-	441,602	5,630,900
Transfers out	(406,126)	-	-	-	(292,341)	(698,467)
Bonds issued	-	-	-	-	4,938,207	4,938,207
Premium on bonds issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,550</u>	<u>331,550</u>
Total other financing sources (uses)	<u>3,873,496</u>	<u>909,676</u>	<u>-</u>	<u>-</u>	<u>5,419,018</u>	<u>10,202,190</u>
NET CHANGE IN FUND BALANCE	4,142,536	(51,063)	(11,067,032)	(4,123,963)	4,686,463	(6,413,059)
FUND BALANCES, BEGINNING	<u>17,636,360</u>	<u>2,643,920</u>	<u>11,067,032</u>	<u>5,060,946</u>	<u>5,655,880</u>	<u>42,064,138</u>
FUND BALANCES, ENDING	<u>\$ 21,778,896</u>	<u>\$ 2,592,857</u>	<u>\$ -</u>	<u>\$ 936,983</u>	<u>\$ 10,342,343</u>	<u>\$ 35,651,079</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, 2018

Net change in fund balances - total governmental funds	\$(6,413,059)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	20,275,601
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	(57,505)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net position.	649,244
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource inflows/outflows related to the pension liability were amortized.	(306,964)
Certain OPEB expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource inflows/outflows related to the OPEB liability were amortized.	(37,622)
The issuance of long-term debt (e.g. bonds, contracts payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,196,330)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(68,537)
Change in joint venture equity is not reported in the funds.	<u>1,324,330</u>
Change in net position of governmental activities - statement of activities	<u>\$ 14,169,158</u>

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

CITY OF WAXAHACHIE, TEXAS
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
SEPTEMBER 30, 2018

	Enterprise Fund		Nonmajor Enterprise	Total Enterprise Funds
	Water Utility	Wastewater Utility	Refuse Services	
ASSETS				
Current assets:				
Cash and investments	\$ 3,872,895	\$ 4,566,567	\$ 2,040,294	\$ 10,479,756
Receivables, net:				
Accounts receivable	1,785,489	997,000	236,912	3,019,401
Other	1,364	1,364	-	2,728
Inventories	110,641	-	-	110,641
Restricted cash and investments	6,262,736	7,159,501	-	13,422,237
Total current assets	<u>12,033,125</u>	<u>12,724,432</u>	<u>2,277,206</u>	<u>27,034,763</u>
Noncurrent assets:				
Capital assets:				
Land	342,770	260,057	83,649	686,476
Intangible asset	1,186,250	-	-	1,186,250
Buildings	20,231,510	8,221,890	-	28,453,400
Improvements other than buildings	69,122,222	49,232,104	-	118,354,326
Machinery and equipment	906,376	1,168,167	115,493	2,190,036
Software	550,736	29,308	-	580,044
Vehicles	317,089	779,689	-	1,096,778
Construction in progress	557,511	1,903,007	-	2,460,518
Accumulated depreciation	(48,992,685)	(25,864,241)	(115,493)	(74,972,419)
Total noncurrent assets	<u>44,221,779</u>	<u>35,729,981</u>	<u>83,649</u>	<u>80,035,409</u>
Total assets	<u>56,254,904</u>	<u>48,454,413</u>	<u>2,360,855</u>	<u>107,070,172</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding	681,035	704,828	-	1,385,863
Deferred outflow related to pension	204,439	207,576	13,000	425,015
Deferred outflow related to OPEB	4,087	4,150	259	8,496
Total deferred outflows	<u>889,561</u>	<u>916,554</u>	<u>13,259</u>	<u>1,819,374</u>
LIABILITIES				
Current liabilities:				
Accounts payable	152,580	244,439	81,818	478,837
Accrued liabilities	44,726	43,902	2,680	91,308
Compensated absences - current	26,040	19,830	4,627	50,497
Accrued interest	96,579	103,237	-	199,816
Current portion of bonds payable	919,939	1,271,032	-	2,190,971
Customer deposits	595,949	441,429	-	1,037,378
Accounts payable from restricted assets	55,325	344,837	-	400,162
Total OPEB liability	462	469	29	960
Total current liabilities	<u>1,891,600</u>	<u>2,469,175</u>	<u>89,154</u>	<u>4,449,929</u>
Noncurrent liabilities:				
Bonds payable	17,774,852	21,086,405	-	38,861,257
Net pension liability	842,086	855,008	53,546	1,750,640
Total OPEB liability	57,319	58,198	3,646	119,163
Compensated absences	78,119	59,491	13,881	151,491
Equity (deficit) interest in joint venture	3,336,980	-	-	3,336,980
Total noncurrent liabilities	<u>22,089,356</u>	<u>22,059,102</u>	<u>71,073</u>	<u>44,219,531</u>
Total liabilities	<u>23,980,956</u>	<u>24,528,277</u>	<u>160,227</u>	<u>48,669,460</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to pensions	188,419	191,308	11,981	391,708
Total deferred inflows	<u>188,419</u>	<u>191,308</u>	<u>11,981</u>	<u>391,708</u>
NET POSITION				
Net investment in capital assets	28,032,020	16,627,641	83,649	44,743,310
Restricted for impact fee projects	3,603,776	3,822,966	-	7,426,742
Unrestricted	1,339,294	4,200,775	2,118,257	7,658,326
Total net position	<u>\$ 32,975,090</u>	<u>\$ 24,651,382</u>	<u>\$ 2,201,906</u>	<u>\$ 59,828,378</u>

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

CITY OF WAXAHACHIE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Enterprise Fund		Nonmajor	Total
	Water Utility	Wastewater Utility	Enterprise Refuse Services	
OPERATING REVENUES				
Charges for services	\$ 14,197,786	\$ 9,250,111	\$ 1,547,997	\$ 24,995,894
Total operating revenues	<u>14,197,786</u>	<u>9,250,111</u>	<u>1,547,997</u>	<u>24,995,894</u>
OPERATING EXPENSES				
Cost of sales and services	7,425,103	3,938,195	1,167,045	12,530,343
Depreciation	<u>2,013,675</u>	<u>1,408,034</u>	<u>-</u>	<u>3,421,709</u>
Total operating expenses	<u>9,438,778</u>	<u>5,346,229</u>	<u>1,167,045</u>	<u>15,952,052</u>
OPERATING INCOME (LOSS)	<u>4,759,008</u>	<u>3,903,882</u>	<u>380,952</u>	<u>9,043,842</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	111,308	142,286	42,647	296,241
Miscellaneous revenue	96,133	66,173	-	162,306
Interest expense	<u>(557,784)</u>	<u>(662,237)</u>	<u>-</u>	<u>(1,220,021)</u>
Total nonoperating revenues (expenses)	<u>(350,343)</u>	<u>(453,778)</u>	<u>42,647</u>	<u>(761,474)</u>
NET INCOME (LOSS) BEFORE TRANSFERS	<u>4,408,665</u>	<u>3,450,104</u>	<u>423,599</u>	<u>8,282,368</u>
TRANSFERS OUT	<u>(2,336,229)</u>	<u>(1,623,745)</u>	<u>(972,459)</u>	<u>(4,932,433)</u>
CHANGE IN NET POSITION	2,072,436	1,826,359	(548,860)	3,349,935
NET POSITION, BEGINNING	<u>30,951,525</u>	<u>22,874,643</u>	<u>2,753,874</u>	<u>56,580,042</u>
PRIOR PERIOD ADJUSTMENT	<u>(48,871)</u>	<u>(49,620)</u>	<u>(3,108)</u>	<u>(101,599)</u>
NET POSITION, ENDING	<u>\$ 32,975,090</u>	<u>\$ 24,651,382</u>	<u>\$ 2,201,906</u>	<u>\$ 59,828,378</u>

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

CITY OF WAXAHACHIE, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Enterprise Fund		Nonmajor Enterprise	Total
	Water Utility	Wastewater Utility	Refuse Services	Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 14,564,780	\$ 9,265,401	\$ 1,523,181	\$ 25,353,362
Cash payments to employees for services	(2,045,008)	(2,101,491)	(131,249)	(4,277,748)
Cash payments to other supplier for goods and services	(5,453,093)	(1,446,381)	(1,028,797)	(7,928,271)
Net cash provided (used) by operating activities	<u>7,066,679</u>	<u>5,717,529</u>	<u>363,135</u>	<u>13,147,343</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers and payments to other funds	(2,336,229)	(1,623,745)	(972,459)	(4,932,433)
Net cash provided (used) from nonoperating financing activities	<u>(2,336,229)</u>	<u>(1,623,745)</u>	<u>(972,459)</u>	<u>(4,932,433)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of debt	2,279,172	4,653,310	-	6,932,482
Principal repayments on bonds	(810,126)	(1,061,461)	-	(1,871,587)
Interest and fiscal charges on debt	(497,693)	(426,643)	-	(924,336)
Acquisitions and construction of capital assets	(1,231,401)	(2,645,880)	-	(3,877,281)
Net cash provided (used) by capital and related financing activities	<u>(260,048)</u>	<u>519,326</u>	<u>-</u>	<u>259,278</u>
CASH FROM INVESTING ACTIVITIES				
Interest on investments	<u>111,308</u>	<u>142,286</u>	<u>42,647</u>	<u>296,241</u>
Net cash provided (used) by investing activities	<u>111,308</u>	<u>142,286</u>	<u>42,647</u>	<u>296,241</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,581,710	4,755,396	(566,677)	8,770,429
CASH AND CASH EQUIVALENTS, BEGINNING	<u>5,553,921</u>	<u>6,970,672</u>	<u>2,606,971</u>	<u>15,131,564</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 10,135,631</u>	<u>\$ 11,726,068</u>	<u>\$ 2,040,294</u>	<u>\$ 23,901,993</u>

CITY OF WAXAHACHIE, TEXAS

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Enterprise Fund		Nonmajor Enterprise	Total
	Water Utility	Wastewater Utility	Refuse Services	Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 4,759,008	\$ 3,903,882	\$ 380,952	\$ 9,043,842
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Deprecation	2,013,675	1,408,034	-	3,421,709
Change in assets and liabilities:				
Decrease (increase) in receivables	295,411	(23,132)	(24,816)	247,463
Decrease (increase) in inventories	(18,660)	-	-	(18,660)
Decrease (increase) in deferred outflows related to pensions	125,927	138,553	9,697	274,177
Decrease (increase) in deferred outflows related to OPEB	(4,087)	(4,150)	(259)	(8,496)
Increase (decrease) in accounts payable	29,964	341,484	4,889	376,337
Increase (decrease) in accrued liabilities	6,299	7,192	164	13,655
Increase (decrease) in customer deposits	71,583	38,422	-	110,005
Increase (decrease) in compensated absences	14,416	20,082	2,976	37,474
Increase (decrease) in joint venture	(151,901)	-	-	(151,901)
Increase (decrease) in net pension liability	(200,397)	(237,833)	(18,077)	(456,307)
Increase (decrease) in total OPEB liability	8,910	9,047	567	18,524
Increase (decrease) in deferred inflows related to pensions	116,531	115,948	7,042	239,521
Total adjustments	<u>2,307,671</u>	<u>1,813,647</u>	<u>(17,817)</u>	<u>4,103,501</u>
Net cash and cash equivalents provided (used) by operating activities	<u>\$ 7,066,679</u>	<u>\$ 5,717,529</u>	<u>\$ 363,135</u>	<u>\$ 13,147,343</u>

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

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CITY OF WAXAHACHIE, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Waxahachie, Texas (the “City”) is a Home Rule City incorporated about 1850. The City operates under the Council-Manager form of government adopted on October 22, 1946 and provides the following services authorized by its charter: public safety (police and fire); highways and streets; sanitation; health and social services; parks and recreation; public improvements; planning and zoning; and general administrative services.

