



**City of Sweetwater, Texas
Comprehensive
Annual Financial
Report
FY 2013-2014
Ended September 30, 2014**

CITY OF SWEETWATER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2014

Prepared By:
Finance Department

CITY OF SWEETWATER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2014

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INTRODUCTORY SECTION





January 31, 2015

City of Sweetwater

BOX 450 • 200 EAST FOURTH ST.
SWEETWATER, TEXAS 79556 • 325-236-6313

To the Honorable Mayor, Members of the City Commission, and Citizens of the City of Sweetwater, Texas

State Law requires that every general-purpose local government publish within one hundred and twenty (120) days of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Cathrine Wilks, Certified Public Accountant, has issued an unqualified ("clean") opinion on the City of Sweetwater's financial statements for the year ended September 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Sweetwater, incorporated in 1902, is located in the western part of the State. It currently occupies 9.91 square miles and serves a population of 10,906. The City of Sweetwater is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by State statutes to extend its corporate limits by annexation, which it has done from time to time.

The City of Sweetwater has operated under the council-manager form of government since 1902. Policy-making and legislative authority are vested in a City Commission consisting of the Mayor and four other members, all elected on a non-partisan basis. The City Commission appoints the government's manager, who in turn appoints the heads of various departments. The Commission is elected from single member districts. Commission members serve two-year staggered terms, with two Commission members elected every year. The Mayor is elected to serve a two-year term and is elected at large.

The City of Sweetwater provides a full range of services, including police and fire protection; streets and other infrastructure; recreation and cultural activities; water and sewer services; solid waste management; and ambulance services. Also, Sweetwater Enterprise for Economic Development, Inc. (S.E.E.D.) has met the criteria for inclusion as a component unit and is included in the report.

The City Commission is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Sweetwater's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council.

Local economy

The City is a center for manufacturing, oil, transportation, wind energy generation, and agriculture. Agriculture and oil have played an important role in our economy in past years. The area is a center for livestock, ranching, and farming with cotton, grains, and sorghum being the principal crops.

Farmers and ranchers have suffered an extreme drought this past year; however, fair cotton crops and grass conditions for livestock have been experienced.

With the price of oil remaining high over the past few years, the local service and production industry has had growth; however, decreasing oil prices create uncertainties as to future growth.

Several manufacturing companies are located in close proximity to the City of Sweetwater. An aluminum smelting plant, a cement production facility, two gypsum based sheetrock production plants and the growing wind energy industry provide a tremendous economic boost to the City and help maintain employment rates at a level that is consistently higher than the state average. Our largest employer is a radioactive detection equipment manufacturing company named Ludlum Measurements.

The total appraisal value of all taxable property as of September 30, 2014, both real and personal in the City is \$397,644,410, which is a decrease of \$23 million, or 6% from September 30, 2013. This is an indicator that the economy of the Sweetwater area has remained stable. The stability is reflective of the City and community leaders' efforts to diversify our economy through promotion of new industry in our area in addition to the oil and agriculture industries.

Long-term financial planning

The City will be faced with many significant issues over the next twenty years.

Within the next ten years the City will be addressing the following issues:

- Create conditions to help our recent economic growth continue into long term growth. The Sweetwater Enterprise for Economic Development's primary objective is to promote Sweetwater and to promote an atmosphere that will bring economic growth to Sweetwater.
- Rising healthcare costs seems to be an issue every year. The City is continually monitoring benefits and deductibles as well as reviewing the amount paid by our employees. However, this continues to be a large concern for the City.
- Aging infrastructure in the City's water system presents challenges with ongoing leaks and repairs. Additionally, the membrane system which filters our purification plant will need to be replaced as well as a 1930 water storage facility. Improvements will be necessary to continue service to our citizens.
- Public safety expenses continue to rise every year and the City plans to work closely with the public safety departments to control costs.
- Develop a location for a new type IV landfill. Our current landfill has an estimated life of less than ten years.

Within the next twenty years the City will be addressing the following issues:

- Securing a long term water supply. The City is reliant upon a well field for its water supply in addition to surface water from Oak Creek Lake. At the end of FY 2014, Oak Creek Lake was at 16 percent capacity due to drought conditions. The City will be looking at alternative sources over the next ten to twenty years.
- Replacement and extensive repairs to the City pool which was constructed in 1978.
- Consideration of future annexation sites for incorporation into City boundaries.
- Exploring the possibility of an Emergency Services District with the footprint of the County as its tax base. This would provide for a more equitable and efficient means of serving the area population with fire and emergency medical services.
- The dams at Oak Creek Reservoir and Lake Trammel will need a major re-facing within the next fifteen to twenty years.

Major initiatives

The City of Sweetwater had several major capital projects underway in 2014. Two capital projects in final stages of completion are the new police station and the water wellfield development projects. Construction on both projects are over eighty percent complete. Completion will be early in fiscal year 2015. The new police station is funded from general fund reserves. The new building will be replacing the current police station built in 1927. The water wellfield development project increased the City's wellfield from thirty four wells to forty wells ensuring that wells will potentially increase production from 900 thousand to 1.4 million gallons of water daily.

The City is in process of applying for a Texas Community Development Block Grant where if awarded, eighty percent funds along with the City's twenty percent will be used to replace older sections of water main lines.

Another major project is the TCEQ permitting and development of a type IV landfill on land purchased by the City in fiscal year 2013.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sweetwater for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2013. This was the thirty first consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA awarded the City the Distinguished Budget Presentation Award for its annual budget document dated September 30, 2014. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communication device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration departments. We wish to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Commission for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Sweetwater's finances.

In addition to the GFOA awards, the City of Sweetwater was awarded the Texas Comptroller Leadership Circle Gold Member Award for the third year in a row for meeting a high level of local government transparency on the City's website.

Respectfully submitted,



Edward P. Brown
City Manager



Patty Torres
City Comptroller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

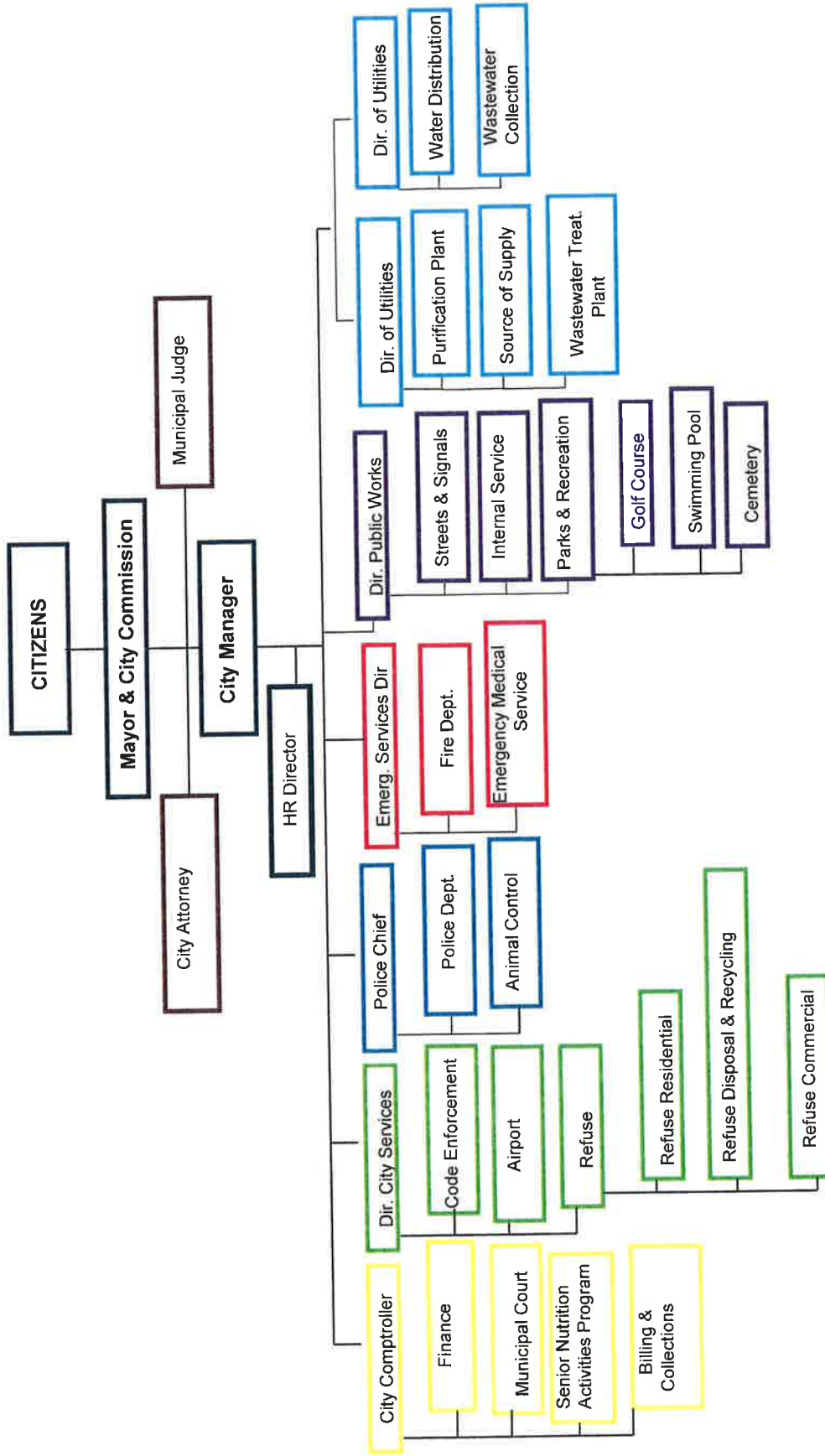
**City of Sweetwater
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

CITY OF SWEETWATER ORGANIZATIONAL CHART 2014-2015



**CITY OF SWEETWATER, TEXAS
INCORPORATED 1902
PRESENT CHARTER ADOPTED JULY 9, 1956**

**PRINCIPAL OFFICIALS
September 30, 2014**

Elected Officials

Jim McKenzie
Larry May
Jim Lee
Ricky Castro
Jerod Peek

Mayor, At Large
Commissioner, Precinct 1
Commissioner, Precinct 2
Commissioner, Precinct 3
Commissioner, Precinct 4

Appointed Officials

Edward P. Brown
Patty Torres
Russell Jones
Brian Frieda
Grant Madden
Eddy Campbell
Kirk Harris
Lisa Adames
Kenny Maxwell
Peter Sheridan

City Manager
City Comptroller/City Secretary
Public Works/Internal Services Dir.
Police Chief
Emergency Management Dir.
Director of Utilities
City Services Director
Personnel Officer/Civil Service Director
Municipal Judge (Part-Time)
City Attorney (Part-Time)

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor Jim McKenzie and
Members of the City Commission
Sweetwater, Texas 79556

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component unit, and the aggregate remaining funds of the City of Sweetwater, Texas, ("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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, and the aggregate remaining funds of the City of Sweetwater, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the general fund for the year then ended in accordance 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 and the analysis of funding progress of the City and the Firemen's retirement funds 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I 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

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, other schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, and other 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 my opinion, the combining and individual nonmajor fund financial statements and schedules, and other schedules, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 29, 2014, on my consideration of the City of Sweetwater, Texas's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Sweetwater, Texas
December 29, 2014

CITY OF SWEETWATER, TEXAS

Management's Discussion and Analysis

As management of the City of Sweetwater, we offer readers of the City of Sweetwater's financial statements this narrative overview and analysis of the financial activities of the City of Sweetwater for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-5 of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Sweetwater exceeded its liabilities at the close of the most recent fiscal year by \$36,772 (*net position*). Of this amount, \$12,854 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,228.
- As of the close of the current fiscal year, the City of Sweetwater's governmental funds reported combined ending fund balances of \$7,160; of this amount, \$5,877 is *available for spending* at the government's discretion (*unassigned fund balance*), \$11 is assigned, \$94 is restricted and \$1,177 is nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,877 or 56 percent of total general fund expenditures.
- On a budgetary-basis the City's General Fund revenues exceeded budget by \$259 thousand or 3% and total expenditures were below budgeted by \$746 thousand or 6.6%

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Sweetwater's basic financial statements. The City of Sweetwater's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Sweetwater's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Sweetwater's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Sweetwater is improving or deteriorating.

The *statement of activities* presents information showing how the government'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*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sweetwater that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Sweetwater include general government, public safety, public works, culture and recreation, community services and airport. The business-type activities of the City of Sweetwater include the Water and Wastewater Fund, Solid Waste Management Fund and the Ambulance Fund.

CITY OF SWEETWATER, TEXAS

The government-wide financial statements include not only the City of Sweetwater itself (known as the *primary government*), but also a legally separate sales tax economic development corporation, Sweetwater Enterprise for Economic Development (SEED). Financial information for this *component unit* is reported discreetly with the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 24 and 25 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sweetwater, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sweetwater can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 a government'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 statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*,

The City of Sweetwater maintains six 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, which is considered to be a major fund. Data from the other five governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Sweetwater adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-29 of this report.

Proprietary funds. The City of Sweetwater maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Sweetwater uses enterprise funds to account for its Water and Wastewater, Solid Waste Management and Ambulance activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Sweetwater's various functions. The City of Sweetwater uses internal service funds to account for its Central Garage and Stores and for its Self-Insured Employee Benefit (health care) services. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental 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 Water and Wastewater Fund, the Solid Waste Management and Ambulance Funds, which are all considered to be major funds. Conversely, both internal service funds are combined into a single, aggregated presentation

CITY OF SWEETWATER, TEXAS

in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 30-32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 33 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Sweetwater's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 55 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 58-66 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sweetwater, assets exceeded liabilities by \$36,772 at the close of the most recent fiscal year.

A significant portion of the City of Sweetwater's net position (60 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Sweetwater uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Sweetwater'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 capital assets themselves cannot be used to liquidate these liabilities.

City of Sweetwater's Net position

	Governmental Activities		Business Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Current & other assets	\$ 11,010	\$ 8,815	\$ 9,611	\$ 9,906	\$ 20,621	\$ 18,721
Capital assets	5,164	8,581	27,967	29,480	33,131	38,061
Total assets	16,174	17,396	37,578	39,386	53,752	56,782
Long-term liabilities outstanding	862	900	16,543	17,167	17,405	18,067
Other liabilities	238	975	566	968	804	1,943
Total liabilities	1,100	1,875	17,109	18,135	18,209	20,010
Net position:						
Invested in capital assets, net of related debt	5,164	8,581	11,863	13,306	17,027	21,887
Restricted	1,219	1,271	715	760	1,934	2,031
Unrestricted	8,691	5,669	7,891	7,185	16,582	12,854
Total net position	\$15,074	\$15,521	\$20,469	\$21,251	\$35,543	\$36,772

An additional portion of the City of Sweetwater's net position (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$12,854) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF SWEETWATER, TEXAS

At the end of the current fiscal year, the City of Sweetwater is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net positions were higher than the previous year by \$1,229 due to increased revenues in excess of expenses.

