

*ANNUAL FINANCIAL REPORT*

of the

**CITY OF WALLER, TEXAS**

For the Year Ended  
September 30, 2014

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# CITY OF WALLER, TEXAS

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September 30, 2014

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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and  
City Council Members of the  
City of Waller, Texas:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Waller, Texas (the "City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

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

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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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **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 schedule of funding progress, identified as Required Supplementary Information on the table of contents, 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's basic financial statements. The schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The 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 schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

 BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
December 22, 2014

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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**CITY OF WALLER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2014**

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City into two classes of activities:

1. Governmental Activities – Most of the City's basic services are reported here, including general government, public safety, code enforcement, public works, and culture and recreation. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines, and permit fees finance most of these activities.
2. Business-Type Activities – These are the City's services that involve a fee for those services. These services include the City's gas, water, and sewer services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

## **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, the capital projects fund, and a special revenue fund.

The City adopts an annual appropriated budget for its general fund, debt service fund, and special revenue fund. A budgetary comparison schedule has been provided for the general fund, debt service fund, and special revenue fund to demonstrate compliance with these budgets.

**CITY OF WALLER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2014

**Proprietary Funds**

The City maintains one type of proprietary fund, an enterprise fund, to account for all "business-like" activities. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the respective enterprise funds. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

**Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

**Other Information**

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and a schedule of funding progress for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets exceeded liabilities by \$6,737,131 at year end.

A large portion of the City's net position, 50 percent, reflects its investments in capital assets (e.g. land, City hall, police station, drainage systems, as well as the public works facilities) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**CITY OF WALLER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2014

**SUMMARY STATEMENT OF NET POSITION**

	2014			Total Primary Government
	Governmental Activities	Business-Type Activities	Reconciliation	
Current and other assets	\$ 2,252,393	\$ 1,359,384	\$ -	\$ 3,611,777
Capital assets, net	2,013,091	5,493,380	-	7,506,471
<b>Total Assets</b>	<b>4,265,484</b>	<b>6,852,764</b>	<b>-</b>	<b>11,118,248</b>
Deferred outflows of resources	13,407	-	-	13,407
Long-term liabilities	3,936,823	149,378	-	4,086,201
Other liabilities	185,828	122,495	-	308,323
<b>Total Liabilities</b>	<b>4,122,651</b>	<b>271,873</b>	<b>-</b>	<b>4,394,524</b>
<b>Net Position:</b>				
Net investment in capital assets	614,077	5,362,160	(2,604,883)	3,371,354
Restricted	791,098	-	-	791,098
Unrestricted	(1,248,935)	1,218,731	2,604,883	2,574,679
<b>Total Net Position</b>	<b>\$ 156,240</b>	<b>\$ 6,580,891</b>	<b>\$ -</b>	<b>\$ 6,737,131</b>
<b>2013</b>				
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	\$ 4,218,645	\$ 1,358,097	\$ -	\$ 5,576,742
Capital assets, net	1,497,920	4,628,658	-	6,126,578
<b>Total Assets</b>	<b>5,716,565</b>	<b>5,986,755</b>	<b>-</b>	<b>11,703,320</b>
Long-term liabilities	4,128,079	273,739	-	4,401,818
Other liabilities	1,090,959	113,847	-	1,204,806
<b>Total Liabilities</b>	<b>5,219,038</b>	<b>387,586</b>	<b>-</b>	<b>5,606,624</b>
<b>Net Position:</b>				
Net investment in capital assets	36,288	4,365,695	(2,605,847)	1,796,136
Restricted	1,858,737	-	-	1,858,737
Unrestricted	(1,397,498)	1,233,474	2,605,847	2,441,823
<b>Total Net Position</b>	<b>\$ 497,527</b>	<b>\$ 5,599,169</b>	<b>\$ -</b>	<b>\$ 6,096,696</b>

A portion of the primary government's net position, \$791,098, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$2,574,679, may be used to meet the City's ongoing obligation to citizens and creditors. The overall condition of the City increased slightly during the year due to positive net operating results.

The City has issued and repaid debt in its governmental activities for which the proceeds were used to construct capital assets for the business-type activities. With one activity carrying the capital asset and another carrying the debt, the result is an unusual net position presentation. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Debt associated with governmental activities, in the amount of \$2,604,883, is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

**CITY OF WALLER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2014

**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 846,360	\$ 784,776	\$ 1,594,653	\$ 1,369,038	\$ 2,441,013	\$ 2,153,814
Capital grants and contributions	261,129	157,468	161,200	-	422,329	157,468
General revenues:						
Property taxes	792,961	773,790	-	-	792,961	773,790
Sales taxes	1,241,014	977,087	-	-	1,241,014	977,087
Franchise taxes	209,191	194,906	-	-	209,191	194,906
Investment income	14,569	29,194	1,323	1,676	15,892	30,870
Other revenues	48,437	239,734	-	-	48,437	239,734
<b>Total Revenues</b>	<b>3,413,661</b>	<b>3,156,955</b>	<b>1,757,176</b>	<b>1,370,714</b>	<b>5,170,837</b>	<b>4,527,669</b>
<b>Expenses</b>						
General government	678,424	388,429	-	-	678,424	388,429
Public safety	1,211,312	1,113,899	-	-	1,211,312	1,113,899
Code enforcement	147,640	138,012	-	-	147,640	138,012
Public works	861,389	826,000	-	-	861,389	826,000
Culture and recreation	174,037	183,532	-	-	174,037	183,532
Interest and fiscal agent fees	105,459	130,420	-	-	105,459	130,420
Gas	-	-	407,478	296,183	407,478	296,183
Water and sewer	-	-	944,663	880,643	944,663	880,643
<b>Total Expenses</b>	<b>3,178,261</b>	<b>2,780,292</b>	<b>1,352,141</b>	<b>1,176,826</b>	<b>4,530,402</b>	<b>3,957,118</b>
<b>Increase in Net Position Before Transfers</b>	<b>235,400</b>	<b>376,663</b>	<b>405,035</b>	<b>193,888</b>	<b>640,435</b>	<b>570,551</b>
Transfers in (out)	(576,687)	(621,490)	576,687	621,490	-	-
<b>Change in Net Position</b>	<b>(341,287)</b>	<b>(244,827)</b>	<b>981,722</b>	<b>815,378</b>	<b>640,435</b>	<b>570,551</b>
Beginning net position	497,527	742,354	5,599,169	4,783,791	6,096,696	5,526,145
<b>Ending Net Position</b>	<b>\$ 156,240</b>	<b>\$ 497,527</b>	<b>\$ 6,580,891</b>	<b>\$ 5,599,169</b>	<b>\$ 6,737,131</b>	<b>\$ 6,096,696</b>