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

A. Reporting Entity

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

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

Blended Component Units

Ellis County Water Control and Improvement District No. 1 (the Water District) is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the Water District is reported as if it were part of the primary government because its sole purpose is to finance and construct a lake, the water treatment, and the wastewater processing systems for the City. Legal liability for the general obligation portion of the District’s debt remains with the City. Contractual payments are treated as transfers. The Water District’s General Fund is accounted for as a Special Revenue Fund and does not issue separate financial statements.

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

Discretely Presented Component Unit

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

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

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

Joint Ventures

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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 accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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 **2016 Public Safety Building Fund** accounts for construction for a new public safety building, park and recreation facilities, street improvement and purchase of firefighting equipment.

The **2017 Street Bonds Fund** accounts for bond funds used for street improvements.

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.

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.

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

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

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

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 for the City are reported at fair value except for the position in investment pools. The City's investment in pools is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

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 uncollectible. 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, 2018.

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

Inventories and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Intangible asset includes water service rights for a specific location and has an indefinite life.

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

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

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

Buildings	40 years
Building improvements	20 - 40 years
Public domain infrastructure	20 years
System infrastructure	40 years
Equipment	5 - 10 years
Vehicles	5 - 10 years

Compensated Absences

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

Pensions

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

For purposes of measuring the net pension liability for the Waxahachie Firemen's Relief and Retirement Fund (WFRRF), pension related deferred outflows and inflows of resources, and pension expense, information about the fiduciary net position of WFRRF and additions to/deductions from WFRRF's fiduciary net position have been determined on the same basis as they are reported by WFRRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-Employment Benefits Other Than Pensions (OPEB)

Supplemental Death Benefit. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

Long-term Obligations

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

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

Fund Balance and Net Position

Net position flow assumption. Sometimes the city will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the city's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions. Sometimes the city will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the city's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies. Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The city itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the city's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the city that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the city for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions – These changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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

- The difference in expected and actual pension experience and changes in actuarial assumptions are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- The difference between projected and actual investment earnings is deferred and amortized over a closed five-year period.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows/inflows of resources and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. An element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$80,037,384) difference are as follows:

Bonds and contracts payable	\$(58,747,799)
Deferred charge on refunding (to be amortized as interest expense)	1,176,080
Issuance premium (to be amortized over life of debt)	(5,998,346)
Net pension liability	(13,171,315)
Total OPEB Liability	(450,738)
Deferred outflow related to pension plans	2,659,530
Deferred outflow related to OPEB plans	31,885
Deferred inflow related to pension plans	(2,129,610)
Compensated absences	(3,023,881)
Contract obligation	(46,033)
Accrued interest	<u>(337,157)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$(80,037,384)</u></u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.” The details of this \$20,275,601 difference are as follows:

Capital outlay	\$ 24,258,413
Depreciation expense	<u>(3,982,812)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 20,275,601</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.” The details of this (\$23,209) difference is as follows:

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	\$(23,209)
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$(23,209)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, contracts payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this (\$1,196,330) difference are as follows:

Debt issued or incurred:	
Certificate of obligation bonds	\$(4,938,207)
Premium from issuance of bonds	(331,550)
Principal repayments:	
General obligation debt	2,243,413
Certificates of obligation debt	1,820,318
Contractual obligations	<u>9,696</u>
Net adjustment to decrease <i>changes in fund balance - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$(1,196,330)</u>

Another element of that reconciliation states, “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this (\$68,537) difference are as follows:

Compensated absences	\$(392,954)
Accrued interest	11,045
Amortization of bond premiums	478,080
Amortization of bond discounts	(13,088)
Amortization of deferred charge on refunding	<u>(151,620)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$(68,537)</u>

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U. S. Treasury, certain U. S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

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

Custodial Credit Risk: Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2018, the City and WCDC bank deposits were entirely covered by federal depository insurance or be collateral held by the agency in the City's name.

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

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

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

As of September 30, 2018, the City and WCDC had the following investments:

Investment Type	Carrying Value	Weighted Average Maturity	Rating
Primary government:			
Government sponsored investment pool (LOGIC)	\$ 58,717,607	31 days	AAAm
Discretely presented component unit - WCDC:			
Government sponsored investment pool (LOGIC)	<u>8,836,896</u>	31 days	AAAm
Total reporting entity	<u>\$ 67,554,503</u>		

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:

	Debt		Nonmajor and Other	Water Utility	Wastewater Utility	Nonmajor	Total
	General	Service				Refuse Service	
Property taxes	\$ 341,943	\$ 175,869	\$ -	\$ -	\$ -	\$ -	\$ 517,812
Allowance	(85,486)	(43,967)	-	-	-	-	(129,453)
Net property taxes	<u>256,457</u>	<u>131,902</u>	-	-	-	-	<u>388,359</u>
Accounts receivable	17,877	-	-	8,575,842	1,463,900	410,412	10,468,031
Allowance	-	-	-	(6,790,353)	(466,900)	(173,500)	(7,430,753)
Net accounts receivable	<u>17,877</u>	-	-	<u>1,785,489</u>	<u>997,000</u>	<u>236,912</u>	<u>3,037,278</u>
Fines receivable	2,785,555	-	-	-	-	-	2,785,555
Allowance	(1,344,699)	-	-	-	-	-	(1,344,699)
Net fines receivable	<u>1,440,856</u>	-	-	-	-	-	<u>1,440,856</u>
Other receivables	<u>810,918</u>	<u>25,439</u>	<u>133,930</u>	<u>1,364</u>	<u>1,364</u>	-	<u>973,015</u>
Total net receivables	<u>\$ 2,526,108</u>	<u>\$ 157,341</u>	<u>\$ 133,930</u>	<u>\$ 1,786,853</u>	<u>\$ 998,364</u>	<u>\$ 236,912</u>	<u>\$ 5,839,508</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	\$ 4,695
Uncollectibles related to wastewater services	4,977
Uncollectibles related to refuse service	<u>2,191</u>
	<u>\$ 11,863</u>

Capital Assets

Capital asset activity for the year ended September 30, 2018:

	Balance 09/30/17	Increases	Decreases	Transfers and Completed Construction	Balance 9/30/18
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 9,163,511	\$ 1,133,035	\$ -	\$ -	\$ 10,296,546
Construction in progress	<u>13,368,679</u>	<u>22,260,146</u>	<u>-</u>	<u>(10,393,949)</u>	<u>25,234,876</u>
Total capital assets not being depreciated	<u>22,532,190</u>	<u>23,393,181</u>	<u>-</u>	<u>(10,393,949)</u>	<u>35,531,422</u>
Capital assets, being depreciated:					
Buildings	42,251,288	30,090	-	273,171	42,554,549
Improvements other than buildings	20,558,762	217,079	-	889,786	21,665,627
Machinery and equipment	5,317,661	346,291	(10,503)	16,000	5,669,449
Software	76,801	43,018	-	2,546	122,365
Vehicles	6,595,287	901,207	(220,602)	-	7,275,892
Infrastructure	<u>106,624,754</u>	<u>-</u>	<u>-</u>	<u>9,212,446</u>	<u>115,837,200</u>
Total capital assets being depreciated	<u>181,424,553</u>	<u>1,537,685</u>	<u>(231,105)</u>	<u>10,393,949</u>	<u>193,125,082</u>
Less accumulated depreciation for:					
Buildings	(20,391,780)	(920,305)	-	-	(21,312,085)
Improvements other than buildings	(12,135,358)	(558,915)	-	-	(12,694,273)
Machinery and equipment	(3,681,043)	(334,258)	10,503	-	(4,004,798)
Software	(39,043)	(13,169)	-	-	(52,212)
Vehicles	(3,683,490)	(620,432)	197,395	-	(4,106,527)
Infrastructure	<u>(74,670,423)</u>	<u>(1,535,735)</u>	<u>-</u>	<u>-</u>	<u>(76,206,158)</u>
Total accumulated depreciation	<u>(114,601,137)</u>	<u>(3,982,814)</u>	<u>207,898</u>	<u>-</u>	<u>(118,376,053)</u>
Total capital assets being depreciated, net	<u>66,823,416</u>	<u>(2,445,129)</u>	<u>(23,207)</u>	<u>10,393,949</u>	<u>74,749,029</u>
Governmental activities capital assets, net	<u>\$ 89,355,606</u>	<u>\$ 20,948,052</u>	<u>\$(23,207)</u>	<u>\$ -</u>	<u>\$ 110,280,451</u>