City of Sweetwater's Changes in Net position

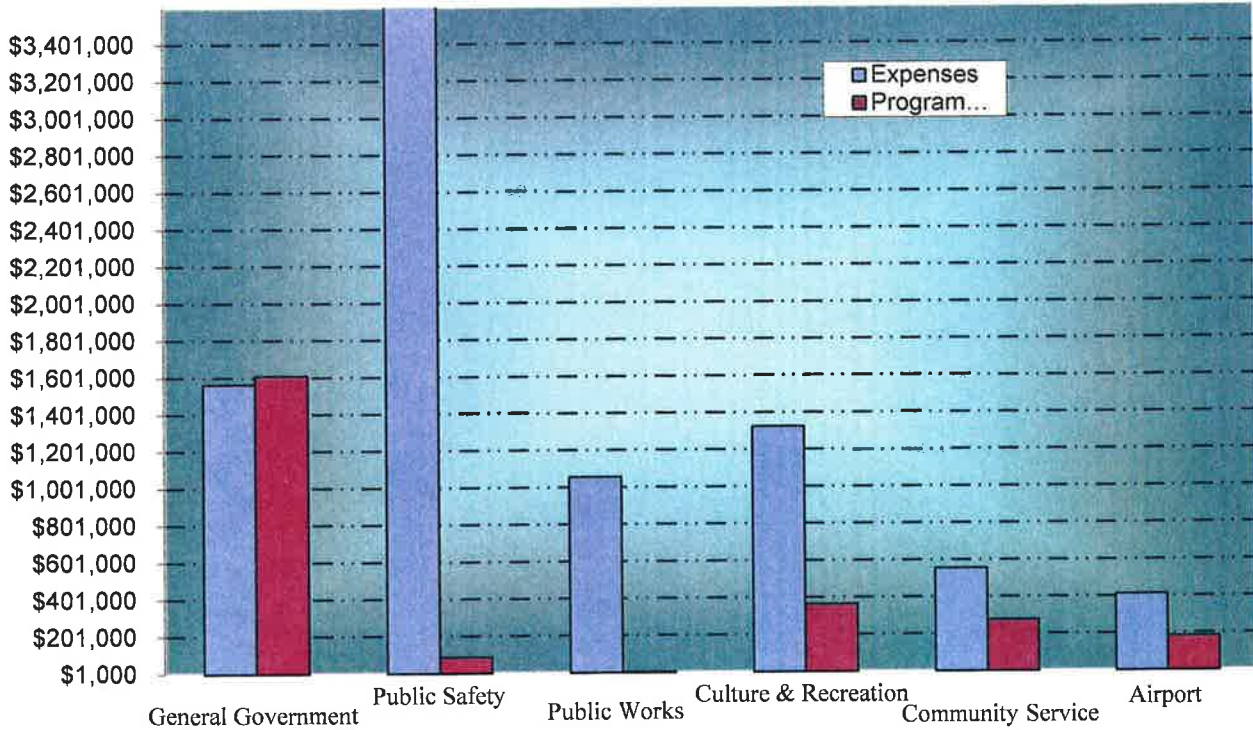
	Governmental activities		Business type activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues:						
Program Revenues:						
Charges for Services	\$1,887	\$2,156	\$10,781	\$10,445	\$12,668	\$12,601
Operating Grants and Contributions	393	367	20	10	413	377
Capital Grants and Contributions	472	-	-	-	472	-
General Revenues:						
Property Taxes	1,923	1,902	-	-	1,923	1,902
Sales Taxes	2,553	2,707	-	-	2,553	2,707
Other Taxes	1,583	1,719	-	-	1,583	1,719
Other	890	1,032	101	107	991	1,139
Total Revenues	9,701	9,883	10,902	10,562	20,603	20,445
Expenses:						
General Government	1,393	1,563	-	-	1,393	1,563
Public Safety	3,949	4,112	-	-	3,949	4,112
Public Works	1,073	1,057	-	-	1,073	1,057
Culture and Recreation	1,291	1,325	-	-	1,291	1,325
Community Services	503	555	-	-	503	555
Airport	453	414	-	-	453	414
Water and Sewer	-	-	6,419	6,379	6,419	6,379
Emergency Medical Services	-	-	1,864	1,966	1,864	1,966
Solid Waste	-	-	1,742	1,845	1,742	1,845
Total Expenses	8,662	9,026	10,025	10,190	18,687	19,216
Increase in Net position Before Transfers	1,039	857	877	372	1,916	1,229
Transfers	(365)	(410)	365	410	-	-
Increase in net position	674	447	1,242	782	1,916	1,229
Net position - beginning	14,400	15,074	19,227	20,469	33,627	35,543
Net position	\$15,074	\$15,521	\$20,469	\$21,251	\$35,543	\$36,772

Governmental activities. Governmental activities increased the City of Sweetwater's net position by \$447. Key elements of this increase are as follows:

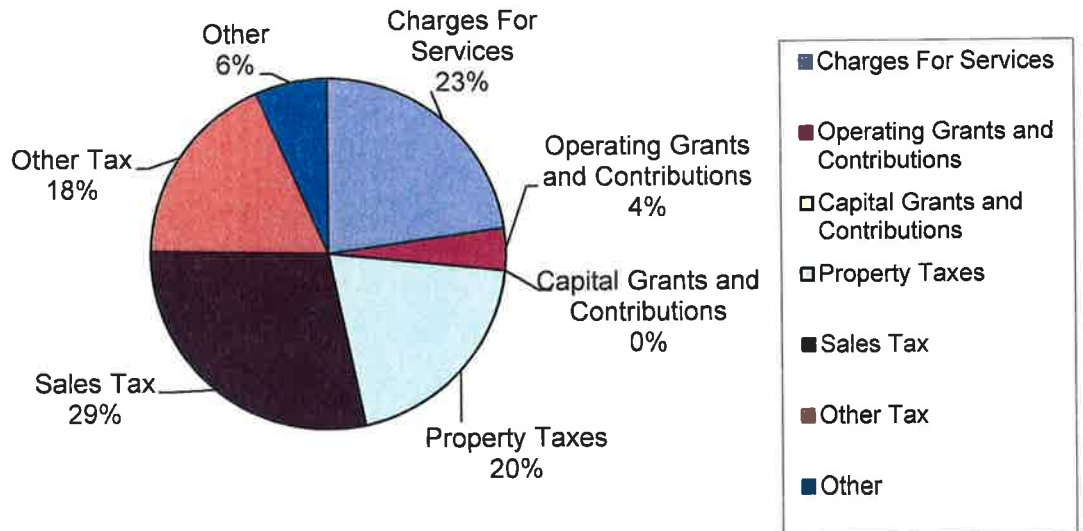
- Capital grants and contributions for governmental activities decreased by \$472 due to airport grant revenues in previous year.
- Other General Revenues for governmental activities increased by \$411 (6%) primarily due to property taxes and sales tax increases.
- Transfers out of the governmental activities general fund to the EMS fund in the proprietary funds increased by \$45 (12%) due to decreased ambulance calls for services resulting in decrease in EMS charges for services.

CITY OF SWEETWATER, TEXAS

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities

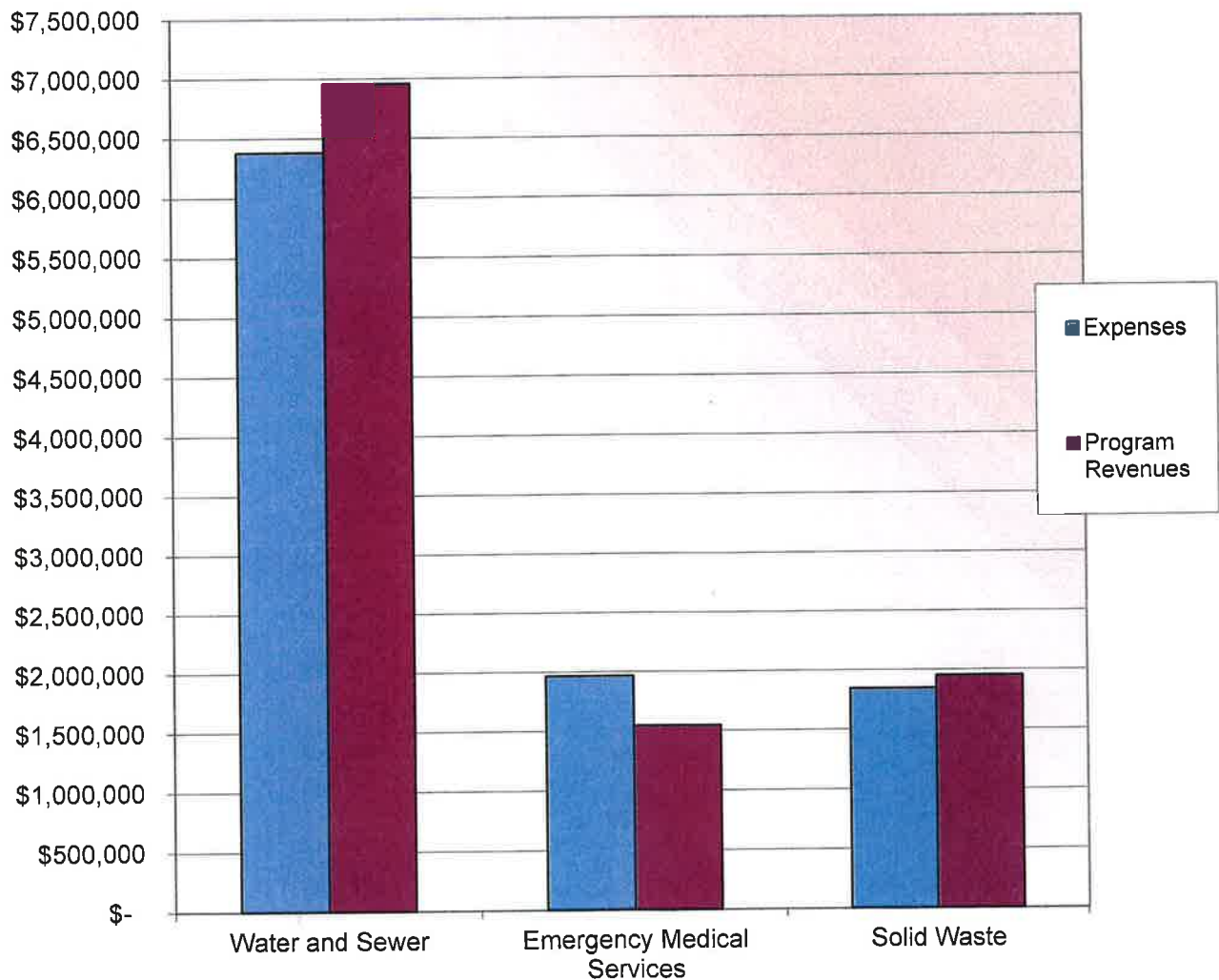


CITY OF SWEETWATER, TEXAS

Business-type activities. Business-type activities increased the City of Sweetwater's net position by \$782. Key elements of this increase are reported on page 16.

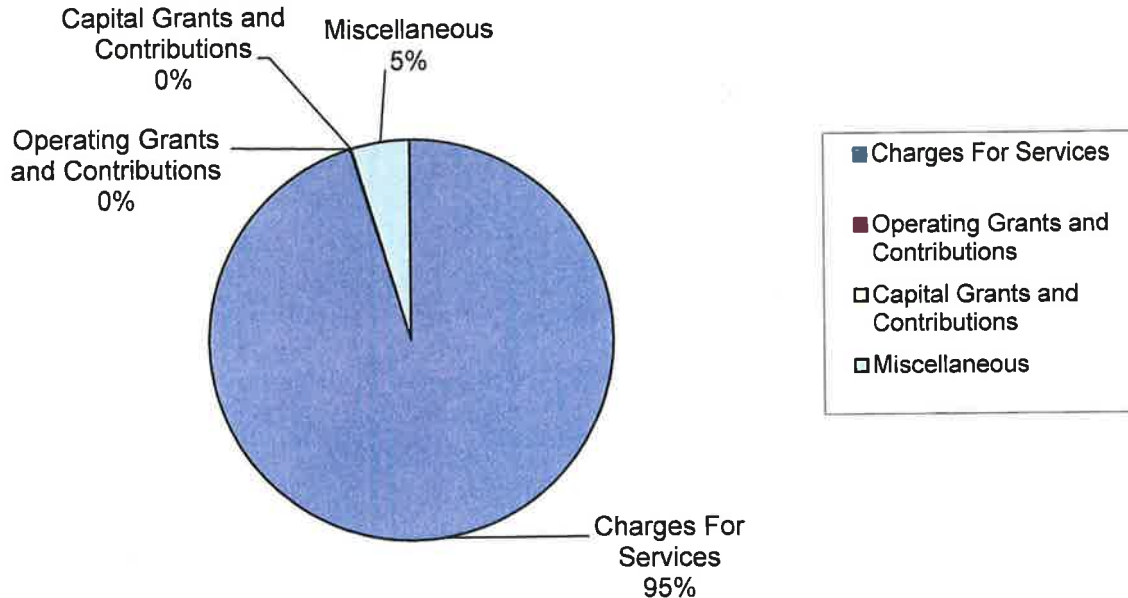
- Charges for services decreased by \$336 (3%) for business-type activities primarily because of decreased sales of water, sewer, and ambulance service.
- Transfers from the general fund increased by \$45 (12%) due to a decrease in revenues in the EMS department.
- Business type total revenues decreased by 2.6% and expenditures increased by 1.6%.

Expenses and Program Revenues - Business-type Activities



CITY OF SWEETWATER, TEXAS

Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Sweetwater uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Sweetwater'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 of Sweetwater's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Sweetwater's governmental funds reported combined ending fund balances of \$7,160. The combined ending fund balances consist of \$5,877 in unassigned fund balance, which is available for spending at the government's discretion and \$1,283 in nonspendable, restricted and assigned fund balances, which are restricted for spending for specific uses.

The general fund is the chief operating fund of the City of Sweetwater. At the end of the current fiscal year, total fund balance of the general fund was \$5,964 of which \$5,877 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 56.7 percent of total general fund expenditures.

CITY OF SWEETWATER, TEXAS

The fund balance of the City of Sweetwater's general fund decreased by \$2,183 during the current fiscal year. The key factors in this decrease are as follows:

- Capital outlay expenditures increased \$1,683 primarily due to construction in progress of new police station.
- General Revenues increased by \$411 mostly due to increased collections in property taxes and sales taxes in current year.

Proprietary funds. The City of Sweetwater's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Wastewater Fund at the end of the year amounted to \$6,132. The total increase in net position for this Fund was \$647. The Solid Waste Management Fund had an increase in net position of \$146. The Ambulance Fund had a decrease in net position of \$11 which includes \$410 transfers from the General Fund.

General Fund Budgetary Highlights

During the year there were amendments to the budget. Following are the main components of the amendments:

- Increase in sales tax revenues.
- Increase in oil and gas royalty revenues.
- Increase in charges for employee benefit costs.
- Increase in museum building repair expenses.
- Increase in animal control salaries due to the addition of a second full time person.
- Increase in expenses associated with capital improvements at the golf course and additional police department costs.

Capital Asset and Debt Administration

Capital assets. The City of Sweetwater's investment in capital assets for its governmental and business type activities as of September 30, 2014 amounts to \$38,061 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, streets and bridges.

City of Sweetwater's Capital Assets (net of depreciation)

	Governmental Activities		Business- type Activities		Total	
	2013	2014	2013	2014	2013	2014
Land	\$ 178	\$ 178	\$ 2,376	\$ 2,416	\$ 2,554	\$ 2,594
Buildings	505	880	7,834	7,449	8,339	8,329
Improvement other than buildings	2,431	2,211	17,106	16,756	19,537	18,967
Machinery and equipment	1,203	1,901	390	328	1,593	2,229
Construction in progress	847	3,410	261	2,531	1,108	5,941
Total	\$ 5,164	\$ 8,580	\$ 27,967	\$ 29,480	\$ 33,131	\$ 38,060

Additional information on the City of Sweetwater's capital assets can be found in Note (4) starting on page 41 of this report.

CITY OF SWEETWATER, TEXAS

Long-term Obligations. At the end of the current fiscal year, the City of Sweetwater had \$18,067 of long-term obligations, an increase of \$662 thousand. Included in the long-term obligations is bonded debt outstanding of \$16,535, which represents bonds secured by revenue and tax sources.

City of Sweetwater's Long-Term Obligations

	Governmental activities		Business-type activities		Total	
	2013	2014	2013	2014	2013	2014
Net Pension Obligation	\$ 376	\$ 380	\$ 167	\$ 167	\$ 543	\$ 547
Compensated Absences	486	519	164	177	650	696
General Obligation Bonds	-	-	8,520	8,445	8,520	8,445
Certificates of Obligation	-	-	1,360	2,975	1,360	2,975
Refunding Bonds	-	-	6,015	5,115	6,015	5,115
Bond premium			209	179	209	179
Landfill Post-Closure			108	110	108	110
Total	\$ 862	\$ 899	\$ 16,543	\$ 17,168	\$ 17,405	\$ 18,067

The City of Sweetwater's total long-term obligations increased by \$661 (4 percent) during the current fiscal year. This change was the result of a \$1.935 million bond issue for the well field development and scheduled debt service payments.