Overall, governmental activities revenues increased \$256,706 due in large part to an increase in sales tax revenue. Governmental activities expenses increased \$397,969, primarily due to expenses in the general government for economic incentives. Overall, business-type activities revenues increased \$386,462, largely due to the increase in capital contributions and charges for services. In addition, business-type activities expenses increased \$175,315 due to expenses for gas and maintenance on equipment.

**CITY OF WALLER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2014

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

**Governmental Funds** – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The City's governmental funds reflect a combined fund balance of \$1,975,422. Of the total governmental fund balance, \$24,985 is nonspendable in the form of inventory and \$791,098 is restricted for debt service, enabling legislation, capital projects, and special projects. \$17,639 is assigned for future projects for economic development. The remaining balance of \$1,141,700 is unassigned.

The general fund is the chief operating fund of the City. At the end of the current year, the unassigned and total fund balance of the general fund was \$1,141,700. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 40 percent of total general expenditures. The general fund demonstrated an overall increase of \$4,516 as a result of an interfund transfer from the water and sewer fund.

The debt service fund has a total fund balance of \$194,840, all of which is restricted for payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$30,331. This increase can be primarily attributed to the differences between the bonds issued and the payments to escrow to refund debt.

The capital projects fund has a fund balance of \$282,560, all of which is restricted for capital projects. The net decrease in fund balance of \$1,175,455 was primarily due to the result of expenditures for capital outlay for street drainage and water system.

**Proprietary Funds** – The City's gas and water and sewer funds operating revenues exceeded expenses by \$253,153. Nonoperating revenue was \$162,523, which was from investments and intergovernmental revenue. Interest expense from capital leases was \$10,641. The gas and water and sewer funds also transferred \$159,366 to repay the general and debt service fund. The water and sewer fund also had capital contributions from the capital projects fund of \$736,053.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

For the year, the general fund had total revenues of \$2,682,684, a positive budget variance of \$29,891 from the final budget. This variance is primarily due to higher sales tax revenue than expected. Total expenditures had a positive budget variance of \$229,403 from the final budget. This variance is primarily due to lower general expenditures than expected.

**CAPITAL ASSETS**

At the end of the year, the City's governmental activities funds and business-type activities funds had invested \$2,013,091 and \$5,493,380, respectively, in a variety of capital assets and infrastructure net of accumulated depreciation.

More detailed information about the City's capital assets is presented in note III. C. to the financial statements.

**CITY OF WALLER, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2014

**LONG-TERM DEBT**

At the end of the current year, the City had total long-term debt in governmental activities of \$3,936,823 and business-type activities of \$149,378. The City issued series 2014 general obligation bonds for \$1,245,000, which refunded \$1,180,000 of the series 2004 permanent improvement bonds.

More detailed information about the City's long-term liabilities is presented in note III. D. to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City is experiencing a period of growth. Property values are increasing, commercial development continues, property and sales tax revenues are expanding, and the City is thriving.

Management for the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the timely preparation of financial statements in conformity with generally accepted accounting principles.

**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 the City Secretary, City of Waller, P.O. Box 239, Waller, Texas, 77484.

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***BASIC FINANCIAL STATEMENTS***

# CITY OF WALLER, TEXAS

## STATEMENT OF NET POSITION

September 30, 2014

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
<b><u>Assets</u></b>				
Current assets:				
Cash and cash equivalents	\$ 1,757,116	\$ 1,203,478	\$ -	\$ 2,960,594
Investments	121,064	-	-	121,064
Receivables (net of allowance for uncollectible)	349,228	57,377	-	406,605
Inventory	24,985	98,529	-	123,514
	2,252,393	1,359,384	-	3,611,777
Capital assets:				
Non-depreciable	73,300	50,416	-	123,716
Net depreciable capital assets	1,939,791	5,442,964	-	7,382,755
	2,013,091	5,493,380	-	7,506,471
<b>Total Assets</b>	4,265,484	6,852,764	-	11,118,248
<b><u>Deferred Outflows of Resources</u></b>				
Deferred charge on refunding	13,407	-	-	13,407
	13,407	-	-	13,407
<b><u>Liabilities</u></b>				
Current liabilities:				
Accounts payable and accrued liabilities	171,612	59,377	-	230,989
Customer deposits	-	63,118	-	63,118
Accrued interest payable	14,216	-	-	14,216
	185,828	122,495	-	308,323
Noncurrent liabilities:				
Due within one year	339,890	71,792	-	411,682
Due in more than one year	3,596,933	77,586	-	3,674,519
	3,936,823	149,378	-	4,086,201
<b>Total Liabilities</b>	4,122,651	271,873	-	4,394,524
<b><u>Net Position</u></b>				
Net investment in capital assets	614,077	5,362,160	(2,604,883)	3,371,354
Restricted for:				
Debt service	194,840	-	-	194,840
Enabling legislation	280,552	-	-	280,552
Capital projects	282,560	-	-	282,560
Special projects	33,146	-	-	33,146
Unrestricted	(1,248,935)	1,218,731	2,604,883	2,574,679
<b>Total Net Position</b>	\$ 156,240	\$ 6,580,891	\$ -	\$ 6,737,131

See Notes to Financial Statements.