	Balance 09/30/17	Increases	Decreases	Transfers and Completed Construction	Balance 09/30/18
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 683,476	\$ 3,000	\$ -	\$ -	\$ 686,476
Intangible asset	1,186,250	-	-	-	1,186,250
Construction in progress	353,584	2,524,000	-	(417,066)	2,460,518
Total capital assets not being depreciated	2,223,310	2,527,000	-	(417,066)	4,333,244
Capital assets, being depreciated:					
Buildings	27,474,784	978,615	-	-	28,453,399
Improvements other than buildings	117,946,607	42,679	-	365,040	118,354,326
Machinery and equipment	1,944,773	245,262	-	-	2,190,035
Software	521,428	6,590	-	52,026	580,044
Vehicles	1,064,102	77,132	(44,457)	-	1,096,777
Total capital assets being depreciated	148,951,694	1,350,278	(44,457)	417,066	150,674,581
Less accumulated depreciation for:					
Buildings	(19,936,373)	(450,663)	-	-	(20,387,036)
Improvements other than buildings	(49,181,867)	(2,759,264)	-	-	(51,941,131)
Machinery and equipment	(1,163,935)	(145,199)	-	-	(1,309,134)
Software	(521,427)	(5,862)	-	-	(527,289)
Vehicles	(791,562)	(60,721)	44,457	-	(807,826)
Total accumulated depreciation	(71,595,164)	(3,421,709)	44,457	-	(74,972,416)
Total capital assets being depreciated, net	77,356,530	(2,071,431)	-	417,066	75,702,165
Business-type activities capital assets, net	\$ 79,579,840	\$ 455,569	\$ -	\$ -	\$ 80,035,409

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

Governmental activities:	
General government	\$ 1,024,917
Public safety	792,882
Public works	1,774,777
Culture and recreation	390,238
Total depreciation expense - governmental activities	\$ 3,982,814
Business-type activities:	
Water	\$ 2,013,675
Wastewater	1,408,034
Total depreciation expense - business-type activities	\$ 3,421,709

Discretely Presented Component Unit – Waxahachie Community Development Corporation

	Balance 09/30/17	Increases	Decreases	Transfers and Completed Construction	Balance 09/30/18
Component unit:					
Capital assets, not being depreciated:					
Land	\$ 650,670	\$ 63,688	\$ -	\$ -	\$ 714,358
Construction in progress	217,200	149,746	-	-	366,946
Total capital assets not being depreciated	<u>867,870</u>	<u>213,434</u>	<u>-</u>	<u>-</u>	<u>1,081,304</u>
Capital assets, being depreciated:					
Buildings	14,732,749	-	-	-	14,732,749
Improvements other than buildings	9,868,549	428,177	-	-	10,296,726
Machinery and equipment	406,300	89,769	-	-	496,069
Software	14,200	-	-	-	14,200
Vehicles	18,855	-	-	-	18,855
Total capital assets being depreciated	<u>25,040,653</u>	<u>517,946</u>	<u>-</u>	<u>-</u>	<u>25,558,599</u>
Less accumulated depreciation for:					
Buildings	(5,784,342)	(426,546)	-	-	(6,210,888)
Improvements other than buildings	(2,569,745)	(271,414)	-	-	(2,841,159)
Machinery and equipment	(265,397)	(32,849)	-	-	(298,246)
Software	(7,100)	(2,029)	-	-	(9,129)
Vehicles	(18,855)	-	-	-	(18,855)
Total accumulated depreciation	<u>(8,645,439)</u>	<u>(732,838)</u>	<u>-</u>	<u>-</u>	<u>(9,378,277)</u>
Total capital assets being depreciated, net	<u>16,395,214</u>	<u>(214,892)</u>	<u>-</u>	<u>-</u>	<u>16,180,322</u>
Governmental activities capital assets, net	<u>\$ 17,263,084</u>	<u>\$ (1,458)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,261,626</u>

Interfund Transfers

The composition of interfund transfers as of September 30, 2018, is as follows:

	General Fund	Debt Service	Nonmajor Governmental	Total Transfers Out
Nonmajor Governmental	\$ 256,648	\$ 217	\$ 35,476	\$ 292,341
General Fund	-	-	406,126	406,126
Water Utility	2,336,229	-	-	2,336,229
Wastewater Utility	1,623,745	-	-	1,623,745
Nonmajor Enterprise	63,000	909,459	-	972,459
Total Transfers In	<u>\$ 4,279,622</u>	<u>\$ 909,676</u>	<u>\$ 441,602</u>	<u>\$ 5,630,900</u>

The City transferred amounts between funds for the following reasons: (1) to reimburse the General Fund for nonspecific administrative costs, (2) to transfer the cost of a capital project paid for by the TIFRZ fund to the General Fund.

Long-term Debt

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

General debt outstanding is as follows:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/18
Governmental activities					
General obligation bonds:					
Refunding	5,465,000	2014	2020	2.00-4.00%	\$ 2,570,000
Refunding	14,454,919	2016	2032	2.00-5.00%	13,886,392
Refunding	5,849,943	2017	2034	4.0000%	<u>5,343,995</u>
Total general obligation bonds					<u>21,800,387</u>
Certificate of obligation bonds:					
Municipal improvements	8,720,000	2009	2029	2.50-5.00%	422,349
Municipal improvements	4,600,000	2011	2031	2.00-3.75%	3,245,000
Municipal improvements	4,920,000	2013	2033	2.00-4.55%	4,050,000
Municipal improvements	3,830,000	2014	2034	3.00-4.00%	3,250,000
Municipal improvements	15,927,450	2016	2036	2.00-5.00%	14,811,542
Municipal improvements	5,525,000	2017	2037	2.00-3.125%	5,320,000
Municipal improvements	3,988,552	2018	2038	3.00-5.00%	<u>3,988,552</u>
Total certificates of obligation					<u>35,087,443</u>
Governmental activities - City					56,887,830
Tax increment financing:					
General obligation bonds	724,660	2016	2032	2.00-5.00%	696,158
General obligation bonds	154,901	2017	2034	4.0000%	141,503
Certificate of obligation bonds	1,500,000	2009	2019	2.50-5.00%	72,652
Certificate of obligation bonds	949,655	2018	2038	3.00-5.00%	<u>949,656</u>
Total governmental type activities					<u>\$ 58,747,799</u>
Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 09/30/18
Business-type activities					
General obligation bonds:					
Water refunding and improvements	8,478,789	2016	2032	2.00-5.00%	\$ 8,145,395
Water refunding and improvements	6,957,416	2017	2034	4.0000%	6,355,687
Sewer refunding	3,546,542	2016	2032	2.00-5.00%	3,407,053
Sewer refunding	13,457,740	2017	2034	4.0000%	<u>12,293,814</u>
Total general obligation bonds					<u>30,201,949</u>
Certificate of obligation bonds:					
Water improvements	2,279,173	2018	2038	3.00-5.00%	2,279,173
Sewer improvements	4,653,310	2018	2038	3.00-5.00%	<u>4,653,310</u>
Total certificates of obligation					<u>6,932,483</u>
Total business-type activities					<u>\$ 37,134,432</u>

Annual debt service requirements to maturity for debt:

Year	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2019	\$ 4,277,466	\$ 2,119,284	\$ 2,190,971	\$ 1,475,711	\$ 10,063,432
2020	4,134,397	2,034,180	2,450,840	1,433,699	10,053,116
2021	2,924,807	1,916,456	2,544,595	1,333,375	8,719,233
2022	3,006,460	1,839,271	2,636,680	1,243,938	8,726,349
2023	2,878,794	1,712,021	1,885,906	1,128,370	7,605,091
2024-2028	16,439,085	6,571,119	10,844,194	4,275,928	38,130,326
2029-2033	16,704,527	3,084,899	11,050,818	1,898,712	32,738,956
2034-2038	6,522,294	553,720	3,530,428	319,822	10,926,264
Total	<u>\$ 56,887,830</u>	<u>\$ 19,830,950</u>	<u>\$ 37,134,432</u>	<u>\$ 13,109,555</u>	<u>\$ 126,962,767</u>

Year	TIFRZ		Total
	Principal	Interest	
2019	\$ 147,670	\$ 71,372	\$ 219,042
2020	85,490	71,336	156,826
2021	89,460	67,602	157,062
2022	92,719	64,583	157,302
2023	89,978	60,070	150,048
2024-2028	523,655	229,591	753,246
2029-2033	512,358	111,002	623,360
2034-2038	318,639	37,212	355,851
Total	<u>\$ 1,859,969</u>	<u>\$ 712,768</u>	<u>\$ 2,572,737</u>

Contract Payable

The City entered into a contract with the state to repay a portion of a grant received to develop infrastructure. The contract originated for \$244,215 and is due in 240 monthly installments of \$1,018, including interest imputed at 5.0%. The payment requirements are as follows:

Year Ending September 30,	
2019	\$ 12,211
2020	12,211
2021	12,211
2022	12,211
2023	<u>2,035</u>
Total	50,879
Less interest	<u>(4,846)</u>
	<u>\$ 46,033</u>

Changes in Long-term Debt

Long-term liability activity for the year ended September 30, 2018, was as follows:

	Balance 09/30/17	Additions	Retirements	Balance 09/30/18	Due Within One Year
Governmental activities:					
General debt	\$ 56,854,179	\$ 3,988,552	\$ 3,954,901	\$ 56,887,830	\$ 4,227,466
Waxahachie TIFRZ	1,019,144	949,655	108,830	1,859,969	147,670
Premium/discount on bonds	6,131,788	331,550	464,992	5,998,346	-
Net bonds payable	<u>64,005,111</u>	<u>5,269,757</u>	<u>4,528,723</u>	<u>64,746,145</u>	<u>4,375,136</u>
Contract payable	55,729	-	9,696	46,033	10,191
Compensated absences	<u>2,630,927</u>	<u>1,345,453</u>	<u>952,499</u>	<u>3,023,881</u>	<u>755,970</u>
Total long-term debt	<u>\$ 66,691,767</u>	<u>\$ 6,615,210</u>	<u>\$ 5,490,918</u>	<u>\$ 67,816,059</u>	<u>\$ 5,141,297</u>
	Balance 09/30/17	Additions	Retirements	Balance 09/30/18	Due Within One Year
Business-type activities:					
Tax and revenue bonds	\$ 32,073,537	\$ 6,932,483	\$ 1,871,588	\$ 37,134,432	\$ 2,190,971
Premium on bonds	<u>3,711,962</u>	<u>465,445</u>	<u>259,609</u>	<u>3,917,798</u>	<u>-</u>
Net bonds payable	35,785,499	7,397,928	2,131,197	41,052,230	2,190,971
Compensated absences	<u>164,513</u>	<u>158,880</u>	<u>121,407</u>	<u>201,986</u>	<u>50,497</u>
Total long-term debt	<u>\$ 35,950,012</u>	<u>\$ 7,556,808</u>	<u>\$ 2,252,604</u>	<u>\$ 41,254,216</u>	<u>\$ 2,241,468</u>

Refundings

In 2014, the government issued \$5,465,000 in public improvement bonds with an interest rate ranging from 2.00% – 4.00%. The proceeds were used to advance refund \$5,670,000 of outstanding 2005 general obligations refunding bonds which had interest rates ranging from 2.50% to 5.25%. The net proceeds of \$5,690,976 (including a \$314,110 premium and after payment of \$88,134 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2005 general obligation refunding bonds are considered partially defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$20,976. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The government advance refunded the 2005 general obligation refunding bonds to reduce its total debt service payments over 6 years by \$819,530 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$771,024.