The City of Sweetwater maintains an "AA-" rating from Standard & Poor's and Fitch for its revenue and tax certificates of obligation debt.

Additional information on the City of Sweetwater's long-term debt can be found in Note (5) starting on page 42 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Sweetwater at year end was 3.9 percent, a decrease from the 5.2 rate a year ago. This compares favorably to the state's average unemployment rate for the same period of 5.0 percent.
- Inflationary trends in the region compare favorably to national indexes.

All of these factors were considered in preparing the City of Sweetwater's budget for the 2015 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of Sweetwater's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Comptroller, P. O. Box 450, Sweetwater, Texas 79556-0450.



BASIC FINANCIAL STATEMENTS

CITY OF SWEETWATER, TEXAS

Statement of Net Position
September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current cash and cash equivalents	\$ 8,353,951	\$ 7,165,079	\$ 15,519,030	\$ 6,346,568
Investments	-	117,130	117,130	64,473
Receivables (net of allowance for uncollectibles)	242,029	1,332,981	1,575,010	19,268
Internal balances	71,082	(71,082)	-	-
Due from other governments	19,478	61,504	80,982	-
Inventories	30,117	-	30,117	-
Net pension asset	12,025	-	12,025	-
Restricted assets:				
Cash and cash equivalents	87,134	1,300,101	1,387,235	-
Capital assets (net of accumulated depreciation):				
Land	178,332	2,415,757	2,594,089	193,981
Construction in-progress	3,409,550	2,530,983	5,940,533	-
Buildings	880,295	7,449,271	8,329,566	-
Improvements other than buildings	2,211,079	16,755,846	18,966,925	-
Machinery and equipment	1,900,948	328,387	2,229,335	394,723
Total assets	17,396,019	39,385,959	56,781,978	7,019,013
Liabilities				
Accounts payable	961,601	555,234	1,516,835	-
Customer security deposits	-	343,789	343,789	-
Accrued liabilities	-	68,290	68,290	-
Due to other governments	13,915	-	13,915	-
Long-term liabilities:				
Due within one year	51,911	1,472,463	1,524,374	-
Due in more than one year	847,617	15,695,125	16,542,742	-
Total liabilities	1,875,044	18,134,901	20,009,945	-
Net Position				
Net investment in capital assets	8,580,204	13,306,489	21,886,693	588,704
Restricted for:				
Perpetual cemetery care	1,177,458	-	1,177,458	-
Drug enforcement	7,190	-	7,190	-
PEG capital costs	87,134	-	87,134	-
Debt service	-	759,967	759,967	-
Economic development	-	-	-	1,715,600
Unrestricted	5,668,989	7,184,602	12,853,591	4,714,709
Total Net Position	\$ 15,520,975	\$ 21,251,058	\$ 36,772,033	\$ 7,019,013

The notes to the financial statements are an integral part of this statement.

CITY OF SWEETWATER, TEXAS

Statement of Activities
For the Year Ended September 30, 2014

Function/Program Activities	Net (Expenses) Revenues and Changes in Net Position							Component Unit
	Program Revenues			Primary Government				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
General government	\$ 1,563,157	\$ 1,608,618	\$ -	\$ -	\$ 45,461	\$ -	\$ 45,461	\$ -
Public safety	4,111,605	-	87,117	-	(4,024,488)	-	(4,024,488)	-
Public works	1,056,515	3,363	-	-	(1,053,152)	-	(1,053,152)	-
Culture and recreation	1,325,393	364,659	-	-	(960,734)	-	(960,734)	-
Community services	555,465	1,250	274,379	-	(279,836)	-	(279,836)	-
Airport	413,656	178,196	5,890	-	(229,570)	-	(229,570)	-
Total governmental activities	9,025,791	2,156,086	367,386	-	(6,502,319)	-	(6,502,319)	-
Business-type Activities:								
Water and sewer	6,379,513	6,958,410	-	-	-	578,897	578,897	-
Ambulance	1,966,355	1,533,151	9,979	-	(423,225)	-	(423,225)	-
Solid waste management	1,844,622	1,953,590	-	-	108,968	-	108,968	-
Total business-type activities	10,190,490	10,445,151	9,979	-	264,640	-	264,640	-
Total Primary Government	\$ 19,216,281	\$ 12,601,237	\$ 377,365	\$ -	\$ (6,502,319)	\$ 264,640	\$ (6,237,679)	\$ -
Component Unit:								
Sweetwater Enterprise for Economic Development	525,436	-	-	-	-	-	-	525,436
Total component unit	\$ 525,436	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 525,436
General revenues:								
Taxes:								
Property taxes, levied for general purposes					1,901,654		1,901,654	
Sales tax					2,706,835		2,706,835	902,278
Franchise tax					1,097,948		1,097,948	
Occupancy tax					614,979		614,979	
Alcohol beverage					5,583		5,583	
Investment earnings					25,297	20,667	45,964	16,231
Other					1,006,410	86,433	1,092,843	17
Transfers					(410,000)	410,000	-	-
Total general revenues and transfers					6,948,706	517,100	7,465,806	918,526
Change in net position					446,387	781,740	1,228,127	393,090
Net position - beginning (restated)					15,074,588	20,469,318	35,543,906	6,625,923
Net position - ending					\$ 15,520,975	\$ 21,251,058	\$ 36,772,033	\$ 7,019,013

The notes to the financial statements are an integral part of this statement.

CITY OF SWEETWATER, TEXAS

Balance Sheet Governmental Funds September 30, 2014

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Current cash and cash equivalents	\$ 6,752,297	\$ 1,201,039	\$ 7,953,336
Receivables, net of allowance for uncollectibles	242,028	-	242,028
Due from other funds	317	-	317
Due from other governments	-	19,231	19,231
Restricted cash and cash equivalents	87,134	-	87,134
Total assets	\$ 7,081,776	\$ 1,220,270	\$ 8,302,046
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Accounts payable	904,768	9,642	914,410
Due to other funds	64,707	1,058	65,765
Due to other governments	-	13,915	13,915
Total liabilities	969,475	24,615	994,090
Deferred inflow of resources:			
Unavailable revenue - property taxes	148,041	-	148,041
Fund balances:			
Nonspendable	-	1,177,458	1,177,458
Restricted	87,134	7,190	94,324
Assigned	-	11,007	11,007
Unassigned	5,877,126	-	5,877,126
Total fund balances	5,964,260	1,195,655	7,159,915
Total liabilities, deferred inflows, and fund balances	\$ 7,081,776	\$ 1,220,270	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,770,301
Net pension asset is reclassified to the balance sheet.	12,025
Unavailable revenues not available to pay for current expenditures.	148,041
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(832,861)
Internal service funds are used by management to charge the costs of central garage and stores as well as employee benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,263,554
Net position of governmental activities	\$ 15,520,975

The notes to the financial statements are an integral part of this statement.

CITY OF SWEETWATER, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended September 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes:			
Property	\$ 1,911,535	\$ -	\$ 1,911,535
Sales	2,706,835	-	2,706,835
Occupancy	-	614,979	614,979
Alcoholic beverage	5,583	-	5,583
Franchise Fees	1,097,949	-	1,097,949
Intergovernmental	7,891	240,907	248,798
Charges for services	1,689,983	1,250	1,691,233
Rents and royalties	1,048,406	-	1,048,406
Contributions and donations	61,556	64,907	126,463
Licenses and permits	37,211	-	37,211
Investment income	22,512	2,785	25,297
Fines and forfeitures	43,772	-	43,772
Miscellaneous	309,400	24,600	334,000
Total revenues	<u>8,942,633</u>	<u>949,428</u>	<u>9,892,061</u>
Expenditures			
Current:			
General government	1,540,873	-	1,540,873
Public safety	3,962,240	23,340	3,985,580
Public works	1,030,142	-	1,030,142
Culture and recreation	655,986	614,979	1,270,965
Community services	63,318	467,952	531,270
Airport	250,578	-	250,578
Capital outlay:			
General government	4,723	-	4,723
Public safety	2,984,441	-	2,984,441
Public works	9,119	-	9,119
Culture and recreation	15,477	-	15,477
Community services	-	9,545	9,545
Airport	6,500	-	6,500
Total expenditures	<u>10,523,398</u>	<u>1,115,816</u>	<u>11,639,214</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,580,765)</u>	<u>(166,389)</u>	<u>(1,747,153)</u>
Other financing sources (uses)			
Transfers in	-	192,210	192,210
Transfers out	(602,210)	-	(602,210)
Total other financing sources and uses	<u>(602,210)</u>	<u>192,210</u>	<u>(410,000)</u>
Net change in fund balances	<u>(2,182,975)</u>	<u>25,822</u>	<u>(2,157,153)</u>
Fund balances - beginning	8,147,236	1,169,833	9,317,069
Fund balances - ending	<u>\$ 5,964,260</u>	<u>\$ 1,195,655</u>	<u>\$ 7,159,915</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SWEETWATER, 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 (page 25) are different because:

Net change in fund balances - total governmental funds (page 27)	\$ (2,157,153)
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. This is the amount by which capital outlays of \$3,029,805 exceeded depreciation (\$312,293) in the current period.	2,717,512
Governmental funds report principal payments on debt as expenditures. These payments are reclassified to reduce the long-term liability on the statement of activities.	(36,544)
Reclassification entries to convert modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, and adjusting current year revenue to show revenue earned from the current year's tax levy, as well as revenue earned on a current year contract yet not available in the current year.	(84,296)
The net gain of certain activities of internal service funds is reported with governmental activities.	<u>6,869</u>
Change in net position of governmental activities (page 25)	<u>\$ 446,388</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SWEETWATER, TEXAS

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 1,882,345	\$ 1,882,345	\$ 1,911,535	\$ 29,190
Sales	2,160,000	2,650,000	2,706,835	56,835
Alcoholic beverage	5,000	5,000	5,583	583
Franchise tax	1,020,123	1,020,123	1,097,949	77,826
Intergovernmental	-	-	7,891	7,891
Charges for services	1,676,152	1,676,152	1,689,983	13,831
Rents and royalties	843,800	968,800	1,048,406	79,606
Contributions and donations	-	-	61,556	61,556
Licenses and permits	27,000	27,000	37,211	10,211
Investment income	20,000	20,000	22,512	2,512
Fines and forfeitures	50,000	50,000	43,772	(6,228)
Miscellaneous	384,581	384,581	309,400	(75,181)
Total revenues	<u>8,069,001</u>	<u>8,684,001</u>	<u>8,942,633</u>	<u>258,632</u>
Expenditures				
Current:				
General government:				
Mayor and commission	33,637	36,047	31,503	4,544
City administration	350,495	357,545	352,663	4,882
City finance	320,657	329,082	307,385	21,697
Municipal court	112,640	113,815	112,317	1,498
Code enforcement	219,489	241,739	235,551	6,188
Non-departmental	418,533	503,723	506,177	(2,454)
Public safety:				
Police department	5,860,008	6,205,765	5,629,100	576,665
Fire department	1,263,320	1,302,220	1,317,581	(15,361)
Public works:				
Streets and signals	939,151	951,651	889,373	62,278
Animal control	122,445	163,108	149,888	13,220
Culture and recreation:				
Parks and cemetery	504,911	523,589	470,225	53,364
Golf course	79,522	95,022	88,141	6,881
Swimming pool	141,499	141,499	113,097	28,402
Community services	63,000	63,000	63,319	(319)
Airport	233,370	241,850	257,078	(15,228)
Total expenditures	<u>10,662,677</u>	<u>11,269,655</u>	<u>10,523,398</u>	<u>746,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,593,676)</u>	<u>(2,585,654)</u>	<u>(1,580,765)</u>	<u>1,004,889</u>
Other financing sources (uses)				
Transfers out	(695,000)	(660,000)	(602,210)	57,790
Total other financing sources and uses	<u>(695,000)</u>	<u>(660,000)</u>	<u>(602,210)</u>	<u>57,790</u>
Net change in fund balances	<u>(3,288,676)</u>	<u>(3,245,654)</u>	<u>(2,182,975)</u>	<u>1,062,679</u>
Fund balances - beginning	8,147,236	8,147,236	8,147,236	-
Fund balances - ending	<u>\$ 4,858,560</u>	<u>\$ 4,901,582</u>	<u>\$ 5,964,260</u>	<u>\$ 1,062,679</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SWEETWATER, TEXAS

Statement of Net Position
Proprietary Funds
September 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater	Solid Waste Management	Ambulance	Totals	
Assets					
Current assets:					
Cash and cash equivalents	\$ 6,175,802	\$ 975,726	\$ 13,551	\$ 7,165,079	\$ 400,615
Investments	117,130	-	-	117,130	-
Due from other funds	-	-	-	-	136,530
Due from other governments	-	-	61,504	61,504	247
Accounts receivable (net of allowance for uncollectibles)	923,822	256,928	152,230	1,332,981	-
Inventories	-	-	-	-	30,117
Restricted assets:					
Cash and cash equivalents	1,300,101	-	-	1,300,101	-
Total current assets	<u>8,516,856</u>	<u>1,232,654</u>	<u>227,286</u>	<u>9,976,795</u>	<u>567,509</u>
Noncurrent assets:					
Capital assets:					
Land	2,097,902	317,856	-	2,415,758	-
Construction in-progress	2,530,983	-	-	2,530,983	-
Buildings	13,517,822	96,342	-	13,614,164	145,573
Improvements other than buildings	30,254,976	5,172	-	30,260,148	37,361
Machinery and equipment	3,835,319	656,008	246,332	4,737,659	5,930,973
Less accumulated depreciation	(23,216,715)	(677,985)	(183,766)	(24,078,466)	(4,304,004)
Total capital assets (net of accumulated depreciation)	<u>29,020,287</u>	<u>397,394</u>	<u>62,566</u>	<u>29,480,246</u>	<u>1,809,903</u>
Total assets	<u>37,537,141</u>	<u>1,630,048</u>	<u>289,852</u>	<u>39,457,041</u>	<u>2,377,412</u>
Liabilities					
Current Liabilities:					
Accounts payable	489,697	58,666	6,871	555,234	47,191
Customer security deposits	343,789	-	-	343,789	-
Due to other funds	21,927	41,200	7,955	71,082	-
Accrued interest payable	68,290	-	-	68,290	-
Compensated absences-Current	4,240	1,386	12,022	17,648	162
Bond obligations-Current	1,454,815	-	-	1,454,815	-
Total current liabilities	<u>2,382,758</u>	<u>101,252</u>	<u>26,848</u>	<u>2,510,858</u>	<u>47,353</u>
Noncurrent liabilities:					
Compensated absences	38,164	12,466	108,200	158,830	16,062
Net pension obligation	118,887	42,756	5,428	167,071	50,443
Landfill post-closure	-	110,147	-	110,147	-
Bond obligations	15,259,077	-	-	15,259,077	-
Total noncurrent liabilities	<u>15,416,128</u>	<u>165,369</u>	<u>113,628</u>	<u>15,695,125</u>	<u>66,505</u>
Total liabilities	<u>17,798,886</u>	<u>266,621</u>	<u>140,476</u>	<u>18,205,983</u>	<u>113,858</u>
Net Position					
Net investment in capital assets	12,846,529	397,394	62,566	13,306,489	1,809,903
Restricted for debt service (expendable)	759,967	-	-	759,967	-
Unrestricted	6,131,759	966,033	86,810	7,184,602	453,651
Total net position	<u>\$ 19,738,255</u>	<u>\$ 1,363,427</u>	<u>\$ 149,376</u>	<u>\$ 21,251,058</u>	<u>\$ 2,263,554</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SWEETWATER, TEXAS