<u>Component Unit</u>
\$ 1,293,938
-
73,218
-
<u>1,367,156</u>
-
-
-
<u>1,367,156</u>
-
-
-
-
19,462
-
-
<u>19,462</u>
-
-
-
-
-
1,347,694
<u>\$ 1,347,694</u>

# CITY OF WALLER, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities</b>			
General government	\$ 678,424	\$ 550,212	\$ -
Public safety	1,211,312	160,418	-
Code enforcement	147,640	61,137	-
Public works	861,389	-	-
Culture and recreation	174,037	74,593	261,129
Interest and fees on debt	105,459	-	-
<b>Total Governmental Activities</b>	3,178,261	846,360	261,129
<b>Business-Type Activities</b>			
Gas	407,478	573,162	-
Water and sewer	944,663	1,021,491	161,200
<b>Total Business-Type Activities</b>	1,352,141	1,594,653	161,200
<b>Total Primary Government</b>	\$ 4,530,402	\$ 2,441,013	\$ 422,329
<b>Component Unit</b>			
Waller Economic Development Corporation	\$ 202,974	\$ -	\$ -

**General Revenues:**

- Taxes
  - Property taxes
  - Sales tax
  - Franchise and local taxes
- Investment income
- Other revenue
- Transfers

**Total General Revenues and Transfers**

**Change in Net Position**

Beginning net position

**Ending Net Position**

See Notes to Financial Statements.

**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
\$ (128,212)	\$ -	\$ (128,212)	\$ -
(1,050,894)	-	(1,050,894)	-
(86,503)	-	(86,503)	-
(861,389)	-	(861,389)	-
161,685	-	161,685	-
(105,459)	-	(105,459)	-
<u>(2,070,772)</u>	<u>-</u>	<u>(2,070,772)</u>	<u>-</u>
-	165,684	165,684	-
-	238,028	238,028	-
-	403,712	403,712	-
<u>(2,070,772)</u>	<u>403,712</u>	<u>(1,667,060)</u>	<u>-</u>
-	-	-	(202,974)
792,961	-	792,961	-
1,241,014	-	1,241,014	413,810
209,191	-	209,191	-
14,569	1,323	15,892	-
48,437	-	48,437	6,100
<u>(576,687)</u>	<u>576,687</u>	<u>-</u>	<u>-</u>
<u>1,729,485</u>	<u>578,010</u>	<u>2,307,495</u>	<u>419,910</u>
<u>(341,287)</u>	<u>981,722</u>	<u>640,435</u>	<u>216,936</u>
<u>497,527</u>	<u>5,599,169</u>	<u>6,096,696</u>	<u>1,130,758</u>
<u>\$ 156,240</u>	<u>\$ 6,580,891</u>	<u>\$ 6,737,131</u>	<u>\$ 1,347,694</u>

# CITY OF WALLER, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2014

	Major Governmental Funds			Nonmajor Special Revenue
	General	Debt Service	Capital Projects	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,052,040	\$ 73,948	\$ 316,305	\$ 314,823
Due from other funds	575	-	-	-
Investments	-	121,064	-	-
Taxes receivables, net	56,520	48,839	-	-
Other receivables	243,869	-	-	-
Inventory	24,985	-	-	-
<b>Total Assets</b>	<b>\$ 1,377,989</b>	<b>\$ 243,851</b>	<b>\$ 316,305</b>	<b>\$ 314,823</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 137,145	\$ 172	\$ 33,745	\$ 550
Due to other funds	-	-	-	575
<b>Total Liabilities</b>	<b>137,145</b>	<b>172</b>	<b>33,745</b>	<b>1,125</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	56,520	48,839	-	-
<b>Fund Balances</b>				
Nonspendable	24,985	-	-	-
Restricted for:				
Debt service	-	194,840	-	-
Enabling legislation	-	-	-	280,552
Capital projects	-	-	282,560	-
Special projects	-	-	-	33,146
Assigned:				
Future economic development projects	17,639	-	-	-
Unassigned	1,141,700	-	-	-
<b>Total Fund Balances</b>	<b>1,184,324</b>	<b>194,840</b>	<b>282,560</b>	<b>313,698</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,377,989</b>	<b>\$ 243,851</b>	<b>\$ 316,305</b>	<b>\$ 314,823</b>
Adjustments for the Statement of Net Position:				
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.				
Capital assets - non-depreciable				73,300
Capital assets - net depreciable				1,939,791
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.				
Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.				
Deferred charge on refunding				13,407
Accrued interest payable				(14,216)
Non-current liabilities due in one year				(339,890)
Non-current liabilities due in more than one year				(3,596,933)

#### Net Position of Governmental Activities

See Notes to Financial Statements.