In 2016, the government issued \$27,205,000 in general obligation refundings bonds with an interest rate ranging from 2.00% – 5.00%. The proceeds were used to advance refund \$32,025,000 of outstanding 2007 Combination Tax and Revenue Certificates of Obligation and 2009 Combination Tax and Revenue Certificates of Obligation bonds, which had interest rates ranging from 2.50% to 5.25%. The net proceeds of \$31,582,971 (including a \$4,544,057 premium and after payment of \$166,086 in underwriting fees and other issuance costs) were deposited in an

irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the previously noted bonds are considered partially defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$763,019. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The government advance refunded the 2007 Combination Tax and Revenue Certificates of Obligation and 2009 Combination Tax and Revenue Certificates of Obligation bonds to reduce its total debt service payments over 17 years by \$8,646,381 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$4,778,483.

In 2017, the government issued \$26,420,000 in general obligation refundings bonds with an interest rate of 4.00%. The proceeds were used to advance refund \$28,470,000 of outstanding 2007 General Obligation Refunding Bonds, which had interest rates ranging from 3.60% to 4.50%. The net proceeds of \$29,105,197 (including a \$2,880,583 premium and after payment of \$258,416 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the previously noted bonds are considered partially defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$123,335. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The government advance refunded the 2007 General Obligation Refunding Bonds to reduce its total debt service payments over 17 years by \$4,602,100 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,646,895.

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 Issue	Final Maturity	Interest Rate	Balance 09/30/18
Revenue Bonds Outstanding					
WCDC sales tax and refunding	\$ 18,595,000	2017	2037	3.00-4.00%	\$ 16,955,000
Certificate of Obligation Bonds					
Improvements	4,697,572	2016	2036	2.00-5.00%	4,368,458
Improvements	1,899,310	2018	2038	3.55-5.00%	<u>1,899,310</u>
Total general debt					<u>\$ 23,222,768</u>

Revenue bond debt service requirements to maturity:

Year	WCDC		Total
	Principal	Interest	
2019	\$ 963,892	\$ 779,602	\$ 1,743,494
2020	979,273	761,580	1,740,853
2021	1,006,138	732,711	1,738,849
2022	1,039,142	703,002	1,742,144
2023	1,070,321	666,745	1,737,066
2024-2028	5,953,066	2,745,543	8,698,609
2029-2033	6,577,297	1,693,893	8,271,190
2034-2038	<u>5,633,638</u>	<u>541,346</u>	<u>6,174,984</u>
Total	<u>\$ 23,222,767</u>	<u>\$ 8,624,422</u>	<u>\$ 31,847,189</u>

	Balance			Balance	Due Within
	09/30/17	Additions	Retirements		
Discretely presented component unit					
Sales tax revenue bonds	\$ 22,188,139	\$ 1,899,310	\$ 864,682	\$ 23,222,767	\$ 963,892
Premium on bonds	1,152,497	127,519	91,369	1,188,647	-
Compensated absences	<u>48,648</u>	<u>44,878</u>	<u>30,341</u>	<u>63,185</u>	<u>15,796</u>
Total long-term debt	<u>\$ 23,389,284</u>	<u>\$ 2,071,707</u>	<u>\$ 986,392</u>	<u>\$ 24,474,599</u>	<u>\$ 979,688</u>

Refunding

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, 2018, there was no amount outstanding on this refunded issue.

Fund Balance

As of year-end a portion of General Fund balance is assigned for the following purpose:

Professional services	\$	384,311
Fiber optic contract		117,146
Phones, pagers, internet, cable		1,637
Supplies and equipment - computers		4,312
Office and other equipment		85,000
Advertising and promotions		5,500
Supplies and equipment		473
Supplies and equipment -uniforms		112
Buildings		392,611
Maintenance, improvements -streets, ROW, lights, and signs		1,023,830
Improvements other than buildings		435,486
Non-City owned property demolitions		10,965
Maintenance, building (upkeep)		<u>24,630</u>
Total other assigned fund balance	\$	<u><u>2,486,013</u></u>

IV. OTHER INFORMATION

Risk Management

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

Related Party Transaction

As discussed in the joint venture disclosure, 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, 2018:

Balance sheet		
Assets	\$	18,686,042
Deferred outflow of resources		12,381
Liabilities	(177,643)
Deferred inflows of resources	(<u>11,188</u>)
Net position	\$	<u><u>18,509,592</u></u>

Fund equity		
Components of restricted net position		
Federal government	\$	17,887,534
City of Midlothian, Texas		3,675,846
City of Waxahachie, Texas		<u>3,670,646</u>
Total restricted net position		25,234,026
Deficit	(<u>6,280,946)</u>
Net equity in joint venture	\$	<u><u>18,953,080</u></u>
Results of operations		
Revenues	\$	476,124
Expenses	(<u>979,612)</u>
Income (loss)	(503,488)
Capital contributions		<u>60,000</u>
Net income (loss)	\$	<u><u>(443,488)</u></u>

The City has also committed, under a joint venture agreement, to funding 50% of the cost to build and operations of the water treatment plant is based on percentage of usage. The following is a summary of financial information of the joint venture for the fiscal year.

Balance sheet		
Assets	\$	36,242,365
Deferred outflows		23,457
Liabilities	(42,437,148)
Deferred inflows	(<u>469,449)</u>
Net Position	\$	<u><u>(6,640,775)</u></u>
Results of operations		
Revenues	\$	(1,642,167)
Expenses		<u>4,408,906</u>
Net Income (loss)		2,766,739
Capital contributions	(<u>2,743,250)</u>
Change in net position	\$	<u><u>23,489</u></u>

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. The joint venture note disclosure provides details about this long-term debt.

Commitments

Encumbrances

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget. At year-end encumbrances expected to be honored in the next year include \$2,486,013 in the General Fund.

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. The City's share of gain from operations was \$1,324,330.

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

Robert W. Sokoll Water Treatment Plan

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

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

In 2008, the City issued \$53,000,000 in Combination Tax and Revenue Certificates of Obligation, Series 2007A. The 2007A were refunded by the Series 2016B bonds, and payable annually through August 1, 2038, at an interest rate of 2% 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 Ventures, the City issued the bonds and is contingently liable for payment of this issue. Complete financial statements for the Robert W. Sokoll Water Treatment Plant can be obtained from the Waxahachie Finance Director at 401 S. Rogers, Waxahachie, Texas.

In 2016, the government issued \$38,290,000 in general obligation refundings bonds with an interest rate ranging from 2.00% – 5.00%. The proceeds were used to advance refund \$43,705,000 of out-standing 2007A Combination Tax and Revenue Certificates of Obligation bonds, which had interest rates ranging from 4.00% to 5.00%. The net proceeds of \$43,413,804 (including a \$5,361,921 premium and after payment of \$233,117 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the previously noted bonds are considered partially defeased and the liability for those bonds has been removed from the statement of net position.

The net carrying amount exceeded the reacquisition price of the old debt by \$498,060. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The government advance refunded the 2007A Combination Tax and Revenue Certificates of Obligation bonds to reduce its total debt service over 21 years by \$5,415,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$8,005,323.

Debt service requirements for the bonds are as follows:

Year	Sokoll Water Treatment Plant		Total
	Principal	Interest	
2019	\$ 1,270,000	\$ 1,478,450	\$ 2,748,450
2020	1,305,000	1,453,050	2,758,050
2021	1,335,000	1,426,950	2,761,950
2022	1,365,000	1,400,250	2,765,250
2023	1,425,000	1,332,000	2,757,000
2024-2028	8,175,000	5,540,900	13,715,900
2029-2033	10,050,000	3,659,800	13,709,800
2034-2038	12,125,000	1,493,200	13,618,200
Total	\$ 37,050,000	\$ 17,784,600	\$ 54,834,600

Employee Retirement Systems and Pension Plans

Plan Descriptions

The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.org.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Beginning in 1997, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 1997, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	121
Inactive employees entitled to but not yet receiving benefits	46
Active employees	<u>251</u>
	<u>418</u>

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.32% and 14.96% in calendar years 2017 and 2018, respectively. The City’s contributions to TMRS for the year ended September 30, 2018, were \$2,328,843, and were equal to the required contributions.

Net Pension Liability

The City’s Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5%-10.5%, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 61,001,365	\$ 49,197,557	\$ 11,803,808
Changes for the year:			
Service cost	2,336,795	-	2,336,795
Interest	4,111,828	-	4,111,828
Difference between expected and actual experience	393,109	-	393,109
Benefit payments, including refunds of employee contributions	(2,507,595)	-	(2,507,595)
Contributions - employer	-	2,126,679	(2,126,679)
Contributions - employee	-	969,624	(969,624)
Net investment income	-	6,824,120	(6,824,120)
Benefit payments, including refunds of employee contributions	-	(2,507,595)	2,507,595
Administrative expense	-	(35,337)	35,337
Other changes	-	(1,791)	1,791
Net changes	<u>4,334,137</u>	<u>7,375,700</u>	<u>(3,041,563)</u>
Balance at 12/31/2017	<u>\$ 65,335,502</u>	<u>\$ 56,573,257</u>	<u>\$ 8,762,245</u>

Of the net pension liability, \$8,319,595 and \$442,650 are reported in the primary government and Waxahachie Community Development Corporation, respectively.

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 18,562,629	\$ 8,762,245	\$ 776,627

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the internet at www.tmr.org.

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

For the year ended September 30, 2018, the City recognized pension expense of \$2,004,900. At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 335,976	\$ 418,662
Changes in actuarial assumptions	-	71,735
Difference between projected and actual investment earnings	-	1,470,172
Contributions subsequent to the measurement date	<u>1,791,291</u>	<u>-</u>
Total	<u>\$ 2,127,267</u>	<u>\$ 1,960,569</u>

\$1,791,291 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending September 30,	
2019	\$(222,868)
2020	(166,614)
2021	(633,901)
2022	(627,695)
2023	26,485

Of the deferred outflows of resources related to pensions, \$2,054,936 belong to the primary government and \$107,465 belong to the Waxahachie Community Development Corporation. Of the deferred inflows of resources related to pensions, \$1,893,910 belong to the primary government and \$99,044 belong to the Waxahachie Community Development Corporation.