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater	Solid Waste Management	Ambulance	Totals	
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 4,659,749	\$ -	\$ -	\$ 4,659,749	\$ -
Sewer charges	2,241,090	-	-	2,241,090	-
Delinquent penalties	32,421	-	-	32,421	-
Water and sewer taps	25,150	-	-	25,150	-
Other charges for services	-	1,953,590	1,533,151	3,486,741	2,777,661
Miscellaneous income	50,049	34,941	1,442	86,432	99,514
Total operating income	<u>7,008,459</u>	<u>1,988,531</u>	<u>1,534,593</u>	<u>10,531,583</u>	<u>2,877,175</u>
Operating expenses:					
Personal services	1,482,343	609,041	937,617	3,029,001	636,892
Supplies	647,289	278,726	662,739	1,588,754	37,513
Other services and charges	2,419,285	941,432	356,508	3,717,225	1,878,794
Depreciation	1,256,461	15,423	9,490	1,281,374	319,408
Total operating expenses	<u>5,805,378</u>	<u>1,844,622</u>	<u>1,966,355</u>	<u>9,616,355</u>	<u>2,872,607</u>
Operating income (loss)	<u>1,203,081</u>	<u>143,909</u>	<u>(431,761)</u>	<u>915,229</u>	<u>4,568</u>
Nonoperating revenues (expenses):					
Interest income	17,626	2,454	586	20,666	2,301
Intergovernmental	-	-	9,979	9,979	-
Interest expense	(574,135)	-	-	(574,135)	-
Total nonoperating revenue (expense)	<u>(556,509)</u>	<u>2,454</u>	<u>10,565</u>	<u>(543,491)</u>	<u>2,301</u>
Net income (loss) before transfers	646,572	146,364	(421,196)	371,740	6,869
Transfers in	-	-	410,000	410,000	-
Change in net position	<u>646,572</u>	<u>146,364</u>	<u>(11,196)</u>	<u>781,740</u>	<u>6,869</u>
Total net assets - beginning (restated)	19,091,683	1,217,063	160,572	20,469,318	2,256,685
Total net assets - ending	<u>\$ 19,738,255</u>	<u>\$ 1,363,427</u>	<u>\$ 149,376</u>	<u>\$ 21,251,058</u>	<u>\$ 2,263,554</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SWEETWATER, TEXAS

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater	Solid Waste Management	Ambulance	Totals	
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 6,877,731	\$ 1,932,748	\$ 1,536,046	\$ 10,346,525	\$ -
Receipts from interfund services provided	-	-	-	-	2,868,132
Payments to suppliers	2,674,362	1,200,567	1,016,075	4,891,004	1,996,486
Payments to employees	1,479,599	606,868	929,852	3,016,319	635,680
Net cash provided by operating activities	<u>2,723,770</u>	<u>125,313</u>	<u>(409,881)</u>	<u>2,439,202</u>	<u>235,967</u>
Cash Flows From Noncapital Financing Activities					
Transfers from other funds	-	-	410,000	410,000	-
Intergovernmental grants	-	-	9,979	9,979	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>419,979</u>	<u>419,979</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities					
Proceeds from sale of certificates of obligation	1,935,000	-	-	1,935,000	-
Acquisition and construction of capital assets	(2,754,352)	(40,056)	-	(2,794,408)	(1,053,384)
Disposition of equipment	-	-	-	-	35,391
Principal paid on contractual obligations	(1,324,815)	-	-	(1,324,815)	-
Interest and paying agent fees	(574,135)	-	-	(574,135)	-
Net cash provided (used) by capital and related financing activities	<u>(2,718,303)</u>	<u>(40,056)</u>	<u>-</u>	<u>(2,758,359)</u>	<u>(1,017,993)</u>
Cash Flows From Investing Activities					
Interest and dividends received	17,586	2,454	586	20,626	2,301
Net cash provided (used) by investing activities	<u>17,586</u>	<u>2,454</u>	<u>586</u>	<u>20,626</u>	<u>2,301</u>
Net increase in cash and cash equivalents	23,053	87,711	10,683	121,447	(779,725)
Cash and cash equivalents at beginning of year	7,452,850	888,015	2,868	8,343,733	1,180,339
Cash and cash equivalents at end of year	<u>\$ 7,475,903</u>	<u>\$ 975,726</u>	<u>\$ 13,551</u>	<u>\$ 8,465,180</u>	<u>\$ 400,614</u>
As reported on balance sheet:					
Cash	\$ 6,175,802	\$ 975,726	\$ 13,551	\$ 7,165,079	\$ 400,615
Restricted Cash	1,300,101	-	-	1,300,101	-
Total cash and cash equivalents at end of year	<u>\$ 7,475,903</u>	<u>\$ 975,726</u>	<u>\$ 13,551</u>	<u>\$ 8,465,180</u>	<u>\$ 400,615</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	1,203,081	143,909	(431,761)	915,229	4,568
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,256,461	15,423	9,490	1,281,374	319,408
(Increase) decrease in accounts receivable	(117,298)	(55,784)	5,128	(167,954)	-
(Increase) decrease in other receivables	-	-	-	-	-
(Increase) in due from other governments	-	-	(3,675)	(3,675)	(22)
(Increase) in due from other funds	-	-	-	-	(9,020)
(Increase) decrease in inventories	-	-	-	-	9,683
(Increase) decrease in deferred charges	-	-	-	-	-
Increase (decrease) in accounts payable	393,383	22,346	210	415,939	(89,861)
Increase (decrease) in customer deposits	(13,430)	-	-	(13,430)	-
Increase (decrease) in compensated absences	5,106	743	6,988	12,837	(1,424)
Increase (decrease) in net pension obligation	(2,362)	1,430	777	(155)	2,636
Increase (decrease) in landfill post-closure	-	1,627	-	1,627	-
Increase (decrease) in due to other funds	(470)	(4,382)	2,962	(1,890)	-
Increase (decrease) in accrued interest payable	(701)	-	-	(701)	-
Total adjustments	<u>1,520,689</u>	<u>(18,596)</u>	<u>21,880</u>	<u>1,523,973</u>	<u>231,400</u>
Net cash provided by operating activities	<u>\$ 2,723,770</u>	<u>\$ 125,313</u>	<u>\$ (409,881)</u>	<u>\$ 2,439,202</u>	<u>\$ 235,967</u>

The notes to the financial statements are an integral part of this statement.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

(1) Summary of Significant Accounting Policies

A. General Statement

The City of Sweetwater, Texas, is a municipal corporation incorporated under Article IX, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The enabling legislation for home rule cities is Article 1175 V.A.T.C.S. The City operates under a Commission-Manager form of government and provides such services as are authorized by its charter to advance welfare, health, morale, comfort, safety, and convenience of the City and its inhabitants.

B. Financial Reporting Entity

The City's combined financial statements include the accounts of all City operations.

Discretely presented component unit. The Sweetwater Enterprise for Economic Development, Inc. (SEED) is a legally separate nonprofit corporation specifically governed by the Texas Development Corporation Act of 1979, as amended. The City holds the corporate powers of the organization and appoints a voting majority of the organization's board. The City is able to impose its will on the organization and SEED has the potential to impose a financial benefit/burden on the City.

The purpose of the corporation is to promote, assist, and enhance economic development. SEED is presented as a governmental fund type. Financial statements for SEED may be obtained by writing the City's finance office in City Hall at 200 East 4th Street, Sweetwater, Texas 79556.

C. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The City's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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.

Property taxes, sales taxes, intergovernmental revenues, other taxes, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

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

Additionally, the government reports the following nonmajor governmental funds:

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes or funds with restrictions imposed by the governing body.

The government reports the following major proprietary fund:

The *water and wastewater fund* accounts for the activities of the City. The City of Sweetwater supplies water to city residents, some smaller municipalities, and a non-profit corporation; disposal of wastewater is primarily limited to the citizens of Sweetwater.

The *solid waste management* fund provides solid waste collection and disposal within the City.

The *ambulance* fund provides emergency medical services for all of Nolan County.

Additionally, the government reports the following fund types:

Internal service funds account for central garage and stores as well as employee benefits provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's general fund and the private purpose trust fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

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

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 City enterprise fund and the government's internal service funds are charges to customers for sales and services. The City 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 enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Budgetary Control

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year after which the City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 15. Governmental funds with legally adopted budgets are the General Operating fund, Senior Nutrition Activities Program, Hotel and Motel fund, and the Cemetery Perpetual Care fund.

Upon receipt of the budget estimates, the Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City. The Council is precluded from passing the Budget Ordinance (second reading) until ten days have passed after the Ordinance Publication and after the first Monday in September.

Prior to October 1, the budget is legally adopted or is amended by the City Commission on a basis consistent with generally accepted accounting principles. The City Manager is authorized to transfer budgeted amounts between line items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Commission.

There were two amendments passed this past year with one being material in relation to the original appropriations which were adopted. This amendment added \$615,000 in revenue and \$571,978 in expenses to the general fund. The significant revenue account changes were a \$490,000 increase in sales tax, and \$125,000 increase in oil and gas royalties. The significant expense accounts amended were associated with increased health insurance costs of \$124,717, and other increases in various police department costs of \$298,757.

F. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the General Fund. For budgetary purposes appropriations lapse at fiscal year end except for that portion related to encumbered amounts.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

G. Cash and Investments

Cash of all funds, including restricted cash, but excluding the Enterprise Capital Construction, Water Well Distribution, Payroll fund, Employee Benefit, SEED, Drug Enforcement, Series 2014 Construction Fund, Well Field Development Escrow and Savings Bonds accounts are pooled into one common pooled account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash account has an equity interest therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. The City also participates in the external pool TexPool for some of its enterprise funds. SEED participates in two external investment pools, TexPool and TexStar.

For purposes of the statement of cash flows, the Enterprise and Internal Service Funds consider all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents. This would include funds deposited with TexPool.

H. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year.

I. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. All inventories are controlled and reported by an Internal Service Fund. All purchases, City-wide, are recorded as inventory in this fund, and are recorded as an expenditure or expense in the appropriate fund when issued. The Internal Service Fund is then reimbursed through an interfund transfer.

Airport fuel is recorded using the purchases method through the general fund. Inventories still on hand at year-end are recorded in the years the amount is considered significant.

J. Interfund Receivables and Payables

Short-term amounts owed between funds are classified as "Due to/from other funds".

K. Restricted Assets

Monies received from a state issued franchise, which includes a one-percent fee are restricted for capital costs related to public, educational, and governmental (PEG) channels. These funds must be maintained in a separate bank account and were \$87,134 at year-end. Also certain resources set aside for enterprise fund debt repayment, are classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use is limited by applicable bond covenants. The restricted balance was \$759,967 at year-end. The Water and Sewer fund also had two accounts restricted for water well construction and development. One was a construction account with a balance at year-end of \$208,503. The other was an escrow account required by the Texas Water Development Board as part of the Certificates of Obligation, Series 2014. This account had \$331,631 as of year-end.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2014

historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Vehicles	3 – 5
Machinery and Equipment	6 – 30
Buildings	40 – 60
Improvements	27.5 – 60

M. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is not liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements and each governmental fund will liquidate their obligation.

N. Net Pension Obligations

Each fund is responsible for liquidating their share of net pension obligation.

O. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net 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 and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of net 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 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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

P. Payments Between the City and Component Unit

Resource flows (except those that affect the statement of net position/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component unit are reported as external transactions – that is, as revenues and expenses.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

Q. Fund Balance

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact (such as inventory).

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of City Charter, City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - amounts constrained to specific purposes by the City Commission, using its highest level of decision-making authority (Ordinance). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned - amounts the City intends to use for a specific purpose. Assignments of fund balance may be made by City Commission action or management decision when the City Commission has delegated that authority. The City Manager is the official who is granted this authority by a vote of the City Commission. Modifications or rescissions of the constraints can also be removed by the same action that limited the funds.

Unassigned - all other spendable amounts.

As of September 30, 2014, fund balances are composed of the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Cemetery care	\$ -	\$ 1,177,458	\$ 1,177,458
Restricted:			
PEG capital costs	87,134	-	87,134
Drug enforcement	-	7,190	7,190
Assigned:			
Senior nutrition program	-	11,007	11,007
Unassigned Fund Balances	<u>5,877,126</u>	<u>-</u>	<u>5,877,126</u>
Total Fund Balances	<u>\$ 5,964,260</u>	<u>\$ 1,195,655</u>	<u>\$ 7,159,915</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Commission has provided otherwise in its commitment or assignment actions.

R. Net Position

In the government-wide financial statements and proprietary fund financial statements, the net position is reported in three components: (1) net investment in capital assets; (2) restricted; and (3) unrestricted. Net investment in capital assets represents the City's total investment in capital assets, net of depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restriction imposed by creditors, grantors or laws or regulations of other governments.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

The government-wide statement of net position of the primary government reported restricted net position of \$1,271,782, of which \$94,324 of net position is restricted by enabling legislation.

S. Comparative Data/Reclassifications

Certain comparative data have been reclassified to present such amounts in a manner consistent with the current year's financial statements.

(2) Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits:

At September 30, 2014, the City's deposits including the deposits of the component unit (SEED), were fully insured or collateralized as required by the state statutes. At year-end, the carrying amount of the City's deposits totaled \$16,906,275 and its component unit's (SEED) carrying amount of deposits totaled \$6,346,568. The respective bank balances totaled \$17,135,595 and \$6,346,767. Of the total City's bank balances, \$250,000 was covered by Federal Depository Insurance. The remainder was fully covered by collateral with a value of \$24,057,960 and the component unit's (SEED) bank balance was covered by Federal Depository Insurance in the amount of \$250,000 with the balance covered by pledged securities. The collateral is held by First Financial Bank of Abilene, Texas. All collateral is in the City's or SEED's name under a joint safekeeping agreement with First Financial Bank of Sweetwater.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The City's investments at September 30, 2014 are shown below.

Investment or Investment Type	Maturity	Rating	Fair Value	Percentage
Tex Pool Investment Pool	51 days average	AAAm	\$117,130	100%

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

SEED's investments at September 30, 2014 are shown below:

Investment or Investment Type	Maturity	Rating	Fair Value	Percentage
Tex Pool Investment Pool	51 days average	AAAm	\$56,720	100%
TexStar	50 days average	AAAm	7,753	100%

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2014, investments in both were rated AAAm by Standard and Poor's.

Custodial credit risk. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a fair value of not less than the principal amount of the deposits. The City's demand deposits, as well as those of SEED, were entirely covered by FDIC insurance and pledged collateral held in the City's name by the City's agent.

Concentration of Credit Risk. This risk is the risk of loss attributable to the magnitude of a government's investment in a single issuer. Although the City's policy states that portfolio diversification is required, it does not specify diversification goals or limits.

Interest rate risk. For short term liquidity requirements, the City utilizes two local government investment pools. TexPool is managed by Federated Investors for the State of Texas Comptroller of Public Accounts. TexPool was created to invest funds on behalf of Texas political subdivisions. The pool operates on a \$1 net asset value basis and allows same day or next day redemptions and deposits. The fair value of the City's position is the same as the value of the pool shares.

TexPool and TexStar's investment policies limit the weighted average maturity to ninety (90) days. The pools do not invest in derivatives. In order to maintain a stable \$1 price of the funds, the pools will sell portfolio holdings if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than .995 or greater than 1.005. The \$1 price is not guaranteed or insured by the State of Texas, the Comptroller of Public Accounts, the pools or their administrators. Their financial statements are included in the financial statements of the State of Texas. Texpool is not registered with the SEC. TexSTAR is registered with the SEC and their financial statements are available at www.TexSTAR.org.

Foreign Currency Risk. This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The City does not make any foreign investments.