**Total  
Governmental  
Funds**

\$ 1,757,116  
575  
121,064  
105,359  
243,869  
24,985  
\$ 2,252,968

\$ 171,612  
575  
172,187

105,359

24,985

194,840  
280,552  
282,560  
33,146

17,639  
1,141,700  
1,975,422

2,013,091

105,359

(3,937,632)  
\$ 156,240

# CITY OF WALLER, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	Major Governmental Funds			Nonmajor Special Revenue
	General	Debt Service	Capital Projects	
<b>Revenues</b>				
Property taxes	\$ 530,326	\$ 266,101	\$ -	\$ -
Sales tax	1,241,014	-	-	-
Franchise and local taxes	126,641	-	-	82,550
Licenses and permits	61,137	-	-	-
Fines and forfeitures	117,726	-	35,166	7,526
Charges for services	550,212	-	-	-
Intergovernmental	35,664	-	111,335	114,130
Investment income	8,153	1,269	5,147	-
Other revenue	11,811	-	36,625	74,593
<b>Total Revenues</b>	<b>2,682,684</b>	<b>267,370</b>	<b>188,273</b>	<b>278,799</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	630,375	-	-	-
Public safety	1,162,005	-	-	-
Code enforcement	147,640	-	-	-
Public works	707,425	-	-	-
Culture and recreation	59,913	-	-	114,124
Miscellaneous expenses	-	-	-	3,921
Capital outlay	158,852	-	1,218,540	83,269
<b>Debt Service:</b>				
Principal	72,075	185,000	-	-
Interest and fiscal charges	12,673	99,491	-	-
Bond issuance costs	-	34,415	-	-
Payment to refunded bond escrow agent	-	1,194,897	-	-
<b>Total Expenditures</b>	<b>2,950,958</b>	<b>1,513,803</b>	<b>1,218,540</b>	<b>201,314</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(268,274)</b>	<b>(1,246,433)</b>	<b>(1,030,267)</b>	<b>77,485</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	272,790	31,764	-	-
Transfers out	-	-	(145,188)	-
Bond proceeds	-	1,245,000	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>272,790</b>	<b>1,276,764</b>	<b>(145,188)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>4,516</b>	<b>30,331</b>	<b>(1,175,455)</b>	<b>77,485</b>
Beginning fund balances	1,179,808	164,509	1,458,015	236,213
<b>Ending Fund Balances</b>	<b>\$ 1,184,324</b>	<b>\$ 194,840</b>	<b>\$ 282,560</b>	<b>\$ 313,698</b>

See Notes to Financial Statements.



**Total  
Governmental  
Funds**

\$ 796,427  
1,241,014  
209,191  
61,137  
160,418  
550,212  
261,129  
14,569  
123,029  
3,417,126

630,375  
1,162,005  
147,640  
707,425  
174,037  
3,921  
1,460,661

257,075  
112,164  
34,415  
1,194,897  
5,884,615

(2,467,489)

304,554  
(145,188)  
1,245,000  
1,404,366

(1,063,123)

3,038,545  
\$ 1,975,422

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**CITY OF WALLER, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2014

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

Net changes in fund balances - total governmental funds \$ (1,063,123)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	613,273
Depreciation expense	(98,102)

Revenues that do not provide current financial resources are not reported as revenues in the funds.

Deferred inflows of resources - unavailable revenue	(3,466)
---	---------

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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 they are 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.

Bonds issued	(1,245,000)
Amortization of bond premiums	2,727
Payment to refunded bond escrow agent	1,194,897
Change in deferred inflows of resources from refunded bonds	(1,490)
Change in compensated absences	(3,546)
Principal expenditures	257,075

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.

Accrued interest	5,468
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ (341,287)</b>
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See Notes to Financial Statements.

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# CITY OF WALLER, TEXAS

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

September 30, 2014

	Gas	Water and Sewer	Total Funds
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 849,650	\$ 353,828	\$ 1,203,478
Receivables, net	14,860	42,517	57,377
Inventory	26,358	72,171	98,529
<b>Total Current Assets</b>	890,868	468,516	1,359,384
<b>Noncurrent assets</b>			
Capital assets:			
Non-depreciable	-	50,416	50,416
Net depreciable capital assets	68,452	5,374,512	5,442,964
<b>Total Noncurrent Assets</b>	68,452	5,424,928	5,493,380
<b>Total Assets</b>	959,320	5,893,444	6,852,764
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	32,879	26,498	59,377
Customer deposits	18,240	44,878	63,118
Capital leases	-	55,450	55,450
Compensated absences	802	15,540	16,342
<b>Total Current Liabilities</b>	51,921	142,366	194,287
<b>Noncurrent liabilities</b>			
Capital leases	-	75,770	75,770
Compensated absences	89	1,727	1,816
<b>Total Noncurrent Liabilities</b>	89	77,497	77,586
<b>Total Liabilities</b>	52,010	219,863	271,873
<b><u>Net Position</u></b>			
Net investment in capital assets	68,452	5,293,708	5,362,160
Unrestricted	838,858	379,873	1,218,731
<b>Total Net Position</b>	\$ 907,310	\$ 5,673,581	\$ 6,580,891

See Notes to Financial Statements.

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# CITY OF WALLER, TEXAS

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	Gas	Water and Sewer	Total Funds
<b><u>Operating Revenues</u></b>			
Charges for services	\$ 573,162	\$ 1,020,542	\$ 1,593,704
Other revenue	-	949	949
<b>Total Operating Revenues</b>	573,162	1,021,491	1,594,653
<b><u>Operating Expenses</u></b>			
Costs of sales and services	394,990	718,878	1,113,868
Depreciation	11,809	215,823	227,632
<b>Total Operating Expenses</b>	406,799	934,701	1,341,500
<b>Operating Income</b>	166,363	86,790	253,153
<b><u>Nonoperating Revenues (Expenses)</u></b>			
Investment income	718	605	1,323
Intergovernmental	-	161,200	161,200
Interest expense	(679)	(9,962)	(10,641)
<b>Total Nonoperating Revenues</b>	39	151,843	151,882
<b>Income Before Contributions and Transfers</b>	166,402	238,633	405,035
Capital contributions	-	736,053	736,053
Transfers	(124,376)	(34,990)	(159,366)
<b>Change in Net Position</b>	42,026	939,696	981,722
Beginning net position	865,284	4,733,885	5,599,169
<b>Ending Net Position</b>	\$ 907,310	\$ 5,673,581	\$ 6,580,891

See Notes to Financial Statements.