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 prepared for FRRF. Current and former firefighters in the Waxahachie Fire Department are covered by the Waxahachie FRRF.

The plan obtains an actuarial evaluation in even numbered years only; therefore, the table below summarizes the membership of the fund at September 30, 2018:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits, but not yet receiving them	33
Active employees	<u>55</u>
Total fund membership	<u><u>88</u></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, 2006, plus \$73.00 per month for each year of service in excess of 24 years with a minimum benefit of \$90.00 per month for each year of service.

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

Contributions Required and Contributions Made

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

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

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

The funding policy of the Waxahachie Firefighters' Relief and Retirement Fund requires contributions equal to 12% of pay by the firefighters and contributions by the City equal to the greater of 12% 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. The City's total pension liability was measured as of September 30, 2017 and was determined by an actuarial valuation as of September 30, 2016. The actuarial valuation assumes that the City's contributions will average 15.53% of payroll in the future.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 9/30/2017	\$ 21,240,580	\$ 14,201,159	\$ 7,039,421
Changes for the year:			
Service cost	742,626	-	742,626
Interest	1,476,426	-	1,476,426
Contributions - employer	-	633,627	(633,627)
Contributions - employee	-	493,454	(493,454)
Net investment income	-	1,556,723	(1,556,723)
Benefit payments, including refunds of employee contributions	(1,040,184)	(1,040,184)	-
Administrative expense	-	(27,691)	27,691
Net changes	<u>1,178,868</u>	<u>1,615,929</u>	<u>(437,061)</u>
Balance at 9/30/2018	<u>\$ 22,419,448</u>	<u>\$ 15,817,088</u>	<u>\$ 6,602,360</u>

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-higher (8.00%) than the current rate:

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Firefighter's Fund Net Pension Liability	\$ 9,588,178	\$ 6,602,360	\$ 4,136,763

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

For the year ended September 30, 2018, the City recognized pension expense of \$881,496. At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 23,776	\$ -
Changes in actuarial assumptions	223,047	659,793
Difference between projected and actual investment earnings	129,660	-
Contributions subsequent to the measurement date	<u>688,260</u>	<u>-</u>
Total	<u>\$ 1,064,743</u>	<u>\$ 659,793</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ending September 30,	
2019	\$ 124,361
2020	142,292
2021	(152,025)
2022	(154,496)
2023	(42,382)
Thereafter	(201,060)

Defined Other Post-Employment Benefit Plans – Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City’s pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	17
Active employees	<u>251</u>
Total	<u><u>356</u></u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.20% for 2018 and 0.20% for 2017, of which 0.04% and 0.03%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees’ entire careers. The City’s contributions to the SDBF for the years ended September 30, 2018 and 2017 were \$29,728 and \$25,180, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	3.31%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 10.5% including inflation

Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.31% was used to measure the Total OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2017.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.31%) in measuring the Total OPEB Liability.

	<u>1% Decrease in Discount Rate (2.31%)</u>	<u>Discount Rate (3.31%)</u>	<u>1% Increase in Discount Rate (4.31%)</u>
Total OPEB Liability	\$ 719,245	\$ 601,234	\$ 508,277

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2018, the City reported a liability of \$601,234 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2017. For the year ended September 30, 2018, the City recognized OPEB expense of \$55,902. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2016	\$ 512,757
Changes for the year:	
Service cost	27,704
Interest	19,802
Changes of assumptions or other inputs	46,516
Benefit payments	<u>(5,545)</u>
Net changes	<u>88,477</u>
Balance at 12/31/2017	<u>\$ 601,234</u>

Of the total OPEB liability, \$570,861 is reported in the primary government and \$30,373 is reported in the Waxahachie Community Development Corporation.

At September 30, 2018, the City reported deferred outflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>
Changes in actuarial assumptions	\$ 39,022
Contributions subsequent to the measurement date	<u>3,507</u>
Totals	<u>\$ 42,529</u>

\$3,507 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2019. Other amounts of the reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2019	\$ 7,491
2020	7,491
2021	7,491
2022	7,491
2023	7,491
Thereafter	1,567

Of the deferred outflows of resources related to SDBF OPEB, \$40,381 related to the primary government and \$2,148 related to the Waxahachie Community Development Corporation.

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	2016 Park Improvements	2018 Bond Construction	Combined
Assets					
Current assets	\$ 3,211,176	\$ 412,241	\$ 3,989,513	\$ 2,001,471	\$ 9,614,401
Liabilities					
Current liabilities	\$ 181,196	\$ -	\$ 207,012	\$ -	\$ 388,208
Fund balance	<u>3,029,980</u>	<u>412,241</u>	<u>3,782,501</u>	<u>2,001,471</u>	<u>9,226,193</u>
Total liabilities and fund balance	<u>\$ 3,211,176</u>	<u>\$ 412,241</u>	<u>\$ 3,989,513</u>	<u>\$ 2,001,471</u>	<u>\$ 9,614,401</u>
Revenues and Expenditures					
Revenues	\$ 5,217,046	\$ 13,067	\$ 71,911	\$ 1,471	\$ 5,303,495
Current expenditures	3,580,953	-	-	-	3,580,953
Capital Outlay	446,723	-	421,039	-	867,762
Debt service	-	1,602,163	-	26,726	1,628,889
Total expenditures	<u>4,027,676</u>	<u>1,602,163</u>	<u>421,039</u>	<u>26,726</u>	<u>6,077,604</u>
Revenues over (under) expenditures	1,189,370	(1,589,096)	(349,128)	(25,255)	(774,109)
Other financing sources (uses)	(1,581,031)	1,581,134	-	2,026,726	2,026,829
Net change in fund balances	(391,661)	(7,962)	(349,128)	2,001,471	1,252,720
Fund balances, October 1	<u>3,421,641</u>	<u>420,203</u>	<u>4,131,629</u>	<u>-</u>	<u>7,973,473</u>
Fund balances, September 30	<u>\$ 3,029,980</u>	<u>\$ 412,241</u>	<u>\$ 3,782,501</u>	<u>\$ 2,001,471</u>	<u>\$ 9,226,193</u>

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	\$ 9,226,193
Capital assets not reported in the funds	17,261,626
Accrued interest payable	(119,411)
Payable for loan principal not due currently	(24,179,216)
Payables for compensated absences	<u>(63,185)</u>
Net position - statement of net position	<u>\$ 2,126,007</u>

Reconciliation of Statement of Revenues, Expenditures and Fund Balances	WCDC
Net change in fund balances	\$ 1,252,720
Repayment of loan principal	956,473
Bond issuance	(2,026,829)
Capital outlay	731,380
Depreciation	(732,838)
Change in accrued interest expense	2,798
Pension	10,331
OPEB	(2,536)
Change in compensated absences	(14,681)
Change in net assets	\$ <u>176,818</u>

Prior Period Adjustment – Change in Accounting Principles

During fiscal year 2018, the City adopted GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*. With GASB 75, the City must assume its Total OPEB Liability in connection with the TMRS SDBF. Adoption of GASB 75 required a prior period adjustment to report the effect of the standard retroactively. As such, beginning net position was restated by \$381,231, \$101,599, and \$25,689 in the governmental activities, business-type activities, and component unit, respectively.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF WAXAHACHIE, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance -
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Positive (Negative)
REVENUES						
Taxes:						
Ad valorem	\$ 14,686,700	\$ 14,793,700	\$ 14,741,162	\$ -	\$ 14,741,162	\$(52,538)
Franchise	3,750,000	3,436,000	3,473,762	-	3,473,762	37,762
Sales	13,146,000	13,030,000	13,163,894	-	13,163,894	133,894
Other	100,000	107,000	106,916	-	106,916	(84)
Charges for services	835,100	1,238,900	2,765,786	-	2,765,786	1,526,886
Licenses and permits	898,410	1,276,600	1,354,210	-	1,354,210	77,610
Fines and forfeitures	937,100	1,086,500	1,065,248	-	1,065,248	(21,252)
Intergovernmental	17,000	161,627	161,626	-	161,626	(1)
Miscellaneous	439,500	466,500	419,415	-	419,415	(47,085)
Interest	200,000	325,000	376,321	-	376,321	51,321
Total revenues	<u>35,009,810</u>	<u>35,921,827</u>	<u>37,628,340</u>	<u>-</u>	<u>37,628,340</u>	<u>1,706,513</u>
EXPENDITURES						
Current:						
General government						
General administration	1,171,401	1,360,963	1,363,345	5,352	1,368,697	(7,734)
Finance department	1,031,705	1,060,142	1,062,846	-	1,062,846	(2,704)
City attorney	60,000	100,000	100,811	-	100,811	(811)
General items	2,410,060	399,306	393,544	-	393,544	5,762
Human resources	515,815	524,752	506,919	-	506,919	17,833
Information technology	677,911	679,911	433,030	208,095	641,125	38,786
Economic development	1,576,706	2,267,625	2,230,246	5,500	2,235,746	31,879
Downtown development	209,055	225,281	230,843	-	230,843	(5,562)
Planning	442,580	469,739	450,263	1,004	451,267	18,472
Mid-Way airport	50,500	33,540	33,541	-	33,541	(1)
Total general government	<u>8,145,733</u>	<u>7,121,259</u>	<u>6,805,388</u>	<u>219,951</u>	<u>7,025,339</u>	<u>95,920</u>
Public safety						
Police department	9,678,501	9,978,437	9,546,244	348,384	9,894,628	83,809
Fire department	7,877,181	8,133,067	7,998,771	439	7,999,210	133,857
Building services	545,702	647,209	668,403	-	668,403	(21,194)
Municipal court	309,110	320,730	312,958	-	312,958	7,772
Marshal	109,641	110,227	109,125	-	109,125	1,102
Total public safety	<u>18,520,135</u>	<u>19,189,670</u>	<u>18,635,501</u>	<u>348,823</u>	<u>18,984,324</u>	<u>205,346</u>
Public works						
Street department	4,979,702	8,199,776	6,389,223	1,357,682	7,746,905	452,871
Central garage	286,141	265,451	263,067	-	263,067	2,384
Engineering department	463,560	578,119	568,535	-	568,535	9,584
City Engineer	366,735	329,130	236,401	116,331	352,732	(23,602)
Community services	431,099	427,988	376,511	10,965	387,476	40,512
Animal control	252,475	254,828	246,568	-	246,568	8,260
Total public works	<u>6,779,712</u>	<u>10,055,292</u>	<u>8,080,305</u>	<u>1,484,978</u>	<u>9,565,283</u>	<u>490,009</u>