(3) Receivables

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

	General Fund	Water Sewer Fund	Solid Waste Management	Ambulance Fund	Total
Receivables:					
Accounts	\$ 4,942	\$ 967,534	\$ 268,742	\$ 346,534	\$ 1,587,752
Taxes	244,879	-	-	-	244,879
Gross Receivables	249,821	967,534	268,742	346,534	1,832,631
Less: allowance for uncollectibles	(7,792)	(43,712)	(11,814)	(194,304)	(257,622)
Net total receivables	\$ 242,029	\$ 923,822	\$ 256,928	\$ 152,230	\$1,575,010

Intergovernmental receivables are classified separately in the accompanying financial statements. All significant receivables are expected to be collected within one year.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

(4) Capital Assets

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

Primary Government	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 178,332	\$ -	\$ -	\$ 178,332
Construction in-progress	847,419	2,993,560	(431,428)	3,409,550
Total capital assets, not being depreciated:	<u>1,025,751</u>	<u>2,993,560</u>	<u>(431,428)</u>	<u>3,587,882</u>
Capital assets, being depreciated:				
Buildings	2,892,275	431,428	-	3,323,703
Improvements other than buildings	6,738,082	-	-	6,738,082
Machinery and equipment	6,163,573	1,089,629	(130,919)	7,122,283
Total capital assets being depreciated	<u>15,793,931</u>	<u>1,521,057</u>	<u>(130,919)</u>	<u>17,184,069</u>
Less accumulated depreciation for:				
Buildings	(2,386,920)	(56,488)	-	(2,443,408)
Improvements other than buildings	(4,307,194)	(219,810)	-	(4,527,003)
Machinery and equipment	(4,961,460)	(355,403)	95,528	(5,221,335)
Total accumulated depreciation	<u>(11,655,574)</u>	<u>(631,701)</u>	<u>95,528</u>	<u>(12,191,747)</u>
Total capital assets, being depreciated, net	<u>4,138,357</u>	<u>889,689</u>	<u>(35,391)</u>	<u>4,992,322</u>
Governmental activities capital assets, net	<u>\$ 5,164,108</u>	<u>\$ 3,882,917</u>	<u>\$ (466,819)</u>	<u>\$ 8,580,204</u>

Business-type activities:	Beginning			Ending
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,375,701	\$ 40,056	\$ -	\$ 2,415,757
Construction in-progress	260,743	2,530,983	(260,743)	2,530,983
Total capital assets, not being depreciated	<u>2,636,444</u>	<u>2,571,039</u>	<u>(260,743)</u>	<u>4,946,740</u>
Capital assets, being depreciated:				
Buildings and system	13,614,164	-	-	13,614,164
Improvements other than buildings	29,780,758	479,389	-	30,260,148
Machinery and equipment	4,732,936	4,723	-	4,737,659
Total capital assets being depreciated	<u>48,127,858</u>	<u>484,112</u>	<u>-</u>	<u>48,611,970</u>
Less accumulated depreciation for:				
Buildings and system	(5,780,366)	(384,527)	-	(6,164,893)
Improvements other than buildings	(12,675,230)	(829,071)	-	(13,504,302)
Machinery and equipment	(4,341,495)	(67,777)	-	(4,409,272)
Total accumulated depreciation	<u>(22,797,092)</u>	<u>(1,281,375)</u>	<u>-</u>	<u>(24,078,467)</u>
Total capital assets, being depreciated, net	<u>25,330,766</u>	<u>(797,263)</u>	<u>-</u>	<u>24,533,504</u>
Business-type activities capital assets, net	<u>\$ 27,967,210</u>	<u>\$ 1,773,776</u>	<u>\$ (260,743)</u>	<u>\$ 29,480,244</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

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

Governmental activities:	
General government	\$ 10,300
Public safety	36,185
Public works	29,592
Culture and recreation	51,767
Community services	21,343
Airport	163,107
Internal Service	319,408
Total depreciation expense – governmental activities	<u>\$631,701</u>
Business-type activities:	
Water and sewer	\$1,256,461
Solid waste management	15,424
Ambulance	9,490
Total depreciation expense – business-type activities	<u>\$1,281,375</u>

Discretely Presented Component Unit

Activity for SEED for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 5,000	\$ 188,981	\$ -	\$ 193,981
Total capital assets, not being depreciated	<u>5,000</u>	<u>188,981</u>	<u>-</u>	<u>193,981</u>
Capital assets, being depreciated:				
Machinery and equipment	-	401,276	-	401,276
Total capital assets being depreciated	<u>-</u>	<u>401,276</u>	<u>-</u>	<u>401,276</u>
Less accumulated depreciation for:				
Machinery and equipment	-	(6,553)	-	(6,553)
Total accumulated depreciation	<u>-</u>	<u>(6,553)</u>	<u>-</u>	<u>(6,553)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>394,723</u>	<u>-</u>	<u>394,723</u>
SEED capital assets, net	<u>\$ 5,000</u>	<u>\$ 583,704</u>	<u>\$ -</u>	<u>\$ 588,704</u>

(5) Long-Term Debt

The City issued general obligation and revenue bonds to provide for the acquisition and construction of major capital facilities. At September 30, 2014, bonds payable consisted of the following individual issues:

	<u>Business-Type Activities</u>
2005 General Obligation Refunding Bonds, dated September 15, 2005 for \$9,290,000 due in annual installments through August 15, 2025, bearing interest rates of 3% to 4%.	\$ 8,445,000
2007 Combination Tax & Revenue Certificates of Obligation, dated August 15, 2007 for \$3,000,000 due in annual installments through August 15, 2017, bearing interest rates of 4% to 4.6%.	1,040,000

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
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2011 Combination Tax & Revenue Refunding Bonds, dated August 15, 2011 for \$7,765,000 due in annual installments through August 15, 2020, bearing interest rates of 2% to 3%.	5,115,000
2014 Combination Tax & Surplus Revenue Certificates of Obligation, dated January 1, 2014 for \$1,935,000 due in annual installments through August 15, 2033, bearing interest rates of 0% to 2.78%.	<u>1,935,000</u>
Total Bonds Payable	<u>\$ 16,535,000</u>

Both Combination Tax & Revenue Certificates of Obligation issues as well as the two issues of refunding bonds, constitute direct obligations of the City secured by a pledge of ad valorem taxes levied against all taxable property located within the City, within the limits prescribed by law. The Certificates are additionally secured by a first lien pledge of the Net Revenues of the Water and Wastewater System.

Net Revenues consist of the gross revenues of the system less the expenses of operation and maintenance of the system to render adequate service to the users. The City is in compliance with all significant financial requirements as of September 30, 2014.

Changes in Outstanding Debt

Transactions for the year ended September 30, 2014 are summarized as follows:

	Balance September 30, 2013	Issuer Additions	Payments or Expenditures	Balance September 30, 2014	Due Within One Year
<u>Governmental Activities</u>					
Net pension obligation	\$ 376,426	\$ 11,371	\$ 7,380	\$ 380,417	\$ -
Compensated Absences	485,345	35,875	2,109	519,111	51,911
Total Governmental Activities	\$ 861,771	\$ 47,246	\$ 9,489	\$ 899,528	\$ 51,911
<u>Business-type Activities</u>					
General Obligation Bonds	8,520,000	-	75,000	8,445,000	75,000
Certificates of Obligation	1,360,000	1,935,000	320,000	2,975,000	425,000
Refunding Bonds	6,015,000	-	900,000	5,115,000	925,000
Bond premium	208,707	-	29,815	178,892	29,815
Total bonds payable	16,103,707	1,935,000	1,324,815	16,713,892	1,454,815
Landfill post-closure	108,520	1,627	-	110,147	-
Net pension obligation	167,226	2,207	2,362	167,071	-
Compensated Absences	163,641	12,837	-	176,478	17,648
Total Business-type Activities	\$16,543,094	\$1,951,671	\$1,327,177	\$17,167,588	\$1,472,463

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. Compensated absences and net pension obligations that pertain to internal service employees will be liquidated by Central Garage and Stores fund. For the other governmental activities, compensated absences and net pension obligations are mainly liquidated by the general fund.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

Below is a summary of the business-type restricted asset account:

Bond Accrued Interest Payable	\$ 68,290
Current Maturities of Bonds	<u>691,677</u>
Total Interest and Sinking Fund	<u>\$ 759,967</u>

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to September 30, 2014 are as follows:

Year Ending <u>September 30</u>	Enterprise Fund Debt		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	1,425,000	541,865	1,966,865
2016	1,465,000	502,540	1,967,540
2017	1,505,000	462,065	1,967,065
2018	1,250,000	425,265	1,675,265
2019	1,285,000	390,015	1,675,015
2020 - 2024	7,130,000	1,248,612	8,378,612
2025 - 2029	2,015,000	157,164	2,172,164
2030 - 2033	460,000	31,571	491,571
	<u>\$16,535,000</u>	<u>\$ 3,759,094</u>	<u>\$20,294,094</u>

Defeasance of Debt

Certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements. At fiscal year-end, the following defeased bonds are still outstanding:

<u>Business-type Activities</u>	<u>Purpose</u>	<u>Bond Series</u>	<u>Defeased Balance</u>
Combination Tax and Revenue C.O.	Water Treatment system	Series 1999B	\$ 1,225,000
Combination Tax and Revenue C.O.	Well Field Development	Series 2000	\$ 2,645,000
Combination Tax and Revenue C.O.	New Wastewater Treatment Plant	Series 1997	\$ 1,135,000
Combination Tax and Revenue C.O.	Sewer System Improvements	Series 1998	\$ 1,135,000
Combination Tax and Revenue C.O.	Waterworks System Improvements	Series 1999A	\$ 2,945,000

Direct Interest

The bonds listed in note (5) were issued for the creation or continuing existence of specific programs for the City's water and sewer system. Interest on those bonds is reported in the water and sewer fund as direct expenses on the Statement of Activities.

(6) Net Investment in Capital Assets

Net investment in capital assets is composed of the following:

Business-Type Fund	<u>Capital Assets - Net</u>	<u>Related Debt</u>	<u>Unspent Debt Proceeds</u>	<u>Total</u>
Water and Sewer Fund	<u>\$29,020,287</u>	<u>\$16,713,892</u>	<u>\$540,134</u>	<u>\$12,846,529</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

(7) Property Tax

The City's property tax is levied and becomes a lien each October 1, on 100 percent of assessed value listed for all real and personal property located in the City as of the prior January 1. Assessed values are established by the Nolan County Central Appraisal District and certified by the Board of Review.

The City is permitted by Article II, Section 5 of the State of Texas constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. Taxes are due on the levy date and are delinquent on January 31, following the October 1, levy date. Current tax collections for the year ended September 30, 2014 were 97 percent of the tax levy.

Property tax revenues are recognized when they become available. Available means collected within the current period and the amount expected to be collected soon after year-end to pay liabilities of the current period not to exceed 60 days. The amount of taxes collected in the balance of taxes receivable, net of allowance, is recorded as deferred revenue.

Beginning in 1982, the Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100 percent of its appraised market value and is prohibited from applying any assessment ratios. The value of property within the Appraisal District must be reviewed every four years; however, the City may at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the Appraisal District through various appeals and if necessary, legal action. Under this legislation the City continues to set tax rates on City property. However, if the effective tax rates, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the calculated tax rate of the previous year levy and the current year valuation.

(8) Employee Retirement Systems

**Texas Municipal Retirement System
Plan Description**

The City provides pension benefits for all of its eligible employees, through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), as 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. Firemen have a separate retirement fund as described below.

TMRS issues a publicly comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

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

	<u>Plan Year 2013</u>	<u>Plan Year 2014</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (<i>city to employee</i>)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility	60/5,0/25	60/5,0/25
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (<i>to retirees</i>)	70% of CPI Repeating	70% of CPI Repeating

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

Contributions

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgeting 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 net pension obligation/(asset) are as follows:

Annual Required Contribution (ARC)	\$ 918,388
Interest on Net Pension Obligation	38,056
Adjustment to the ARC	<u>(34,220)</u>
Annual Pension Cost (APC)	922,224
Contributions Made	<u>(918,388)</u>
Increase (decrease) in Net Pension Obligation	3,836
Net Pension Obligation /(Asset), beginning of year	<u>543,652</u>
Net Pension Obligation/(Asset), end of year	<u><u>547,488</u></u>

Three year Trend Information for Public Employees' Retirement System

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution Made	Percentage Of APC Contributed	Net Pension Obligation
<u>Ending</u>		<u> </u>	<u> </u>	<u> </u>
2012	\$ 836,149	\$ 830,903	99.37%	\$ 539,071
2013	\$ 884,654	\$ 880,072	99.48%	\$ 543,652
2014	\$ 922,224	\$ 918,388	99.58%	\$ 547,488

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation date	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level % of payroll	Level % of payroll	Level % of payroll
GASB 25 Equivalent Single Amortization Period	26.3 years; closed period	25.3 years; closed period	22.0 years; closed period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year smoothed market	10-year smoothed market	10-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return*	7.0%	7.0%	7.0%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes inflation at	3%	3%	3%
Cost-of-living Adjustments	2.1%	2.1%	2.1%

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 (CAFR).

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Funded Ratio	Unfunded AAL	Covered Payroll	UAAL As a % of covered Payroll
12/31/13	\$20,758,292	\$27,664,348	75.0%	\$6,906,056	\$4,404,693	156.8%

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

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
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The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Other Post-Employment Benefits

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. The City offers supplemental death benefits to active employees as well as retirees for both plan years 2013 and 2014.

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 on-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 life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for the years ended 2014, 2013 and 2012 were \$11,112, \$10,715, and \$9,731 respectively, which equaled the required contributions each year.

Sweetwater Firemen's Relief and Retirement Fund

Plan Description

The Board of Trustees is the administrator of the Sweetwater Firemen's Relief and Retirement Fund, a single-employer defined benefit pension plan. The plan is an independent entity for financial reporting purposes. The city of Sweetwater, Texas is the only contributing employer. Members of the fund also contribute to the plan. The plan covers current and former fire fighters of the City of Sweetwater, Texas as well as certain beneficiaries of former fire fighters. The plan is open to new entrants. The plan's benefit provisions are established under the authority of the Texas Local Fire Fighters Retirement Act (TLFFRA). Specific plan provisions are governed by a plan document executed by the Board of Trustees. The fund was established November 3, 1941, and was most recently amended April 21, 2011. The plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The report is available by writing P.O. Box 450, Sweetwater, Texas 79556.

Funding Policy

The assumed member contribution rate as of December 31, 2013, was 15% of pay (including regular, longevity and overtime pay, but excluding lump sum distributions for unused sick leave, or vacation). Employees contributions are "picked up" by the City, as permitted under Section 414(h)(2) of the Internal Revenue Code. For this reason, a member's contributions are excluded from taxable income when paid into the fund. For the year ending December 31, 2013, the employer required contribution rate for the plan was 21.11% of pay. The City of Sweetwater contributed 15% of pay for the year ending December 31, 2013.

The annual pension cost and net pension asset for the current year are as follows:

Annual required contribution (ARC)	\$ 276,175
Interest on net pension asset	(6,915)
Adjustment to annual required contribution	<u>4,819</u>
Annual pension cost (APC)	274,079
Contributions made	<u>(199,664)</u>
Decrease in net pension asset	74,415
Net pension (asset), beginning of year	(86,440)
Net pension (asset), end of year	\$ <u>(12,025)</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

Three-year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Actual Contribution Made	Percentage Of APC <u>Contributed</u>	Net Pension <u>Asset</u>
12/31/2011	\$ 198,919	\$ 189,568	95%	\$(96,499)
12/31/2012	\$ 199,201	\$ 189,142	95%	\$(86,440)
12/31/2013	\$ 274,079	\$ 199,664	73%	\$(12,025)

As of September 30, 2012, the most recent actuarial valuation date, the plan was 69.5% funded. The actuarial accrued liability for benefits was \$10,380,983, and the actuarial value of assets was \$7,217,289, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,163,694. The covered payroll was \$1,264,151, and the ratio of the UAAL to the covered payroll was 250.3%.