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# CITY OF WALLER, TEXAS

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	Gas	Water and Sewer	Total Funds
<b><u>Cash Flows from Operating Activities</u></b>			
Receipts from customers	\$ 568,903	\$ 1,005,127	\$ 1,574,030
Payments to suppliers and employees	(383,230)	(714,608)	(1,097,838)
<b>Net Cash Provided by Operating Activities</b>	185,673	290,519	476,192
<b><u>Cash Flows from Noncapital Financing Activities</u></b>			
Transfers	(124,376)	(34,990)	(159,366)
<b>Net Cash (Used) by Noncapital Financing Activities</b>	(124,376)	(34,990)	(159,366)
<b><u>Cash Flows from Capital and Related Financing Activities</u></b>			
Acquisition and construction of capital assets	-	(356,301)	(356,301)
Capital grants	-	161,200	161,200
Interest expense	(679)	(9,962)	(10,641)
Principal payments	(8,558)	(123,185)	(131,743)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	(9,237)	(328,248)	(337,485)
<b><u>Cash Flows from Investing Activities</u></b>			
Interest on investments	718	605	1,323
<b>Net Cash Provided by Investing Activities</b>	718	605	1,323
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	52,778	(72,114)	(19,336)
Beginning cash and cash equivalents	796,872	425,942	1,222,814
<b>Ending Cash and Cash Equivalents</b>	\$ 849,650	\$ 353,828	\$ 1,203,478
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating income	\$ 166,363	\$ 86,790	\$ 253,153
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	11,809	215,823	227,632
<b>Changes in Operating Assets and Liabilities:</b>			
<b>(Increase) Decrease in:</b>			
Accounts receivable	(4,259)	(16,364)	(20,623)
<b>Increase (Decrease) in:</b>			
Accounts payable and accrued liabilities	13,504	(2,160)	11,344
Compensated absences	447	6,935	7,382
Customer deposits	(2,191)	(505)	(2,696)
<b>Net Cash Provided by Operating Activities</b>	\$ 185,673	\$ 290,519	\$ 476,192
<b>Noncash Investing, Capital, and Financing Activities:</b>			
Contributions of capital assets	\$ -	\$ 736,053	\$ 736,053

See Notes to Financial Statements.

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# **CITY OF WALLER, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2014**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The City of Waller, Texas (the "City") was incorporated under the laws of the State of Texas on October 16, 1947. The City is a general law city that operates under a council-mayor form of government. The City Council is the principal legislative body of the City.

The City provides the following services: public safety to include police and volunteer fire departments, highways and streets, sanitation, culture and recreation, public improvements, and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Waller Economic Development Corporation, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

#### **Discretely Presented Component Unit**

##### **Waller Economic Development Corporation**

The Waller Economic Development Corporation (WEDC) has been included in the reporting entity as a discretely presented component unit.

The Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the WEDC shall be conveyed to the City. The operations of the WEDC are presented as a governmental fund type. Separate financial statements of the WEDC may be obtained from the City Secretary.

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

**B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

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 where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions 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.

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenue include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, code enforcement, public works, culture and recreation, and principal and interest for capital leases. The general fund is considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a nonmajor fund for reporting purposes, but the City has elected to present it as major due to its significance.

The *capital projects fund* is used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The capital projects fund is reported as a major fund.

The *special revenue fund* is used to account for the proceeds of specific revenue sources (other than expendable trusts and major capital projects) that are legally restricted or designated for

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2014**

specified activities. The special revenue fund, used to account for the receipt and expenditure of funds received from specific revenue sources within the City, is reported as a major fund for reporting purposes.

The City reports the following enterprise fund:

**Enterprise Funds**

The enterprise funds are used to account for the operations that provide gas, water, and sewer operations. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise funds, gas and water/sewer funds, are considered major funds for reporting purposes.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**E. Measurement Focus and Basis of Accounting**

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 and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2014**

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

**1. Cash and Cash Equivalents**

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. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

**2. Investments**

In accordance with GASB Statement No. 31, "*Accounting and Reporting for Certain Investments and External Investment Pools*", the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

**3. Inventories**

The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased (i.e., the first-in/first-out (FIFO) method).

**4. 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. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles and equipment	5 to 10 years
System infrastructure	30 to 40 years
Buildings	20 to 50 years

**5. Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial 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 only 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 property taxes. This

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**6. Compensated Employee Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the City's personnel policy. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

**7. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. 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.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

**8. 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



**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2014**

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.

**9. 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.

**10. Fund Balance Policies**

Fund balances of governmental funds are 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 assigns 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.

**11. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

Property taxes are levied during September of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. The interest continues to accumulate on the account at one percent per month, but the penalty remains at a maximum of 12 percent until paid.

**3. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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 enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund 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.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for the capital projects fund which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter is the object and purpose stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year.

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 132,625	0.10
External investment pools	2,123,737	0.00
Total fair value	<u>\$ 2,256,362</u>	
Portfolio weighted average maturity		0.01

*Credit risk.* State law and the City’s investment policy limits investments to obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent. As of September 30, 2014, the City’s investment in TexPool was rated “AAAm” by Standard and Poor’s. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102 percent. As of September 30, 2014, market values of pledged securities and FDIC insurance exceeded bank balances.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City’s safekeeping account prior to the release of funds.

**TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. The City invested \$1,058,196 in TexPool at year end.

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

**B. Receivables**

The following comprise receivable balances at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Gas</u>	<u>Water/Sewer</u>
Property taxes	\$ 56,520	\$ 48,839	\$ -	\$ -
Sales taxes	219,653	-	-	-
Accounts	24,216	-	23,030	92,235
Allowance	-	-	(8,170)	(49,718)
	<u>\$ 300,389</u>	<u>\$ 48,839</u>	<u>\$ 14,860</u>	<u>\$ 42,517</u>

**C. Capital Assets**

A summary of changes in capital assets for governmental activities for the year end is as follows:

	<u>Primary Government</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)</u>	
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 73,300	\$ -	\$ -	\$ 73,300
Construction in progress	816,054	499,421	(1,315,475)	-
<b>Total capital assets not being depreciated</b>	<u>889,354</u>	<u>499,421</u>	<u>(1,315,475)</u>	<u>73,300</u>
Other capital assets:				
Infrastructure	1,507,395	1,270,475	-	2,777,870
Buildings	434,487	158,852	-	593,339
Vehicles	442,249	-	-	442,249
Equipment	444,260	-	-	444,260
<b>Total other capital assets</b>	<u>2,828,391</u>	<u>1,429,327</u>	<u>-</u>	<u>4,257,718</u>
Less accumulated depreciation for:				
Infrastructure	(1,507,395)	-	-	(1,507,395)
Buildings	(247,003)	(12,619)	-	(259,622)
Vehicles	(203,361)	(52,540)	-	(255,901)
Equipment	(262,066)	(32,943)	-	(295,009)
<b>Total accumulated depreciation</b>	<u>(2,219,825)</u>	<u>(98,102)</u>	<u>-</u>	<u>(2,317,927)</u>
Other capital assets, net	608,566	1,331,225	-	1,939,791
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 1,497,920</u>	<u>\$ 1,830,646</u>	<u>\$ (1,315,475)</u>	<u>2,013,091</u>
			Less associated debt	(1,399,014)
			<b>Net Investment in Capital Assets</b>	<u>\$ 614,077</u>

All capital assets constructed or paid for with funds of the component units are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

Depreciation was charged to governmental functions as follows:

General government	\$	6,167
Public safety		49,307
Public works		42,628
		\$ 98,102

The following is a summary of changes in capital assets for business-type activities for the year ended:

	Beginning Balance	Increases	(Decreases)	Ending Balance
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 16,671	\$ -	\$ -	\$ 16,671
Construction in progress	575,736	33,744	(575,735)	33,745
<b>Total capital assets not being depreciated</b>	592,407	33,744	(575,735)	50,416
Other capital assets:				
Building	92,434	-	-	92,434
Water/sewer system	6,523,620	1,634,345	-	8,157,965
Gas system	248,055	-	-	248,055
Equipment	529,716	-	-	529,716
Vehicles	66,117	-	-	66,117
<b>Total other capital assets</b>	7,459,942	1,634,345	-	9,094,287
Less accumulated depreciation for:				
Building	(47,247)	(2,906)	-	(50,153)
Water/sewer system	(2,861,118)	(155,387)	-	(3,016,505)
Gas system	(207,164)	(1,636)	-	(208,800)
Equipment	(251,903)	(65,238)	-	(317,141)
Vehicles	(56,259)	(2,465)	-	(58,724)
<b>Total accumulated depreciation</b>	(3,423,691)	(227,632)	-	(3,651,323)
Other capital assets, net	4,036,251	1,861,977	-	5,442,964
<b>Business-Type Activities Capital Assets, Net</b>	\$ 4,628,658	\$ 1,895,721	\$ (575,735)	5,493,380
			Less associated debt	(131,220)
			<b>Net Investment in Capital Assets</b>	<b>\$ 5,362,160</b>

Depreciation was charged to business-type functions as follows:

Gas	\$	11,809
Water/Sewer		215,823
<b>Total Business-Type Activities Depreciation Expense</b>		<b>\$ 227,632</b>



**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

**Current Refunding**

During the year, the City sold its series 2014 general obligation refunding bonds in the principal amount of \$1,245,000, which was used to provide resources for debt service payments in the amount of \$1,180,000 of outstanding long-term debt issues, series 2004. As a result, the refunded portion of the bonds is considered to be defeased and the pro-rata portion of the liability has been removed from the applicable governmental columns in the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$14,897. The refunding bonds reduced total debt service payments by \$88,044 over the next ten years and resulted in an economic gain of \$76,228.

Long-term debt at year end was comprised of the following debt issues:

<u>Description</u>	<u>Interest Rates</u>	<u>Balance</u>
<b><u>Governmental Activities</u></b>		
<b>General Obligation Bonds</b>		
Permanent Improvement Bonds, Series 2004	4.30-5.00%	\$ 1,060,000
<b>Certificates of Obligation</b>		
Certificates of Obligation, Series 2012	2.000%	2,535,000
<b>Total Bonds and Certificates of Obligation</b>		<u>3,595,000</u>
<b>Capital Leases</b>		
2011 John Deere Tractor/Mower	2.990%	40,939
2011 Ford F750 Dump Truck	2.990%	28,503
2013 Ford F-150 Pickup Truck	2.990%	8,902
<b>Total Capital Leases</b>		<u>78,344</u>
<b>Construction Advance</b>	5.750%	144,784
<b>Total General Long-Term Debt</b>		<u>\$ 3,818,128</u>
 <b><u>Business-Type Activities</u></b>		
<b>Capital Leases</b>		
Water Storage Tank	4.000%	\$ 68,274
WISD-GST	5.000%	62,946
<b>Total General Long-Term Debt</b>		<u>\$ 131,220</u>

Equipment acquired under current capital lease obligations was a total of \$97,172, net of accumulated depreciation of \$54,462 in governmental activities and \$453,562, net of accumulated depreciation of \$80,682 in business-type activities.