CITY OF WAXAHACHIE, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL

(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance -
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Positive (Negative)
EXPENDITURES						
Culture and recreation						
Parks and recreation	1,597,850	1,632,640	1,539,992	90,626	1,630,618	2,022
Chautauqua Auditorium	60,525	59,776	314,449	-	314,449	(254,673)
Rodeo	17,825	16,950	17,305	-	17,305	(355)
Penn Park Pool	535,323	554,592	225,840	317,005	542,845	11,747
Optimist Pool	40,100	49,030	50,783	-	50,783	(1,753)
Sims Library	1,187,100	1,186,495	1,116,084	-	1,116,084	70,411
Senior Citizens Center	616,987	609,374	573,653	24,630	598,283	11,091
Total culture and recreation	<u>4,055,710</u>	<u>4,108,857</u>	<u>3,838,106</u>	<u>432,261</u>	<u>4,270,367</u>	<u>(161,510)</u>
Total expenditures	<u>37,501,290</u>	<u>40,475,078</u>	<u>37,359,300</u>	<u>2,486,013</u>	<u>39,845,313</u>	<u>629,765</u>
EXCESS (DEFICIENCY) OF REVENUE						
OVER (UNDER) EXPENDITURES	<u>(2,491,480)</u>	<u>(4,553,251)</u>	<u>269,040</u>	<u>(2,486,013)</u>	<u>(2,216,973)</u>	<u>2,336,278</u>
OTHER FINANCING RESOURCES (USES)						
Transfers in	3,945,400	3,962,490	4,279,622	-	4,279,622	317,132
Transfers out	<u>-</u>	<u>-</u>	<u>(406,126)</u>	<u>-</u>	<u>(406,126)</u>	<u>(406,126)</u>
Total other financing sources (uses)	<u>3,945,400</u>	<u>3,962,490</u>	<u>3,873,496</u>	<u>-</u>	<u>3,873,496</u>	<u>(88,994)</u>
NET CHANGE IN FUND BALANCES	1,453,920	(590,761)	4,142,536	(2,486,013)	1,656,523	2,247,284
FUND BALANCES, BEGINNING	<u>17,636,360</u>	<u>17,636,360</u>	<u>17,636,360</u>	<u>-</u>	<u>17,636,360</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 19,090,280</u>	<u>\$ 17,045,599</u>	<u>\$ 21,778,896</u>	<u>\$(2,486,013)</u>	<u>\$ 19,292,883</u>	<u>\$ 2,247,284</u>

CITY OF WAXAHACHIE, TEXAS

NOTES TO REQUIRED BUDGETARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 General Fund, Hotel/Motel Fund and Debt Service Fund.

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures in excess of appropriations:

General Fund:	
General government:	
General administration	\$ 7,734
Finance department	2,704
City attorney	811
Downtown development	5,562
Public safety:	
Building services	21,194
Public works:	
City Engineer	23,602
Culture and recreation:	
Chautauqua Auditorium	254,673
Rodeo	355
Optimist Pool	1,753
Hotel/Motel Fund:	
General government	32,774
Debt Service Fund:	
Interest	2,729

CITY OF WAXAHACHIE, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Measurement Date December 31,	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
A. Total pension liability				
Service Cost	\$ 1,784,061	\$ 1,938,267	\$ 2,194,170	\$ 2,375,274
Interest (on the Total Pension Liability)	3,690,173	3,818,609	3,925,646	4,179,536
Difference between expected and actual experience	(1,600,781)	39,187	(4,763)	399,582
Change of assumptions	-	(173,270)	-	-
Benefit payments, including refunds of employee contributions	(2,282,010)	(1,949,502)	(2,339,665)	(2,548,887)
Net change in total pension liability	1,591,443	3,673,291	3,775,388	4,405,505
Total pension liability - beginning	<u>52,965,738</u>	<u>54,557,181</u>	<u>58,230,472</u>	<u>62,005,860</u>
Total pension liability - ending (a)	<u>\$ 54,557,181</u>	<u>\$ 58,230,472</u>	<u>\$ 62,005,860</u>	<u>\$ 66,411,365</u>
B. Plan fiduciary net position				
Contributions - employer	\$ 1,862,304	\$ 1,933,441	\$ 1,933,365	\$ 2,161,257
Contributions - employee	800,652	845,350	912,608	985,591
Net investment income	2,445,586	67,217	3,137,851	6,936,491
Benefit payments, including refunds of employee contributions	(2,282,010)	(1,949,502)	(2,339,665)	(2,548,887)
Administrative expenses	(25,532)	(40,936)	(35,416)	(35,919)
Other	(2,099)	(2,022)	(1,908)	(1,820)
Net change in plan fiduciary net position	2,798,901	853,548	3,606,835	7,496,713
Plan fiduciary net position - beginning	<u>42,748,397</u>	<u>45,547,298</u>	<u>46,400,846</u>	<u>50,007,681</u>
Plan fiduciary net position - ending (b)	<u>\$ 45,547,298</u>	<u>\$ 46,400,846</u>	<u>\$ 50,007,681</u>	<u>\$ 57,504,394</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 9,009,883</u>	<u>\$ 11,829,626</u>	<u>\$ 11,998,179</u>	<u>\$ 8,906,971</u>
D. Plan fiduciary net position as a percentage of total pension liability	83.49%	79.68%	80.65%	86.59%
E. Covered payroll	\$ 11,341,704	\$ 12,076,431	\$ 13,037,252	\$ 13,037,252
F. Net position liability as a percentage of covered payroll	79.44%	97.96%	92.03%	68.32%

Note: 10 years of information is required to be provided in this schedule, but information prior to 2014 is not available.

CITY OF WAXAHACHIE, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Fiscal Year Ended September 30,	2014	2015	2016	2017	2018
Actuarial determined contribution	\$ 1,874,446	\$ 1,888,085	\$ 2,013,447	\$ 2,130,549	\$ 2,328,843
Contributions in relation to the actuarially determined contribution	<u>1,874,446</u>	<u>1,888,085</u>	<u>2,013,447</u>	<u>2,130,549</u>	<u>2,328,843</u>
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	11,365,565	11,713,237	13,299,691	13,988,817	15,194,842
Contributions as a percentage of covered payroll	16.49%	16.12%	15.14%	15.23%	15.33%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

Valuation Date Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with BB.

Other Information There were no benefit changes during the year.

Note: 10 years of information is required to be provided in this schedule, but information prior to 2014 is not available.

CITY OF WAXAHACHIE, TEXAS
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Measurement Date September 30,	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
A. Total pension liability				
Service Cost	\$ 582,704	\$ 655,142	\$ 701,002	\$ 742,626
Interest (on the Total Pension Liability)	1,194,519	1,392,693	1,465,623	1,476,426
Change of benefit terms	937,622	-	-	-
Difference between expected and actual experience	13,620	-	19,944	-
Change of assumptions	382,367	-	(831,167)	-
Benefit payments, including refunds of employee contributions	(567,869)	(678,363)	(1,391,513)	(1,040,184)
Net change in total pension liability	2,542,963	1,369,472	(36,111)	1,178,868
Total pension liability - beginning	<u>17,364,256</u>	<u>19,907,219</u>	<u>21,276,691</u>	<u>21,240,580</u>
Total pension liability - ending (a)	<u>\$ 19,907,219</u>	<u>\$ 21,276,691</u>	<u>\$ 21,240,580</u>	<u>\$ 22,419,448</u>
B. Plan fiduciary net position				
Contributions - employer	\$ 615,039	\$ 615,039	\$ 620,782	\$ 633,627
Contributions - employee	452,414	452,414	485,928	493,454
Net investment income	(498,706)	(498,706)	927,521	1,556,723
Benefit payments, including refunds of employee contributions	(678,363)	(678,363)	(1,391,513)	(1,040,184)
Administrative expenses	(27,428)	(27,428)	(21,760)	(27,691)
Net change in plan fiduciary net position	(137,044)	(137,044)	620,958	1,615,929
Plan fiduciary net position - beginning	<u>13,717,245</u>	<u>13,717,245</u>	<u>13,580,201</u>	<u>14,201,159</u>
Plan fiduciary net position - ending (b)	<u>\$ 13,580,201</u>	<u>\$ 13,580,201</u>	<u>\$ 14,201,159</u>	<u>\$ 15,817,088</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 6,327,018</u>	<u>\$ 7,696,490</u>	<u>\$ 7,039,421</u>	<u>\$ 6,602,360</u>
D. Plan fiduciary net position as a percentage of total pension liability	68.22%	63.83%	66.86%	70.55%
E. Covered-employee payroll	\$ 3,770,117	\$ 3,770,117	\$ 4,049,400	\$ 4,112,117
F. Net position liability as a percentage of covered-employee payroll	167.82%	204.14%	173.84%	160.56%

Note 1: 10 years of information is required to be provided in this schedule, but information prior to 2014 is not available.

Note 2: Actual covered-employee payroll is estimated using firefighter contributions divided by the contribution percentage.

CITY OF WAXAHACHIE, TEXAS
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Fiscal Year Ended September 30,	2015	2016	2017	2018
Actuarial determined contribution	\$ 1,067,453	\$ 1,106,710	\$ 1,127,081	\$ 1,220,788
Contributions in relation to the actuarially determined contribution	<u>1,067,453</u>	<u>1,106,710</u>	<u>1,127,081</u>	<u>1,220,788</u>
Contribution deficiency (excess)	-	-	-	-
Covered-employee payroll	3,770,117	4,049,400	4,112,117	4,270,422
Contributions as a percentage of covered-employee payroll	28.31%	27.33%	27.41%	28.59%

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS

Valuation Date September 30, 2016

Contributions to the fund are based on negotiations between the members and the City rather than an actuarially determined rate. The funding policy of the Waxahachie Firemen's Relief and Retirement Fund requires contributions from both the City and the firefighters. The City's contribution rate is currently 15.53% of member payroll firefighters. Each active member contributes 12.00% of member payroll.

There were no changes to methods or plan provisions since the prior valuation. The mortality assumption was updated to the RP-2014 mortality tables with generational projection using Scale MP-2016. The salary scale assumption was updated to a service based salary scale. There have been no other assumption changes since the prior valuation.

Note: 10 years of information is required to be provided in this schedule, but information prior to 2015 is not available.