The schedule of funding progress as required supplementary information (RSI) immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Actuarial Valuation Date	December 31, 2012
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Projected Payroll, Open
Amortization Period used to calc. (ARC)	30 years
Asset Valuation Method	5 Year Smooth Based
Actuarial Assumptions:	
Investment Rate of Return, net of expenses	8% Per Year
Projected Salary Increases	3.0% Per Year, Compounded Annually
Payroll Growth Rate	4.5% Per Year, Compounded Annually
Inflation Rate	3% Per Year

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Eligibility

All active employees of the Fire Department of the City of Sweetwater, Texas are members of the Sweetwater Firemen's Relief and Retirement Fund.

Service Retirement Benefits

A member is eligible for service retirement upon termination of credited service after completion of 20 years of service and attainment of age 50. A member who retires under the service retirement provisions of the fund will receive a monthly benefit equal to the sum of a. and b., below, where:

- a. equals 3.95% of a member's average monthly salary multiplied by his years of service, not in excess of 20, and
- b. equals \$50.00 per month for each year of service in excess of 20.

Service retirement benefits are payable for the member's lifetime. In the event the member's death precedes that of his spouse, two-thirds of the member's pension will be continued to the spouse for her lifetime. A member may elect at the time of his retirement to receive a modified monthly amount payable for as long as either he or his spouse is living.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
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Disability Benefits

An active member who becomes disabled will receive a monthly disability benefit. However, a member will not be eligible for benefits if his disability is the result of: 1) excessive and habitual use of drugs, intoxicants, or narcotics; 2) injury or disease sustained while willfully and illegally participating in fights, riots, civil insurrections, or while committing a felony; 3) injury or disease sustained while serving in the armed forces; 4) injury or disease diagnosed or discovered subsequent to termination of employment; or 5) injury or disease sustained as a result of an act of war, declared or undeclared; however, this exclusion shall not apply to an act of terrorism.

Disability benefits are payable in the same form as service retirement benefits. However disability benefits stop if the member recovers to the point that he no longer meets the definition of disability under the fund. For the first two and one-half years, the member need only be disabled to the extent of being unable to perform the duties of a position offered him in the fire department providing equal or greater pay. After two and one-half years, the member must be unable to perform the duties of any occupation for which he is reasonably suited by reason of education, training or experience. A member must make an application for initial disability benefits in accordance with procedures adopted by the board of trustees. a member must also make an application continuing disability benefits before the end of the first 2 1/2 year period of the member's disability. The application for continuing disability benefits must also be made in accordance with procedures adopted by the board of trustees.

The amount of the disability benefit payable under the fund will equal the sum of a. and b., below, where:

- a. equals 79% of a member's average monthly salary, and
- b. equals the \$50.00 multiplied by his number of years of service in excess of 20.

A member's disability benefit will commence once his regular salary, including vacation and sick leave pay, has ceased. Disability benefits are payable in the same joint-and-survivor form as service retirement benefits. A member may elect at the time of his disability retirement to receive a modified monthly amount payable for as long as wither he or his spouse is living. If a disabled member receives worker's compensation benefits, Social Security benefits or a combination of these two benefits, the monthly disability benefit payable under the plan will be the lesser of (i) the disability benefit specified above or (ii) 100 percent of the member's average monthly compensation less the equivalent benefit received from workers' compensation and Social Security.

Death Benefits

If a member dies while in active service after completing at least 10 years of credited service, his widow will receive an immediate monthly benefit, payable for as long as she is living. The amount of the benefit will be equal to the sum of (a) 52.67 percent of the member's average monthly salary, plus (b) two-thirds of any additional service benefit earned by the member as of the date of his death. If a member dies while in active service prior to completing at least 10 years of credited service, his widow will receive an immediate monthly benefit of \$100, payable for as long as she is living and does not remarry. In addition, such widow will receive a one-time payment of \$40,000. In addition, each unmarried child of the member will receive a monthly benefit of 10.53 percent of the fire fighter's average monthly salary. Orphan benefits continue until the child reaches age 18. However, benefits will continue until age 22 for a child who is a full-time student. Orphan benefits are continued for life to disabled children. The total of all benefits paid as a result of the death of an active fund member may not exceed the disability or retirement benefit such member had earned as of the date of his death. The total of all benefits paid as a result of the death of a retired member may not exceed the retirement benefit the member was receiving as of the date of his death. Benefits are reduced pro rata, if necessary, in order to satisfy these limitations.

Termination Benefits

Members with at least ten years of service - A fund member who terminates employment after completing at least 10 years of credited service, but prior to the date he becomes eligible for a service retirement benefit, will be entitled to receive a monthly benefit starting on the date he would have both completed 20 years of credited service and attained age 50. The amount the member will receive equals the monthly service retirement benefit he had accumulated on the date he separated from service.

Members with less than ten years of service - a fund member who terminates employment prior to completing 10 years of service will be entitled to the return of the excess of his contributions to the fund over the amount of any benefits he has received from the fund. Such refund will not include any interest on the member's contributions.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

The DROP Program

A member is eligible to receive his benefit under the plan's DROP provision after he has both completed 23 years of service and attained age 53. The election to participate in the DROP may be made at the time the member elects to retire. The monthly retirement income payable to a member who retires under the DROP will equal his service retirement benefit under the plan based on average monthly salary and years of service as of the member's DROP Eligibility Date. The member's benefit will be calculated, however, using the benefit formula in effect on the member's actual date of retirement. A member's DROP Eligibility Date is the later of (a) the date the member meets the eligibility requirements for the DROP or (b) the date which is three years prior to the member's actual retirement date. Upon retirement, the member will receive - in addition to his monthly retirement benefit - a single payment equal to the total of the monthly retirement benefits the member would have received between his DROP Eligibility Date and the time he retired under the plan.

Amendment of the Plan

The plan document may be amended as provided in Section 7 of the Texas Fire Fighters' Retirement Act (Article 6243e, V.T.C.S.). Amending the plan requires approval of any proposed change by (a) an eligible actuary and (b) a majority of the participating members of the fund.

(9) Individual Fund Disclosures

For fiscal year ended September 30, 2014, the City has expended funds in excess of appropriations at the level of control in the following areas for those funds with budgets presented:

<u>Fund</u>	<u>Department/Control Level</u>	<u>Excess Amount</u>
General Fund	Non-departmental	\$ 2,454
	Fire department	15,361
	Community services	319
	Airport	15,228
Non-Major Governmental Funds:		
Hotel and Motel Fund	Culture and recreation	164,979

These over-expenditures were mostly funded by greater than anticipated revenues and decreased expenditures in other departments.

(10) Interfund Receivables, Payables, and Transfers

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

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 317	\$ 64,707
Non-major governmental funds:		
Senior nutrition activities project	-	704
Cemetery	-	354
Major proprietary funds:		
Water and wastewater fund	-	21,927
Solid waste management fund	-	41,200
Ambulance	-	7,955
Internal service fund		
Central garage and stores	136,530	-
	<u>\$ 136,847</u>	<u>\$ 136,847</u>

The cemetery owes the general fund for operating expenses. The central garage and stores is an internal service fund that makes inventory purchases for the City and is then reimbursed by the other funds through a transfer. All balances due are scheduled to be collected in the subsequent year.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

	Transfers In	Transfers Out
General Fund	\$ -	\$ 602,210
Non-major governmental funds:		
Senior nutrition activities project	159,000	-
Cemetery	33,210	-
Major business-type fund		
Ambulance	410,000	-
	<u>\$ 602,210</u>	<u>\$ 602,210</u>

Transfers are used to move unrestricted general and special revenue fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

(11) Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. To manage these risks, the City obtains general liability, errors and omissions, and workers' compensation coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

In addition to the above insurance coverage, the City also has a self-funded employee benefit fund. This fund was established in the fiscal year 1994 for funding the City's employees' health claims and premiums. This plan a "self-insured" minimum premium cash flow plan. The City and each covered employee make a predetermined monthly contribution to the plan. All claims are reviewed and processed by an independent plan administrator. The plan administrator pays claims based on the health plan, from the City's checking account and the City releases the checks. The plan administrator charges the City a monthly fee.

The City informally budgets for current claims based on current health care statistics. The City incurred \$1,218,011 in health claims and stop-loss premiums for the year ended September 30, 2014. The City contributed \$743,547 and City employees contributed \$265,513 to the health insurance program for the year ended September 30, 2014. Administrative costs paid to the health plan program administrator are paid directly from the other funds based on their covered employees. The City obtained excess loss insurance which limited annual claims to \$55,000 for any individual participant and an aggregate limit equal to \$ 1,231,143.

Incurred but not reported estimated health claims have been accrued as a liability based on the claims submitted after September 30, 2014, and on the City's remaining exposure under the aggregate stop-loss insurance coverage. The estimated liability for health claims is \$26,458 at September 30, 2014.

	Balance at Beginning Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance At End of Fiscal Year
2011-2012	\$ 79,044	\$ 1,077,036	\$ 1,086,816	\$ 69,264
2012-2013	\$ 69,264	\$ 1,116,675	\$ 1,115,417	\$ 70,522
2013-2014	\$ 70,522	\$ 1,218,011	\$ 1,262,075	\$ 26,458

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2014

(12) Segment Information

The Government issued revenue bonds to finance its water treatment plant and its wastewater treatment plant. The water and wastewater fund is a major enterprise fund, therefore, the required segment information is already provided in the basic financial statements and condensed information is not required.

(13) Contingent Liabilities

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

(14) Construction Commitments

The City has active construction projects at fiscal year end. The key projects in progress include building a new police station, a waterworks and sewer project, and the Union Pacific Railroad right of way waterline relocation project. At fiscal year-end, the City's commitments with contractors and vendors are as follows:

<u>Capital Projects</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Public safety	\$ 3,373,123	\$ 943,522
Business-Type Activities		
Water and sewer	\$ 2,244,968	\$ 196,076

These commitments will be funded through unspent bond proceeds and unrestricted cash.

(15) Landfill Closure and Post-closure Care Costs

The City of Sweetwater Type IV landfill site was approved by TCEQ on May 9, 1995. A major amendment #50B, was approved by the TCEQ May 12, 2004. State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the landfill site for 5 years after closure. A liability is reported in the solid waste management fund which represents the estimated remaining current cost of all post-closure care. However, due to changes in technology, laws or regulations these costs may change in the future. The current closure cost estimate is \$93,070 and the post-closure cost estimate is \$17,077. The estimated remaining landfill capacity is 4 years.

(16) New Pronouncements

Implemented

In March 2012, the GASB issued Statement 65, Items Previously Reported as Assets and Liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This Statement is effective for periods beginning after December 15, 2012. The implementation of this statement resulted in the following restatement of Net Position in the water and sewer fund:

Net Position as reported last year	\$ 19,683,957
Deferred bond issue costs	<u>(592,273)</u>
Restated Net Position	<u>\$ 19,091,683</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2014

In June 2012, the GASB issued Statement 67, Financial Reporting for Pension Plans—an amendment of GASB Statement 25. GASB 67 improves financial reporting by state and local governmental pension plans. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013.

Application of these standards may require restatement of portions of these financial statements.

Recently Issued Accounting Pronouncements

In June 2012, the GASB issued Statement 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 27. GASB 68 improves accounting and financial reporting by state and local governments for pensions. This Statement is effective for fiscal years beginning after June 15, 2014.

In November 2013, the GASB issued Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date - an amendment of GASB Statement 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

Management is currently evaluating the impact of the adoption of these statements on the City's financial statements.

CITY OF SWEETWATER, TEXAS

Required Supplementary Information
Texas Municipal Retirement System
Schedule of Funding Progress
Last Six Fiscal Years

	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5) UAAL
<u>Fiscal Year</u>	<u>Actuarial Value of Assets **</u>	<u>Actuarial Accrued Liability</u>	<u>Fund Ratio</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Annual Covered Payroll</u>	<u>as a Percentage of Covered Payroll</u>
2008	\$ 8,872,045	\$ 15,379,935	57.7%	\$ 6,507,890	\$ 3,685,880	176.6%
2009	8,271,668	15,223,185	54.3%	6,951,517	3,821,117	181.9%
2010	17,188,048	22,919,259	75.0%	5,731,211	3,897,682	147.0%
2011	18,398,383	24,342,291	75.6%	5,943,908	4,101,611	144.9%
2012	19,425,307	25,289,188	76.8%	5,863,881	4,277,209	137.1%
2013	20,758,292	27,664,348	75.0%	6,906,056	4,404,693	156.8%

Sweetwater Firemen's Relief and Retirement Fund
Analysis of Funding Progress
Last Six Fiscal Years

	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)			Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
<u>Fiscal Year</u>	<u>Actuarial Value of Assets **</u>	<u>Actuarial Accrued Liability</u>	<u>Fund Ratio</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Annual Covered Payroll</u>	<u>as a Percentage of Covered Payroll</u>
2008	\$ 6,750,626	\$ 8,819,988	76.5%	\$ 2,069,362	\$ 1,160,262	178.4%
2009				Not Calculated		
2010	7,438,844	9,685,299	76.8%	2,246,455	1,211,000	185.5%
2011				Not Calculated		
2012	7,217,289	10,380,983	69.5%	3,163,694	1,264,151	250.3%
2013				Not Calculated		

* As of December 31 of the preceding year, the date of actual valuation.

**Assets are stated at cost as of December 31 of the preceding year.



Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Senior Nutrition Activities Project – account for Federal funds received through grants administered by the West Central Texas Council of Governments and the Texas Department of Human Services.

Hotel and Motel Fund – established October 1, 1988 to account for collections of a tax, as permitted by law, which is mandated to support and promote tourism in the City.

Cemetery Perpetual Care Fund – established to accumulate funds until a time when annual revenue generated by investments could fund the cost of caring for the cemetery.

Drug Enforcement Fund – accounts for confiscated assets received as a result of drug interdiction activities. Expenditures are made for police department vehicles, equipment and training.