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

The annual requirements to amortize bond and certificate debt issues outstanding at year ending were as follows:

Year Ending Sept. 30	Long-Term Debt					
	General Obligation Bonds		Certificates of Obligation		Construction Advance	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 160,000	\$ 22,366	\$ 80,000	\$ 64,825	\$ 6,923	\$ 8,144
2016	140,000	18,990	85,000	63,225	7,332	7,736
2017	135,000	16,036	90,000	61,525	8,223	7,303
2018	130,000	13,188	95,000	59,725	8,473	6,845
2019	105,000	10,445	95,000	57,825	8,709	6,359
2020-2024	390,000	20,362	550,000	258,625	51,889	23,448
2025-2029	-	-	685,000	189,925	53,235	6,595
2030	-	-	855,000	79,200	-	-
<b>Total</b>	<b>\$ 1,060,000</b>	<b>\$ 101,387</b>	<b>\$ 2,535,000</b>	<b>\$ 834,875</b>	<b>\$ 144,784</b>	<b>\$ 66,430</b>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds is from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

The City received \$155,632 as a construction advance in 2013. The City will be required to make monthly payments over a 15 year period at an interest rate of 5.75 percent. After 15 years, any outstanding principal will be forgiven. Payments may only be made using "incentive project sales tax revenue," which is one-eighth of one percent of sales tax revenue collected by the City from the party that advanced the funds. All monthly payments are applied first to outstanding interest and second to outstanding principal.

The annual requirements to amortize capital leases outstanding at year end were as follows:

Year Ending Sept. 30	Capital Leases			
	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 43,107	\$ 2,359	\$ 75,770	\$ 5,433
2016	35,237	1,062	55,450	2,077
<b>Total</b>	<b>\$ 78,344</b>	<b>\$ 3,422</b>	<b>\$ 131,220</b>	<b>\$ 7,511</b>

**E. Operating Lease**

The City is committed under a noncancelable operating lease for a building used by the police department. Future minimum operating lease commitments are as follows:

Year Ending September 30,	Amount
2015	\$ 50,400
2016	12,600
<b>Total</b>	<b>\$ 63,000</b>

Rent expenditures were \$46,200 for the year ended September 30, 2014.



**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

**F. Interfund Transactions**

Transfers between the primary government funds during the year were as follows:

Transfer In	Transfer Out	Amounts
General Fund	Water and Sewer Fund	\$ 3,226
	Gas Fund	124,376
	Capital Projects Fund	145,188
Debt Service Fund	Water and Sewer Fund	31,764
		\$ 304,554

**G. Fund Equity**

As of September 30, 2014, \$280,552 of the City’s total fund balance is restricted by enabling legislation.

**IV. OTHER INFORMATION**

**A. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League’s Intergovernmental Risk Pools (the “Pool”). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

**B. Pension Plans**

**Texas Municipal Retirement System**

**Plan Description**

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

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and Required Supplementary Information for TMRS. The report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by TMRS. This report may be obtained from ‘TMRS’ website at [www.TMRS.com](http://www.TMRS.com).

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

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

	<u>2,014</u>	<u>2,013</u>
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as ages/hrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percentage of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

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

The annual pension cost and the net pension obligation (asset) are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual req. contrib. (ARC)	\$ 58,829	\$ 51,985	\$ 53,914
Contributions made	58,829	51,985	53,914
NPO at the end of period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarial valuation date	12/31/2013	12/31/2012	12/31/2011
Actuarial cost method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining amortization period	25.0 Years - Closed period	24.6 Years - Closed period	24.5 Years - Closed period
Asset valuation method	10-yr Smoothed Market	10-yr Smoothed Market	10-yr Smoothed Market
Investment rate of return	7.0%	7.0%	7.0%
Projected salary increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	0%	0%	0%

Funded Status and Funding Progress

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

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

	<u>2014</u>
Actuarial valuation date	12/31/2013
Actuarial value of assets	\$ 2,680,422
Actuarial accrued liability	\$ 2,748,044
Percentage funded	97.5 %
Unfunded actuarial accrued liability (UAAL)	\$ 67,622
Annual covered payroll	\$ 1,194,936
UAAL as a percentage of covered payroll	5.7 %

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

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

**CITY OF WALLER, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2014

**C. Other Post Employment Benefits**

**TMRS - Supplemental Death Benefits Fund**

Plan Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other post employment benefit,” or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the pension trust fund. For the year ended September 30, 2014, the City offered the supplemental death benefit to both active and retired employees.

Contributions

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

The City’s contributions to TMRS SDBF for the fiscal years ended 2014, 2013, and 2012 were \$534, \$646, and \$656, respectively, which equaled the required contributions each year. The City’s contribution rates for the past three years ended are shown below.

	2014	2013	2012
Annual req. contrib. (rate)	0.04%	0.04%	0.05%
Actual contribution made	0.04%	0.04%	0.05%
Percentage of ARC contrib.	100.00%	100.00%	100.00%

**D. Chapter 380 Economic Development Agreement**

Chapter 380, Miscellaneous Provisions Relating to Municipal Planning and Development, of the Texas Local Government Code provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs, including programs to promote state or local economic development and to stimulate business and commercial activity in the municipality. The City has entered into Chapter 380 Economic Development Agreements (the “Agreements”) with one large business. This business agreed to establish and maintain an office in the City that generates substantial taxable sales. The Agreements are for a term of 15 years. The City will remit back to the business 75 percent (of the one percent collected by the City) of the sales tax revenues generated by this business. During the current fiscal year, the City collected \$156,266 in sales taxes from the sales of this business and recorded expenditures of \$117,199.