CITY OF WAXAHACHIE, TEXAS

TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Measurement Date December 31,	2017
A. Total OPEB liability	
Service Cost	\$ 27,704
Interest (on the Total OPEB Liability)	19,802
Changes of assumptions	46,516
Benefit payments, including refunds of employee contributions	<u>(5,545)</u>
Net change in Total OPEB liability	88,477
Total OPEB liability - beginning	<u>512,757</u>
Total OPEB liability - ending	<u>601,234</u>
B. Covered-employee payroll	\$ 14,079,869
C. Total OPEB liability as a percentage of covered-employee payroll	4.27%

Notes to Schedule:

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.
- Included in the changes of assumptions was a reduction to the discount rate from 3.81% to 3.31%.

**COMBINING STATEMENTS
AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2016 Street Bond – This fund is used to account for the costs of various street projects throughout the City.

2018 TIFRZ Bonds – This fund is used to account for a portion of the costs of the construction of an amphitheater.

2018 Street Bonds – This fund is used to account for the costs of various street projects throughout the City.

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

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CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	<u>Special Revenue</u>	<u>Debt Service - Tax Increment</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,313,783	\$ -	\$ 7,538,820	\$ 10,852,603
Receivables, net	<u>133,930</u>	<u>-</u>	<u>-</u>	<u>133,930</u>
Total assets	<u>\$ 3,447,713</u>	<u>\$ -</u>	<u>\$ 7,538,820</u>	<u>\$ 10,986,533</u>
LIABILITIES				
Accounts payable	\$ 200,012	\$ -	\$ -	\$ 200,012
Retainage payable	-	-	436,454	436,454
Accrued liabilities	4,224	-	-	4,224
Deposits payable	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>3,500</u>
Total liabilities	<u>207,736</u>	<u>-</u>	<u>436,454</u>	<u>644,190</u>
FUND BALANCES				
Restricted:				
Tourism	546,141	-	-	546,141
Capital projects	-	-	6,696,240	6,696,240
Perpetual care	1,121,218	-	-	1,121,218
Public safety	293,221	-	-	293,221
Public works	2,151	-	-	2,151
Municipal court judicial efficiency	15,277	-	-	15,277
Municipal court technology	44,056	-	-	44,056
Municipal court security	77,021	-	-	77,021
Municipal court judicial	22,359	-	-	22,359
Culture and recreation	237,317	-	-	237,317
Downtown improvements	489,369	-	-	489,369
Committed:				
Culture and recreation	391,847	-	-	391,847
Assigned - capital projects	<u>-</u>	<u>-</u>	<u>406,126</u>	<u>406,126</u>
Total fund balances	<u>3,239,977</u>	<u>-</u>	<u>7,102,366</u>	<u>10,342,343</u>
Total liabilities and fund balances	<u>\$ 3,447,713</u>	<u>\$ -</u>	<u>\$ 7,538,820</u>	<u>\$ 10,986,533</u>

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CITY OF WAXAHACHIE, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Special Revenue</u>	<u>Debt Service - Tax Increment</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes	\$ 1,206,351	\$ 125,323	\$ -	\$ 1,331,674
Charges for services	385,286	-	-	385,286
Intergovernmental	89,089	-	-	89,089
Miscellaneous	157,848	-	-	157,848
Interest	<u>50,062</u>	<u>-</u>	<u>49,207</u>	<u>99,269</u>
Total revenues	<u>1,888,636</u>	<u>125,323</u>	<u>49,207</u>	<u>2,063,166</u>
EXPENDITURES				
Current:				
General government	669,717	-	-	669,717
Public safety	230,671	-	-	230,671
Judicial	17,912	-	-	17,912
Culture and recreation	493,722	-	-	493,722
Debt service:				
Principal	-	108,830	-	108,830
Interest	-	40,922	-	40,922
Bond issuance costs	-	-	69,488	69,488
Capital outlay	<u>-</u>	<u>-</u>	<u>1,164,459</u>	<u>1,164,459</u>
Total expenditures	<u>1,412,022</u>	<u>149,752</u>	<u>1,233,947</u>	<u>2,795,721</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>476,614</u>	<u>(24,429)</u>	<u>(1,184,740)</u>	<u>(732,555)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	16,250	19,226	406,126	441,602
Transfers out	(292,072)	-	(269)	(292,341)
Bond issued	-	-	4,938,207	4,938,207
Premium on bonds issued	<u>-</u>	<u>-</u>	<u>331,550</u>	<u>331,550</u>
Total other financing sources (uses)	<u>(275,822)</u>	<u>19,226</u>	<u>5,675,614</u>	<u>5,419,018</u>
NET CHANGE IN FUND BALANCES	<u>200,792</u>	<u>(5,203)</u>	<u>4,490,874</u>	<u>4,686,463</u>
FUND BALANCES, BEGINNING	<u>3,039,185</u>	<u>5,203</u>	<u>2,611,492</u>	<u>5,655,880</u>
FUND BALANCES, ENDING	<u>\$ 3,239,977</u>	<u>\$ -</u>	<u>\$ 7,102,366</u>	<u>\$ 10,342,343</u>

CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2018

	<u>Hotel/Motel Tax</u>	<u>Fire Department Donations</u>	<u>Veteran's Memorial Donations</u>	<u>LEOSE</u>
ASSETS				
Cash and investments	\$ 622,566	\$ 4,098	\$ 41,700	\$ 17,181
Receivables, net	<u>133,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 756,496</u>	<u>\$ 4,098</u>	<u>\$ 41,700</u>	<u>\$ 17,181</u>
LIABILITIES				
Accounts payable	\$ 73,219	\$ -	\$ -	\$ -
Accrued liabilities	4,224	-	-	-
Deposits payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>77,443</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted:				
Tourism	509,290	-	-	-
Perpetual care	-	-	-	-
Public safety	-	4,098	-	17,181
Public works	-	-	-	-
Municipal court judicial efficiency	-	-	-	-
Municipal court technology	-	-	-	-
Municipal court security	-	-	-	-
Municipal court judicial	-	-	-	-
Culture and recreation	169,763	-	41,700	-
Downtown improvements	-	-	-	-
Committed:				
Culture and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>679,053</u>	<u>4,098</u>	<u>41,700</u>	<u>17,181</u>
Total liabilities and fund balances	<u>\$ 756,496</u>	<u>\$ 4,098</u>	<u>\$ 41,700</u>	<u>\$ 17,181</u>

Waxahachie Police Explorers	Tax Increment	Police Seizure	Police Forfeiture	Cemetery Perpetual Care	Police Department Federal Forfeiture	Texas Tobacco Compliance Grant
\$ 11,606	\$ 495,118	\$ 8,801	\$ 37,937	\$ 1,121,661	\$ 224,521	\$ 1,434
-	-	-	-	-	-	-
<u>\$ 11,606</u>	<u>\$ 495,118</u>	<u>\$ 8,801</u>	<u>\$ 37,937</u>	<u>\$ 1,121,661</u>	<u>\$ 224,521</u>	<u>\$ 1,434</u>
\$ -	\$ 2,249	\$ -	\$ -	\$ 443	\$ 121,643	\$ -
-	-	-	-	-	-	-
-	3,500	-	-	-	-	-
-	5,749	-	-	443	121,643	-
-	-	-	-	-	-	-
-	-	-	-	1,121,218	-	-
11,606	-	8,801	37,937	-	102,878	1,434
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	489,369	-	-	-	-	-
-	-	-	-	-	-	-
<u>11,606</u>	<u>489,369</u>	<u>8,801</u>	<u>37,937</u>	<u>1,121,218</u>	<u>102,878</u>	<u>1,434</u>
<u>\$ 11,606</u>	<u>\$ 495,118</u>	<u>\$ 8,801</u>	<u>\$ 37,937</u>	<u>\$ 1,121,661</u>	<u>\$ 224,521</u>	<u>\$ 1,434</u>

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CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

(Continued)

SEPTEMBER 30, 2018

	Park Dedication Impact Fee	Municipal Court	Miscellaneous Special Revenue	Total Nonmajor Special Revenue Funds
ASSETS				
Cash and investments	\$ 391,847	\$ 161,171	\$ 174,142	\$ 3,313,783
Receivables, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,930</u>
Total assets	<u>\$ 391,847</u>	<u>\$ 161,171</u>	<u>\$ 174,142</u>	<u>\$ 3,447,713</u>
LIABILITIES				
Accounts payable	\$ -	\$ 2,458	\$ -	\$ 200,012
Accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,224</u>
Deposits payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,500</u>
Total liabilities	<u>-</u>	<u>2,458</u>	<u>-</u>	<u>207,736</u>
FUND BALANCES				
Restricted:				
Tourism	-	-	36,851	546,141
Perpetual care	-	-	-	1,121,218
Public safety	-	-	109,286	293,221
Public works	-	-	2,151	2,151
Municipal court judicial efficiency	-	15,277	-	15,277
Municipal court technology	-	44,056	-	44,056
Municipal court security	-	77,021	-	77,021
Municipal court judicial	-	22,359	-	22,359
Culture and recreation	-	-	25,854	237,317
Downtown improvements	-	-	-	489,369
Committed:				
Culture and recreation	<u>391,847</u>	<u>-</u>	<u>-</u>	<u>391,847</u>
Total fund balances	<u>391,847</u>	<u>158,713</u>	<u>174,142</u>	<u>3,239,977</u>
Total liabilities and fund balances	<u>\$ 391,847</u>	<u>\$ 161,171</u>	<u>\$ 174,142</u>	<u>\$ 3,447,713</u>

CITY OF WAXAHACHIE, TEXAS

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

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Hotel/Motel Tax	Fire Department Donations	Veteran's Memorial Donations	LEOSE
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES				
Taxes	\$ 830,383	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Intergovernmental	-	-	-	5,549
Miscellaneous	9,236	-	14,341	-
Interest	<u>9,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>849,369</u>	<u>-</u>	<u>14,341</u>	<u>5,549</u>
EXPENDITURES				
Current:				
General government	211,974	-	12,305	-
Public safety	-	4,234	-	280
Judicial	-	-	-	-
Culture and recreation	<u>492,595</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>704,569</u>	<u>4,234</u>	<u>12,305</u>	<u>280</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>144,800</u>	<u>(4,234)</u>	<u>2,036</u>	<u>5,269</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>(16,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(16,250)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	128,550	(4,234)	2,036	5,269
FUND BALANCES, BEGINNING	<u>550,503</u>	<u>8,332</u>	<u>39,664</u>	<u>11,912</u>
FUND BALANCES, ENDING	<u>\$ 679,053</u>	<u>\$ 4,098</u>	<u>\$ 41,700</u>	<u>\$ 17,181</u>