CITY OF SWEETWATER, TEXAS

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2014

	Senior Nutrition Activities Project	Hotel and Motel Fund	Cemetery Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
Assets					
Current cash and cash equivalents	\$ 2,123	\$ 13,915	\$ 1,177,812	\$ 7,190	\$ 1,201,040
Due from other funds	-	-	-	-	-
Due from other governments	19,231	-	-	-	19,231
Total assets	\$ 21,353	\$ 13,915	\$ 1,177,812	\$ 7,190	\$ 1,220,270
Liabilities					
Accounts payable	9,642	-	-	-	9,642
Due to other funds	704	-	354	-	1,058
Due to other governments	-	13,915	-	-	13,915
Total liabilities	10,346	13,915	354	-	24,615
Fund Balances					
Nonspendable - Perpetual Cemetery Care	-	-	1,177,458	-	1,177,458
Restricted for drug enforcement	-	-	-	7,190	7,190
Assigned for senior nutrition program	11,007	-	-	-	11,007
Total fund balances	11,007	-	1,177,458	7,190	1,195,655
Total liabilities and fund balances	\$ 21,353	\$ 13,915	\$ 1,177,812	\$ 7,190	\$ 1,220,270

CITY OF SWEETWATER, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended September 30, 2014

	Senior Nutrition Activities Project	Hotel and Motel Fund	Cemetery Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
Revenues					
Occupancy tax	\$ -	\$ 614,979	\$ -	\$ -	\$ 614,979
Intergovernmental	240,907	-	-	-	240,907
Charges for services	-	-	1,250	-	1,250
Investment income	-	-	2,765	20	2,785
Contributions and donations	33,472	-	-	23,560	57,032
Miscellaneous	7,875	-	24,600	-	32,475
Total revenues	282,254	614,979	28,615	23,580	949,428
Expenditures					
Current:					
Public safety	-	-	-	23,340	23,340
Culture and recreation	-	614,979	-	-	614,979
Community services	441,937	-	35,560	-	477,497
Total expenditures	441,937	614,979	35,560	23,340	1,115,816
Excess (deficiency) of revenues over (under) expenditures	(159,683)	-	(6,945)	240	(166,388)
Other Financing Sources (Uses):					
Transfers in	159,000	-	33,210	-	192,210
Transfers out	-	-	-	-	-
Net change in fund balances	(683)	-	26,265	240	25,822
Fund balances - beginning	11,690	-	1,151,193	6,950	1,169,833
Fund balances - ending	\$ 11,007	\$ -	\$ 1,177,458	\$ 7,190	\$ 1,195,655

CITY OF SWEETWATER, TEXAS

Senior Nutrition Activities Project Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 210,000	\$ 210,000	\$ 240,907	\$ 30,907
Contributions and donations	34,000	34,000	33,472	(528)
Miscellaneous	8,000	8,000	7,875	(125)
Total revenues	<u>252,000</u>	<u>252,000</u>	<u>282,254</u>	<u>30,254</u>
Expenditures				
Current:				
Community services	421,798	449,343	441,937	7,406
Total expenditures	<u>421,798</u>	<u>449,343</u>	<u>441,937</u>	<u>7,406</u>
Excess (deficiency) of revenues over (under) expenditures	(169,798)	(197,343)	(159,683)	37,660
Other Financing Sources (Uses):				
Transfers in	<u>170,000</u>	<u>170,000</u>	<u>159,000</u>	<u>(11,000)</u>
Net change in fund balances	202	(27,343)	(683)	26,660
Fund balances - beginning	<u>11,690</u>	<u>11,690</u>	<u>11,690</u>	<u>-</u>
Fund balances - ending	<u>\$ 11,892</u>	<u>\$ (15,653)</u>	<u>\$ 11,007</u>	<u>\$ 26,660</u>

CITY OF SWEETWATER, TEXAS

Hotel and Motel Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Occupancy tax	\$ 450,000	\$ 450,000	\$ 614,979	\$ 164,979
Total revenues	<u>450,000</u>	<u>450,000</u>	<u>614,979</u>	<u>164,979</u>
Expenditures				
Current:				
Culture and recreation	450,000	450,000	614,979	(164,979)
Total expenditures	<u>450,000</u>	<u>450,000</u>	<u>614,979</u>	<u>(164,979)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF SWEETWATER, TEXAS

Cemetery Special Revenue Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended September 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 4,000	\$ 4,000	\$ 1,250	\$ (2,750)
Miscellaneous	17,000	17,000	24,600	7,600
Investment income	3,000	3,000	2,765	(235)
Total revenues	<u>24,000</u>	<u>24,000</u>	<u>28,615</u>	<u>4,615</u>
Expenditures				
Current:				
Community services	43,772	43,772	35,560	8,212
Total expenditures	<u>43,772</u>	<u>43,772</u>	<u>35,560</u>	<u>8,212</u>
Excess (deficiency) of revenues over (under) expenditures	(19,772)	(19,772)	(6,945)	12,827
Other Financing Sources (Uses):				
Transfers in	20,000	40,000	33,210	(6,790)
Net change in fund balances	<u>228</u>	<u>20,228</u>	<u>26,265</u>	<u>6,037</u>
Fund balances - beginning	<u>1,151,193</u>	<u>1,151,193</u>	<u>1,151,193</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,151,421</u>	<u>\$ 1,171,421</u>	<u>\$ 1,177,458</u>	<u>\$ 6,037</u>

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Central Garage and Stores – this fund is used to account for the rental of motor vehicles to other departments, repairs, and fuel for motor vehicles, and the purchase and distribution of inventory and supplies for other departments.

Employee Benefit Fund – this fund is used to account for the group health insurance for City employees and dependents.

CITY OF SWEETWATER, TEXAS

Internal Service Funds
Combining Statement of Net Position
September 30, 2014

	Central Garage and Stores	Employee Benefit Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 365,813	\$ 34,802	\$ 400,615
Due from other funds	136,530	-	136,530
Due from other governments	247	-	247
Inventory	<u>30,117</u>	<u>-</u>	<u>30,117</u>
Total current assets	<u>532,707</u>	<u>34,802</u>	<u>567,509</u>
Capital assets:			
Buildings	145,573	-	145,573
Improvements other than buildings	37,361	-	37,361
Machinery and equipment	5,930,973	-	5,930,973
Less accumulated depreciation	<u>(4,304,004)</u>	<u>-</u>	<u>(4,304,004)</u>
Total capital assets (net of accumulated depreciation)	<u>1,809,903</u>	<u>-</u>	<u>1,809,903</u>
Total assets	<u>2,342,610</u>	<u>34,802</u>	<u>2,377,412</u>
Liabilities			
Current Liabilities:			
Accounts payable	<u>20,733</u>	<u>26,458</u>	<u>47,191</u>
Total current liabilities	<u>20,733</u>	<u>26,458</u>	<u>47,191</u>
Noncurrent liabilities:			
Net pension obligation	50,443	-	50,443
Accrued compensated absences	<u>16,224</u>	<u>-</u>	<u>16,224</u>
Total noncurrent liabilities	<u>66,667</u>	<u>-</u>	<u>66,667</u>
Total liabilities	<u>87,400</u>	<u>26,458</u>	<u>113,858</u>
Net Assets			
Net investment in capital assets	1,809,903	-	1,809,903
Unrestricted	445,307	8,344	453,651
Total net position	<u>\$ 2,255,210</u>	<u>\$ 8,344</u>	<u>\$ 2,263,554</u>

CITY OF SWEETWATER, TEXAS

Internal Service Funds
 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
 For the Year Ended September 30, 2014

	<u>Central Garage and Stores</u>	<u>Employee Benefit Fund</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 1,109,237	\$ 1,668,425	\$ 2,777,661
Miscellaneous	99,514	-	99,514
	<u>1,208,751</u>	<u>1,668,425</u>	<u>2,877,175</u>
Total operating income			
Operating expenses:			
Personal services	636,892	-	636,892
Supplies	37,513	-	37,513
Other services and charges	233,440	1,645,354	1,878,794
Depreciation	319,408	-	319,408
	<u>1,227,254</u>	<u>1,645,354</u>	<u>2,872,607</u>
Total operating expenses			
Operating income	<u>(18,503)</u>	<u>23,071</u>	<u>4,568</u>
Nonoperating revenues (expenses):			
Interest income	<u>2,212</u>	<u>89</u>	<u>2,301</u>
Change in net position	(16,291)	23,160	6,869
Total net position - beginning	<u>2,271,501</u>	<u>(14,816)</u>	<u>2,256,685</u>
Total net position - ending	<u>\$ 2,255,210</u>	<u>\$ 8,344</u>	<u>\$ 2,263,554</u>

CITY OF SWEETWATER, TEXAS

Internal Service Funds
 Combining Statement of Cash Flows
 For the Year Ended September 30, 2014

	Central Garage and Stores	Employee Benefit Fund	Total
Cash Flows From Operating Activities			
Receipts from interfund services provided	\$ 1,199,707	\$ 1,668,425	\$ 2,868,132
Payments to suppliers	307,067	1,689,419	1,996,486
Payments to employees	635,680	-	635,680
Net cash provided by operating activities	<u>256,960</u>	<u>(20,994)</u>	<u>235,967</u>
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(1,053,384)	-	(1,053,384)
Disposition of equipment	35,391	-	35,391
Net cash used by capital and related financing activities	<u>(1,017,993)</u>	<u>-</u>	<u>(1,017,993)</u>
Cash Flows From Investing Activities			
Interest and dividends received	2,212	89	2,301
Net cash provided (used) by investing activities	<u>2,212</u>	<u>89</u>	<u>2,301</u>
Net increase (decrease) in cash and cash equivalents	(758,820)	(20,904)	(779,725)
Cash and cash equivalents at beginning of year	1,124,633	55,706	1,180,339
Cash and cash equivalents at end of year	<u>\$ 365,813</u>	<u>\$ 34,802</u>	<u>\$ 400,615</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	(18,503)	23,071	4,568
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	319,408	-	319,408
(Increase) decrease in other receivables	-	-	-
(Increase) decrease in due from other funds	(9,020)	-	(9,020)
(Increase) in due from other governments	(22)	-	(22)
(Increase) decrease in inventories	9,683	-	9,683
Increase (decrease) in accounts payable	(45,797)	(44,064)	(89,861)
Increase (decrease) in net pension obligation	2,636	-	2,636
Increase (decrease) in compensated absences	(1,424)	-	(1,424)
Total adjustments	<u>275,463</u>	<u>(44,064)</u>	<u>231,400</u>
Net cash provided by operating activities	<u>\$ 256,960</u>	<u>\$ (20,994)</u>	<u>\$ 235,967</u>

**OTHER SCHEDULES - CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF SWEETWATER, TEXAS

Capital Assets Used in the Operation of Governmental Funds Schedule of Changes By Function and Activity For the Fiscal Year Ended September 30, 2014

	Governmental Funds Capital Assets 10/01/13	Additions	Deductions	Governmental Funds Capital Assets 09/30/14
General government:				
Administration	\$ 22,905	\$ 4,723	\$ -	\$ 27,628
General government buildings	519,847	-	-	519,847
Total general government	<u>542,752</u>	<u>4,723</u>	<u>-</u>	<u>547,475</u>
Public safety:				
Police protection	1,383,259	2,984,441	-	4,367,700
Fire protection	1,480,209	-	-	1,480,209
Civil defense	107,299	-	-	107,299
Total public safety	<u>2,970,767</u>	<u>2,984,441</u>	<u>-</u>	<u>5,955,208</u>
Public works:				
Streets and highways	1,868,055	-	-	1,868,055
Recycling center	35,113	-	-	35,113
Animal control	-	9,119	-	9,119
Total public works	<u>1,903,168</u>	<u>9,119</u>	<u>-</u>	<u>1,912,287</u>
Culture and recreation:				
Parks and cemetery	1,031,635	-	-	1,031,635
Golf course	244,271	15,477	-	259,748
Swimming pool	523,437	-	-	523,437
Total culture and recreation	<u>1,799,343</u>	<u>15,477</u>	<u>-</u>	<u>1,814,820</u>
Community Services:				
Municipal auditorium	38,850	-	-	38,850
Health department	43,719	-	-	43,719
Museum	164,457	-	-	164,457
SNAP	593,788	9,545	2,385	600,948
Total community services	<u>840,814</u>	<u>9,545</u>	<u>2,385</u>	<u>847,974</u>
Airport	3,573,782	6,500	-	3,580,282
Total governmental funds capital assets	<u>\$ 11,630,625</u>	<u>\$ 3,029,804</u>	<u>\$ 2,385</u>	<u>\$ 14,658,045</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets and in Note (4) in the notes to the financial statements.

CITY OF SWEETWATER, TEXAS

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
September 30, 2014

	Total	Land	Construction in-progress	Building	Improvements other than Building	Machinery and Equipment
General government:						
Administration	\$ 27,628	-	\$ -	-	\$ -	\$ 27,628
General government buildings	519,847	9,000	-	280,755	142,159	87,933
Total general government	547,475	9,000	-	280,755	142,159	115,561
Public safety:						
Police protection	4,367,700	20,472	3,400,433	175,256	309,709	461,830
Fire protection	1,480,209	81,451	-	1,025,710	66,437	306,611
Civil defense	107,299	-	-	-	63,824	43,475
Total public safety	5,955,208	101,923	3,400,433	1,200,966	439,970	811,916
Public works:						
Streets and highways	1,868,055	800	-	-	1,830,758	36,497
Recycling center	35,113	-	-	-	24,219	10,894
Animal control	9,119	-	9,119	-	-	-
Total Public works	1,912,287	800	9,119	-	1,854,977	47,391
Culture and recreation:						
Parks and cemetery	1,031,635	24,870	-	61,795	904,040	40,930
Golf course	259,748	-	-	59,522	167,249	32,977
Swimming pool	523,437	-	-	-	518,960	4,477
Total culture and recreation	1,814,820	24,870	-	121,317	1,590,249	78,384
Community services:						
Municipal auditorium	38,850	-	-	28,850	10,000	-
Health department	43,719	3,000	-	40,719	-	-
Museum	164,457	1,500	-	162,957	-	-
SNAP	600,948	-	-	494,358	8,726	97,864
Total community services	847,974	4,500	-	726,884	18,726	97,864
Airport	3,580,282	37,239	-	848,208	2,654,640	40,195
Total governmental funds capital assets	\$ 14,658,045	\$ 178,332	\$ 3,409,552	\$ 3,178,130	\$ 6,700,720	\$ 1,191,311

This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets and in Note (4) in the notes to the financial statements.

CITY OF SWEETWATER, TEXAS

Capital Assets Used in the Operation of Governmental Funds Comparative Schedules By Source September 30, 2014 and 2013

	2014	2013
General fixed assets:		
Land	\$ 178,332	\$ 178,332
Construction in-progress	3,409,552	847,419
Buildings	3,178,130	2,746,702
Improvements other than buildings	6,700,720	6,700,721
Machinery and equipment	1,191,311	1,157,451
 Total governmental funds capital assets	 \$ 14,658,045	 \$ 11,630,625
Investments in governmental funds capital assets by source:		
Investment in property acquired prior to 10-01-52	864,768	864,768
Investment in airport property-gifts and general fund revenues	185,125	185,125
Investment in property acquired after 10-01-52:		
From general obligation bonds	313,976	313,976
From general fund revenues	5,369,224	2,348,964
From special assessments	190,350	190,350
From capital donations	416,712	416,712
From federal and other government grants (including federal revenue sharing)	4,113,408	4,113,408
From water and wastewater fund-transfer of swimming pool	486,881	486,881
From special revenue fund	2,717,602	2,710,442
 Total governmental funds capital assets	 \$ 14,658,045	 \$ 11,630,625

This schedule presents only the capital assets balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets and in Note (4) in the notes to the financial statements.

STATISTICAL SECTION

This part of the City of Sweetwater's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help readers understand how the City's financial performance and well-being have changed over time.	72-77
Revenue Capacity These schedules contain information to help readers assess the City's most significant local revenue source-its property tax.	78-83
Debt Capacity These schedules present information to help readers assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	84-88
Demographic and Economic Information These schedules offer demographic and economic indicators to help readers understand the environment within which the City's financial activities take place.	89-90
Operating Information These schedules contain service and infrastructure data to help readers understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	91-93

Except where noted, the information in these schedules is derived from the City of Sweetwater's comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 67 in 2014. Application of this standard might require restatement of some beginning of the year balances.