**CITY OF WALLER, TEXAS**  
***NOTES TO FINANCIAL STATEMENTS (Continued)***  
For the Year Ended September 30, 2014

**E. Infrastructure Funding Agreement**

The City entered into an agreement with the WEDC in which the WEDC agreed to dedicate one-half of all sales tax generated by the business noted above in the Chapter 380 Agreement for a period not to exceed 15 years. The City has agreed to use all funds granted by the WEDC for the sole purpose of developing and constructing the infrastructure projects described in the Agreement or other infrastructure projects specifically approved by the WEDC Board of Directors and City Council. The City collected \$17,638 for the purpose of infrastructure projects.

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***REQUIRED SUPPLEMENTARY INFORMATION***





**CITY OF WALLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**

**GENERAL FUND**

For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 537,170	\$ 537,826	\$ 530,326	\$ (7,500)
Sales tax	1,187,552	1,208,077	1,241,014	32,937
Franchise and other taxes	130,022	126,641	126,641	-
Licenses and permits	59,800	61,238	61,137	(101)
Fines and forfeitures	121,350	117,825	117,726	(99)
Charges for services	507,750	550,212	550,212	-
Intergovernmental	37,500	35,664	35,664	-
Investment income	500	499	8,153	7,654
Other revenue	13,800	14,811	11,811	(3,000)
<b>Total Revenues</b>	<u>2,595,444</u>	<u>2,652,793</u>	<u>2,682,684</u>	<u>29,891</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	653,723	784,593	630,375	154,218
Public safety	1,187,089	1,162,681	1,162,005	676
Code enforcement	196,591	181,291	147,640	33,651
Public works	639,974	727,541	707,425	20,116
Culture and recreation	61,120	60,655	59,913	742
Capital outlay	20,000	178,852	158,852	20,000
<b>Debt Service:</b>				
Principal	76,631	72,075	72,075	-
Interest and fiscal charges	13,344	12,673	12,673	-
<b>Total Expenditures</b>	<u>2,848,472</u>	<u>3,180,361</u>	<u>2,950,958</u>	<u>229,403</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	269,573	272,790	272,790	-
<b>Total Other Financing Sources</b>	<u>269,573</u>	<u>272,790</u>	<u>272,790</u>	<u>-</u>
<b>Change in Fund Balance</b>	<u>\$ 16,545</u>	<u>\$ (254,778)</u>	<u>\$ 4,516</u>	<u>\$ 259,294</u>
Beginning fund balance			<u>1,179,808</u>	
<b>Ending Fund Balance</b>			<u>\$ 1,184,324</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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**CITY OF WALLER, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**For the Year Ended September 30, 2014**

<b>Fiscal Year</b>	<u><b>2014</b></u>	<u><b>2013</b></u>	<u><b>2012</b></u>
Actuarial valuation date	12/31/2013	12/31/2012	12/31/2011
Actuarial value of assets	\$ 2,680,422	\$ 2,451,325	\$ 2,249,343
Actuarial accrued liability (AAL)	\$ 2,748,044	\$ 2,383,718	\$ 2,194,830
Percentage funded	97.5%	102.8%	102.5%
Unfunded AAL	\$ 67,622	\$ (67,607)	\$ (54,513)
Annual covered payroll	\$ 1,194,936	\$ 1,139,370	\$ 1,072,445
UAAL % of covered payroll	5.7%	(5.9%)	(5.1%)
Net pension obligation (NPO) at the beginning of period	\$ -	\$ -	\$ -
Annual req. contrib. (ARC)	58,829	51,985	53,914
Contributions made	58,829	51,985	53,914
<b>NPO at the End of Period</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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***SCHEDULES***

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**CITY OF WALLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
For the Year Ended September 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 269,166	\$ 266,101	\$ 266,101	\$ -
Investment income	1,500	1,269	1,269	-
<b>Total Revenues</b>	<u>270,666</u>	<u>267,370</u>	<u>267,370</u>	<u>-</u>
<b>Expenditures</b>				
Principal	120,730	185,000	185,000	-
Interest and fiscal charges	167,000	99,491	99,491	-
Bond issuance costs	-	34,415	34,415	-
Payment to escrow	-	1,194,897	1,194,897	-
<b>Total Expenditures</b>	<u>287,730</u>	<u>1,513,803</u>	<u>1,513,803</u>	<u>-</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(17,064)</u>	<u>(1,246,433)</u>	<u>(1,246,433)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	31,764	31,764	31,764	-
Bond proceeds	-	1,245,000	1,245,000	-
<b>Total Other Financing Sources</b>	<u>31,764</u>	<u>1,276,764</u>	<u>1,276,764</u>	<u>-</u>
<b>Change in Fund Balance</b>	<u>\$ 14,700</u>	<u>\$ 30,331</u>	<u>\$ 30,331</u>	<u>\$ -</u>
Beginning fund balance			<u>164,509</u>	
<b>Ending Fund Balance</b>			<u>\$ 194,840</u>	

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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**CITY OF WALLER, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND**  
For the Year Ended September 30, 2014

	Original Budgeted Amounts	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Franchise and local taxes	\$ 66,000	\$ 82,550	\$ 82,550	\$ -
Fines and forfeitures	8,585	7,526	7,526	-
Intergovernmental	-	114,130	114,130	-
Other revenue	6,500	74,593	74,593	-
<b>Total Revenues</b>	<u>81,085</u>	<u>278,799</u>	<u>278,799</u>	<u>-</u>
<b>Expenditures</b>				
Culture and recreation	11,756	114,124	114,124	-
Miscellaneous expenses	5,000	3,921	3,921	-
Capital outlay	-	83,269	83,269	-
<b>Total Expenditures</b>	<u>16,756</u>	<u>201,314</u>	<u>201,314</u>	<u>-</u>
<b>Change in Fund Balance</b>	<u>\$ 64,329</u>	<u>\$ 77,485</u>	77,485	<u>\$ -</u>
Beginning fund balance			<u>236,213</u>	
<b>Ending Fund Balance</b>			<u>\$ 313,698</u>	

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