Waxahachie Police Explorers	Tax Increment	Police Seizure	Police Forfeitures	Cemetery Perpetual Care	Police Department Federal Forfeiture	Texas Tobacco Compliance Grant
\$ -	\$ 375,968	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	124,900	38,072	-
-	-	-	-	-	-	-
4,630	41,005	-	4,393	-	-	-
<u>-</u>	<u>9,565</u>	<u>-</u>	<u>-</u>	<u>20,577</u>	<u>3,985</u>	<u>-</u>
<u>4,630</u>	<u>426,538</u>	<u>-</u>	<u>4,393</u>	<u>145,477</u>	<u>42,057</u>	<u>-</u>
-	247,101	-	-	113,439	-	-
1,246	-	-	-	-	151,776	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,246</u>	<u>247,101</u>	<u>-</u>	<u>-</u>	<u>113,439</u>	<u>151,776</u>	<u>-</u>
<u>3,384</u>	<u>179,437</u>	<u>-</u>	<u>4,393</u>	<u>32,038</u>	<u>(109,719)</u>	<u>-</u>
-	-	-	-	-	-	-
<u>-</u>	<u>(275,822)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(275,822)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,384	(96,385)	-	4,393	32,038	(109,719)	-
<u>8,222</u>	<u>585,754</u>	<u>8,801</u>	<u>33,544</u>	<u>1,089,180</u>	<u>212,597</u>	<u>1,434</u>
<u>\$ 11,606</u>	<u>\$ 489,369</u>	<u>\$ 8,801</u>	<u>\$ 37,937</u>	<u>\$ 1,121,218</u>	<u>\$ 102,878</u>	<u>\$ 1,434</u>

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CITY OF WAXAHACHIE, TEXAS

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

**NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Park Dedication Impact Fees	Municipal Court	Miscellaneous Special Revenue	Total Nonmajor Special Revenue Funds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 1,206,351
Charges for services	165,480	56,834	-	385,286
Intergovernmental	-	-	83,540	89,089
Miscellaneous	-	-	84,243	157,848
Interest	<u>6,185</u>	<u>-</u>	<u>-</u>	<u>50,062</u>
Total revenues	<u>171,665</u>	<u>56,834</u>	<u>167,783</u>	<u>1,888,636</u>
EXPENDITURES				
Current:				
General government	-	-	84,898	669,717
Public safety	-	-	73,135	230,671
Judicial	-	17,912	-	17,912
Culture and recreation	<u>1,127</u>	<u>-</u>	<u>-</u>	<u>493,722</u>
Total expenditures	<u>1,127</u>	<u>17,912</u>	<u>158,033</u>	<u>1,412,022</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>170,538</u>	<u>38,922</u>	<u>9,750</u>	<u>476,614</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	16,250	16,250
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(292,072)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>16,250</u>	<u>(275,822)</u>
NET CHANGE IN FUND BALANCES	170,538	38,922	26,000	200,792
FUND BALANCES, BEGINNING	<u>221,309</u>	<u>119,791</u>	<u>148,142</u>	<u>3,039,185</u>
FUND BALANCES, ENDING	<u>\$ 391,847</u>	<u>\$ 158,713</u>	<u>\$ 174,142</u>	<u>\$ 3,239,977</u>

CITY OF WAXAHACHIE, TEXAS

HOTEL/MOTEL TAX FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Other taxes	\$ 735,000	\$ 735,000	\$ 830,383	\$ 95,383
Miscellaneous	4,500	4,500	9,236	4,736
Interest	5,700	7,800	9,750	1,950
Total revenues	<u>745,200</u>	<u>747,300</u>	<u>849,369</u>	<u>102,069</u>
EXPENDITURES				
Current:				
General government	187,950	179,200	211,974	(32,774)
Culture and recreation	533,505	504,560	492,595	11,965
Total expenditures	<u>721,455</u>	<u>683,760</u>	<u>704,569</u>	<u>(20,809)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>23,745</u>	<u>63,540</u>	<u>144,800</u>	<u>81,260</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(16,250)	(16,250)	-
Total other financing sources (uses)	<u>-</u>	<u>(16,250)</u>	<u>(16,250)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>23,745</u>	<u>47,290</u>	<u>128,550</u>	<u>81,260</u>
FUND BALANCES, BEGINNING	<u>550,503</u>	<u>550,503</u>	<u>550,503</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 574,248</u>	<u>\$ 597,793</u>	<u>\$ 679,053</u>	<u>\$ 81,260</u>

CITY OF WAXAHACHIE, TEXAS

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET TO ACTUAL**

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Ad valorem taxes	\$ 4,960,000	\$ 4,983,500	\$ 4,927,130	\$(56,370)
Miscellaneous	92,500	94,300	94,305	5
Interest	<u>60,000</u>	<u>90,000</u>	<u>95,298</u>	<u>5,298</u>
Total revenues	<u>5,112,500</u>	<u>5,167,800</u>	<u>5,116,733</u>	<u>(51,067)</u>
EXPENDITURES				
Debt service:				
Principal	3,967,112	3,967,112	3,964,596	2,516
Interest	<u>2,106,388</u>	<u>2,110,147</u>	<u>2,112,876</u>	<u>(2,729)</u>
Total expenditures	<u>6,073,500</u>	<u>6,077,259</u>	<u>6,077,472</u>	<u>(213)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(961,000)</u>	<u>(909,459)</u>	<u>(960,739)</u>	<u>(51,280)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>961,000</u>	<u>909,459</u>	<u>909,676</u>	<u>217</u>
Total other financing sources (uses)	<u>961,000</u>	<u>909,459</u>	<u>909,676</u>	<u>217</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>(51,063)</u>	<u>(51,063)</u>
FUND BALANCES, BEGINNING	<u>2,643,920</u>	<u>2,643,920</u>	<u>2,643,920</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 2,643,920</u>	<u>\$ 2,643,920</u>	<u>\$ 2,592,857</u>	<u>\$(51,063)</u>

CITY OF WAXAHACHIE, TEXAS

COMBINING BALANCE SHEET

NONMAJOR CAPITAL PROJECTS FUNDS

SEPTEMBER 30, 2018

	2013 Street and Drainage Bond Construction	2014 Bond Construction	2016 Streets Bond
ASSETS			
Cash and investments	\$ <u>342,428</u>	\$ <u>1,212,728</u>	\$ <u>625,727</u>
Total assets	\$ <u><u>342,428</u></u>	\$ <u><u>1,212,728</u></u>	\$ <u><u>625,727</u></u>
LIABILITIES			
Retainage payable	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted:			
Capital projects	342,428	1,212,728	625,727
Assigned - capital projects	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u><u>342,428</u></u>	<u><u>1,212,728</u></u>	<u><u>625,727</u></u>
Total liabilities and fund balances	\$ <u><u>342,428</u></u>	\$ <u><u>1,212,728</u></u>	\$ <u><u>625,727</u></u>

2018 TIRFZ Bond	2018 Streets Bond	Streets	Total Nonmajor Capital Projects Funds
\$ <u>1,000,736</u>	\$ <u>3,951,075</u>	\$ <u>406,126</u>	\$ <u>7,538,820</u>
<u>\$ 1,000,736</u>	<u>\$ 3,951,075</u>	<u>\$ 406,126</u>	<u>\$ 7,538,820</u>
\$ -	\$ 436,454	\$ -	\$ 436,454
-	436,454	-	436,454
1,000,736	3,514,621		6,696,240
<u>-</u>	<u>-</u>	<u>406,126</u>	<u>406,126</u>
<u>1,000,736</u>	<u>3,514,621</u>	<u>406,126</u>	<u>7,102,366</u>
<u>\$ 1,000,736</u>	<u>\$ 3,951,075</u>	<u>\$ 406,126</u>	<u>\$ 7,538,820</u>

CITY OF WAXAHACHIE, TEXAS

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

NONMAJOR CAPITAL PROJECTS FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2013 Street and Drainage Bond Construction	2014 Bond Construction	2016 Streets Bond
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Interest	\$ 7,031	\$ 21,448	\$ 16,904
Total revenues	<u>7,031</u>	<u>21,448</u>	<u>16,904</u>
EXPENDITURES			
Debt service:			
Bond issuance costs	-	-	-
Capital outlay	<u>198,615</u>	<u>-</u>	<u>277,377</u>
Total expenditures	<u>198,615</u>	<u>-</u>	<u>277,377</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(191,584)</u>	<u>21,448</u>	<u>(260,473)</u>
OTHER FINANCING SOURCES (USES)			
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(191,584)</u>	<u>21,448</u>	<u>(260,473)</u>
FUND BALANCES, BEGINNING	<u>534,012</u>	<u>1,191,280</u>	<u>886,200</u>
FUND BALANCES, ENDING	<u>\$ 342,428</u>	<u>\$ 1,212,728</u>	<u>\$ 625,727</u>

2018 TIRFZ Bond	2018 Streets Bond	Streets	Total Nonmajor Capital Projects Funds
\$ 736	\$ 3,088	\$ -	\$ 49,207
<u>736</u>	<u>3,088</u>	<u>-</u>	<u>49,207</u>
13,363	56,125	-	69,488
<u>-</u>	<u>688,467</u>	<u>-</u>	<u>1,164,459</u>
<u>13,363</u>	<u>744,592</u>	<u>-</u>	<u>1,233,947</u>
(12,627)	(741,504)	-	(1,184,740)
949,655	3,988,552	-	4,938,207
63,760	267,790	-	331,550
-	-	406,126	406,126
<u>(52)</u>	<u>(217)</u>	<u>-</u>	<u>(269)</u>
<u>1,013,363</u>	<u>4,256,125</u>	<u>406,126</u>	<u>5,675,614</u>
1,000,736	3,514,621	406,126	4,490,874
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,611,492</u>
<u>\$ 1,000,736</u>	<u>\$ 3,514,621</u>	<u>\$ 406,126</u>	<u>\$ 7,102,366</u>

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COMPLIANCE SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the 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, the 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, 2018, and the related notes to the financial statements, which collectively comprise City of Waxahachie, Texas' basic financial statements, and have issued our report thereon dated March 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Waxahachie, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Waxahachie, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Waxahachie, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Waxahachie, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Waco, Texas
March 4, 2019