CITY OF SWEETWATER, TEXAS

Net Position by Component
Last Ten Fiscal Years

(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Invested in capital assets, net of related debt	\$ 2,837,090	\$ 3,156,859	\$ 3,357,026	\$ 3,845,913	\$ 4,359,487	\$ 4,036,956	\$ 3,688,066	\$ 4,133,554	\$ 5,164,107	\$ 8,580,204
Restricted	915,846	959,989	1,015,879	1,038,267	1,039,844	1,079,255	1,115,776	1,169,726	1,219,225	1,271,782
Unrestricted	4,203,210	5,119,297	5,337,811	5,819,207	5,711,704	6,156,065	7,307,446	9,096,928	8,691,256	5,668,989
Total governmental activities net position	\$ 7,956,146	\$ 9,236,145	\$ 9,710,716	\$ 10,703,387	\$ 11,111,034	\$ 11,272,276	\$ 12,111,288	\$ 14,400,208	\$ 15,074,588	\$ 15,520,975
Business-type activities										
Invested in capital assets, net of related debt	\$ 10,145,458	\$ 9,192,656	\$ 6,800,730	\$ 8,778,990	\$ 10,482,558	\$ 9,386,197	\$ 9,360,356	\$ 10,023,438	\$ 11,863,504	\$ 13,306,489
Restricted	3,197,776	2,382,711	845,137	92,991	677,857	686,668	709,175	712,235	715,354	759,967
Unrestricted	27,414	2,427,454	6,723,291	5,258,184	3,726,110	5,409,818	7,511,963	8,490,962	7,890,460	7,184,602
Total business-type activities net position	\$ 13,370,648	\$ 14,002,821	\$ 14,369,158	\$ 14,130,165	\$ 14,886,525	\$ 15,482,683	\$ 17,581,494	\$ 19,226,635	\$ 20,469,318	\$ 21,251,058
Primary government										
Invested in capital assets, net of related debt	\$ 12,982,548	\$ 12,349,515	\$ 10,157,756	\$ 12,624,903	\$ 14,842,045	\$ 13,423,153	\$ 13,048,422	\$ 14,156,992	\$ 17,027,611	\$ 21,886,693
Restricted	4,113,622	3,342,700	1,861,016	1,131,258	1,717,701	1,765,923	1,824,951	1,881,961	1,934,579	2,031,749
Unrestricted	4,230,624	7,546,751	12,061,102	11,077,391	9,437,814	11,565,883	14,819,409	17,587,890	16,581,716	12,853,591
Total primary government net position	\$ 21,326,794	\$ 23,238,966	\$ 24,079,874	\$ 24,833,552	\$ 25,997,559	\$ 26,754,959	\$ 29,692,782	\$ 33,626,843	\$ 35,543,906	\$ 36,772,033

CITY OF SWEETWATER, TEXAS

**Changes in Net Position
Last Ten Fiscal Years**
(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 1,175,819	\$ 1,189,945	\$ 1,167,421	\$ 1,223,365	\$ 1,250,228	\$ 1,371,945	\$ 1,350,554	\$ 1,395,375	\$ 1,392,522	\$ 1,563,157
Public safety	2,978,801	2,989,291	3,052,433	3,240,233	3,343,015	3,165,421	3,493,732	3,550,157	3,948,689	4,111,605
Public works	743,235	806,438	851,027	802,182	940,334	975,452	1,101,889	1,007,398	1,072,818	1,056,515
Culture and recreation	452,745	721,857	910,834	1,093,618	1,252,555	1,103,758	1,194,531	1,202,579	1,290,863	1,325,393
Community services	606,593	369,565	398,673	418,674	448,606	486,967	530,442	491,645	502,840	555,465
Airport	126,359	127,386	143,550	143,388	159,763	168,676	230,145	322,991	452,828	413,656
Total governmental activities expenses	6,083,552	6,204,482	6,523,938	6,921,460	7,394,501	7,272,219	7,901,293	7,970,144	8,660,559	9,025,791
Business-type activities:										
Water and sewer	5,607,949	5,721,250	5,609,380	5,950,604	5,788,108	5,817,562	5,816,606	5,814,647	5,826,397	6,379,513
Ambulance	901,368	940,715	1,087,044	1,133,218	1,232,535	1,404,003	1,378,127	1,468,954	1,864,412	1,966,355
Solid waste management	1,362,290	1,361,715	1,477,329	1,562,167	1,520,492	1,533,097	1,585,436	1,646,047	1,742,644	1,844,622
Total business-type activities expenses	7,871,607	8,023,680	8,173,753	8,645,989	8,541,135	8,754,662	8,780,169	8,929,648	9,433,453	10,190,490
Total primary government expenses	\$ 13,955,159	\$ 14,228,162	\$ 14,697,691	\$ 15,567,449	\$ 15,935,636	\$ 16,026,881	\$ 16,681,462	\$ 16,899,792	\$ 18,094,012	\$ 19,216,281

CITY OF SWEETWATER, TEXAS

**Changes in Net Position
Last Ten Fiscal Years**

(Prepared using the accrual basis of accounting)

Continued

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 723,886	\$ 1,271,870	\$ 1,220,326	\$ 1,358,983	\$ 1,029,358	\$ 1,088,452	\$ 1,145,975	\$ 1,202,704	\$ 1,271,870	\$ 1,608,618
Public works	2,740	2,625	1,731	596	538	430	24,419	16,560	21,673	3,363
Culture and recreation	241,095	246,781	249,599	385,645	371,134	371,340	375,378	360,077	365,182	364,659
Community services	12,726	13,475	13,886	12,636	4,000	4,200	4,500	2,500	4,250	1,250
Airport	-	-	-	-	9,261	9,262	41,094	154,950	223,583	178,196
Operating grants and contributions	223,470	222,728	249,236	283,225	412,667	297,460	329,867	267,093	392,616	367,386
Capital grants and contributions	51,386	-	-	-	482,996	21,680	170,168	690,376	472,375	-
Total governmental activities program revenues	1,255,303	1,757,479	1,734,778	2,041,085	2,309,954	1,792,824	2,091,401	2,694,260	2,751,549	2,523,472
Business-type activities:										
Charges for services:										
Water and sewer	6,486,664	5,984,898	5,683,581	6,659,946	6,078,132	6,142,355	7,374,802	6,921,210	7,331,761	6,958,410
Ambulance	727,855	789,003	884,688	962,153	1,003,307	1,113,400	1,030,757	1,102,030	1,566,407	1,533,151
Solid waste management	1,247,651	1,334,989	1,367,485	1,575,165	1,718,712	1,710,700	1,761,550	1,775,439	1,883,190	1,953,590
Operating grants and contributions	-	-	148,006	-	20,491	21,787	2,800	10,832	20,454	9,979
Capital grants and contributions	58,902	112,258	2,186	20,000	-	23,000	-	252,083	-	-
Total business-type activities program revenues	8,521,072	8,221,148	8,085,946	9,217,264	8,820,642	9,011,242	10,169,909	10,061,594	10,801,812	10,455,130
Total primary government program revenues	\$ 9,776,375	\$ 9,978,627	\$ 9,820,724	\$ 11,258,349	\$ 11,130,597	\$ 10,804,067	\$ 12,261,311	\$ 12,755,854	\$ 13,553,361	\$ 12,978,602
Net (Expense)/Revenue										
Governmental activities	\$ (4,828,249)	\$ (4,447,003)	\$ (4,789,160)	\$ (4,880,375)	\$ (5,084,547)	\$ (5,479,395)	\$ (5,809,892)	\$ (5,275,885)	\$ (5,909,011)	\$ (6,502,319)
Business-type activities	649,465	197,468	(87,807)	571,275	279,508	256,580	1,389,740	1,131,946	1,368,359	264,640
Total primary government net expense	\$ (4,178,784)	\$ (4,249,535)	\$ (4,876,967)	\$ (4,309,100)	\$ (4,805,039)	\$ (5,222,815)	\$ (4,420,152)	\$ (4,143,939)	\$ (4,540,652)	\$ (6,237,679)

CITY OF SWEETWATER, TEXAS

Changes in Net Position

Last Ten Fiscal Years

(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Continued										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$1,143,515	\$1,203,965	\$1,273,298	\$1,323,869	\$1,493,069	\$1,576,291	\$1,664,280	\$1,622,785	\$1,922,873	\$1,901,654
Sales taxes	1,614,789	1,852,997	1,920,245	2,117,176	2,201,732	2,156,246	2,899,276	2,902,727	2,552,984	2,706,835
Franchise taxes	1,128,375	1,348,520	1,130,869	1,256,624	1,007,973	989,016	1,026,373	1,066,545	1,009,669	1,097,948
Other taxes	244,251	304,300	467,204	475,269	459,250	352,334	433,575	505,979	572,910	620,562
Investment earnings	74,668	149,702	209,336	144,081	36,990	29,264	29,041	22,017	24,761	25,297
Miscellaneous	(341,716)	1,017,518	447,490	706,026	560,679	757,485	914,358	1,314,414	861,174	1,006,410
Special item	-	-	-	-	-	-	-	531,339	4,521	-
Transfers	(150,000)	(150,000)	(185,000)	(150,000)	(267,500)	(220,000)	(318,000)	(401,000)	(365,500)	(410,000)
Total governmental activities	3,713,882	5,727,002	5,263,444	5,873,046	5,492,194	5,640,637	6,648,904	7,564,805	6,583,391	\$6,948,706
Business-type activities:										
Investment earnings	80,512	167,775	217,915	251,663	47,109	19,266	27,538	22,459	23,304	20,667
Miscellaneous	65,189	116,929	51,230	120,997	162,242	100,312	363,534	89,737	77,793	86,433
Special item	-	-	-	(1,332,927)	-	-	-	-	-	-
Transfers	150,000	150,000	185,000	150,000	267,500	220,000	318,000	401,000	365,500	410,000
Total business-type activities	295,701	434,703	454,145	(810,268)	476,852	339,578	709,072	513,196	466,597	517,100
Total primary government	\$ 4,009,583	\$ 6,161,706	\$ 5,717,587	\$ 5,062,778	\$ 5,969,046	\$ 5,980,215	\$ 7,357,976	\$ 8,078,002	\$ 7,049,989	\$ 7,465,807
Change in Net Position										
Governmental activities	\$ (1,114,367)	\$ 1,279,999	\$ 474,284	\$ 992,671	\$ 407,647	\$ 161,242	\$ 839,012	\$ 2,288,920	\$ 674,380	\$ 446,387
Business-type activities	945,166	632,172	366,338	(238,993)	756,360	596,158	2,098,811	1,645,141	1,834,958	781,740
Total primary government	\$ (169,201)	\$ 1,912,171	\$ 840,620	\$ 753,678	\$ 1,164,007	\$ 757,400	\$ 2,937,823	\$ 3,934,062	\$ 2,509,338	\$ 1,228,127

CITY OF SWEETWATER, TEXAS

**Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

(Prepared using the modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Unreserved	1,916,004	2,590,987	3,063,525	4,134,064	4,435,088	4,930,607	-	-	-	-
Restricted	-	-	-	-	-	-	-	35,854	61,082	87,134
Unassigned	-	-	-	-	-	-	6,331,590	8,196,184	8,086,154	5,877,126
Total general fund	\$ 1,916,004	\$ 2,590,987	\$ 3,063,525	\$ 4,134,064	\$ 4,435,088	\$ 4,930,607	\$ 6,331,590	\$ 8,232,038	\$ 8,147,236	\$ 5,964,260
All Other Governmental Funds										
Reserved	\$ 915,846	\$ 959,989	\$ 1,015,879	\$ 1,038,267	\$ 1,039,844	\$ 1,079,255	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	33,996	23,239	14,874	23,540	84,547	74,632	1,105,496	1,126,190	1,151,193	1,177,458
Nonspendable	-	-	-	-	-	-	10,280	7,682	6,950	7,190
Restricted	-	-	-	-	-	-	26,929	13,444	11,690	11,007
Assigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 949,842	\$ 983,228	\$ 1,030,753	\$ 1,061,807	\$ 1,124,390	\$ 1,153,887	\$ 1,142,705	\$ 1,147,315	\$ 1,169,833	\$ 1,195,655

Note: *We changed the way the Cemetery perpetual care fund balance was reported in 2004 from a trust fund to a special revenue reserved fund balance.

**The City implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Type Definitions" in fiscal year 2011.

Source: City of Sweetwater Comprehensive Annual Financial Report for respective fiscal year.

CITY OF SWEETWATER, TEXAS

**Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

(Prepared using the modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 4,144,584	\$ 4,709,784	\$ 4,788,757	\$ 5,181,100	\$ 5,099,302	\$ 5,011,579	\$ 6,112,098	\$ 6,108,156	\$ 6,067,196	\$ 6,336,881
Intergovernmental	274,856	180,153	5,116	234,119	743,368	267,974	417,997	663,485	819,231	248,798
Charges for services	1,443,782	1,478,626	1,447,553	1,713,440	1,351,908	1,413,038	1,466,232	1,275,983	1,361,261	1,691,233
Licenses and permits	16,883	12,833	14,013	16,019	25,007	20,079	26,887	31,026	26,919	37,211
Investment income	74,669	149,702	209,336	144,081	36,990	24,826	31,605	23,891	24,761	25,297
Fines and forfeitures	45,832	42,993	23,978	28,402	37,376	40,567	39,632	50,788	59,405	43,772
Miscellaneous	381,007	557,780	691,608	755,133	712,974	808,653	1,055,012	2,019,907	1,345,905	1,508,869
Total revenues	6,381,613	7,131,871	7,180,361	8,072,294	8,006,925	7,586,716	9,149,463	10,173,236	9,704,678	9,892,061
Expenditures										
General government	1,129,160	1,203,266	1,152,678	1,197,261	1,213,362	1,285,659	1,303,407	1,371,854	1,344,973	1,540,874
Public safety	2,906,921	3,077,702	3,008,917	3,084,863	3,102,130	2,941,882	3,237,786	3,338,050	3,688,322	3,985,580
Public works	764,272	839,940	862,520	775,676	806,877	876,497	958,960	956,175	1,008,327	1,030,142
Culture and recreation	392,681	699,622	903,033	1,068,599	1,193,841	1,034,517	1,146,979	1,136,248	1,224,311	1,270,965
Community services	596,469	363,704	395,321	413,796	446,363	473,400	463,120	480,162	490,629	531,270
Airport	46,615	48,246	64,816	64,521	65,267	58,476	119,606	214,915	311,461	250,578
Capital outlay	131,248	41,021	88,301	215,984	547,977	171,268	211,803	625,523	1,337,961	3,029,805
Total expenditures	5,967,366	6,273,501	6,475,586	6,820,701	7,375,817	6,841,699	7,441,661	8,122,927	9,405,984	11,639,214
Excess of revenues over (under) expenditures	414,247	858,370	704,775	1,251,593	631,108	745,017	1,707,802	2,050,309	298,694	(1,747,153)
Other Financing Sources (Uses)										
Transfers in	10,000	55,000	58,500	66,000	64,000	151,636	86,066	146,613	163,636	192,210
Transfers out	(171,156)	(205,000)	(243,500)	(216,000)	(331,500)	(371,636)	(404,066)	(547,613)	(529,136)	(602,210)
Proceeds from sale of assets	-	-	-	-	-	-	-	255,750	4,521	-
Total other financing sources (u.)	(161,156)	(150,000)	(185,000)	(150,000)	(267,500)	(220,000)	(318,000)	(145,250)	(360,979)	(410,000)
Net change in fund balances	\$ 253,091	\$ 708,370	\$ 519,775	\$ 1,101,593	\$ 363,608	\$ 525,017	\$ 1,389,802	\$ 1,905,059	\$ (62,285)	\$ (2,157,153)
Debt Service as a % of noncapital expenditures	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

CITY OF SWEETWATER, TEXAS

**Tax Revenues By Source, Governmental Funds
Last Ten Fiscal Years**

Year	(1) Property Tax	(2) Sales Tax	Franchise Tax	Occupancy Tax	Alcohol Beverage Tax	Total
2005	1,144	1,615	1,128	237	7	4,131
2006	1,204	1,853	1,349	296	9	4,711
2007	1,273	1,920	1,131	459	8	4,791
2008	1,324	2,117	1,257	464	11	5,173
2009	1,493	2,202	1,008	449	10	5,162
2010	1,576	2,156	989	345	8	5,074
2011	1,664	2,899	1,026	428	6	6,023
2012	1,623	2,903	1,067	501	5	6,099
2013	1,923	2,553	1,010	568	5	6,059
2014	1,902	2,707	1,098	615	6	6,328

Amounts are expressed in thousands.

1 Other than the 2005 .465 rate and the 2013 .463 rate, the City has kept its property tax rate the same at .48 per \$100 assessed value.

2 The City charges a 1.5 percent sales and use tax within the City limits. Sales tax revenue has increased 68% from 10 years ago

CITY OF SWEETWATER, TEXAS

**Assessed Value and Estimated Actual Value of Taxable Property,
Last Ten Fiscal Years**

Fiscal Year	Real Property		Personal		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Commercial	Other*					
2005	134,208	63,004	36,726	14,886	9,840	238,984	0.4650	238,984	100%
2006	134,807	67,560	39,096	14,369	11,143	244,689	0.4800	244,689	100%
2007	135,495	58,010	42,887	30,290	7,877	258,805	0.4800	258,805	100%
2008	108,634	92,616	43,009	31,923	7,777	268,405	0.4800	268,405	100%
2009	150,268	80,861	44,891	42,666	13,044	305,642	0.4800	305,642	100%
2010	154,563	102,782	47,562	42,478	22,543	324,842	0.4800	324,842	100%
2011	164,619	154,251	49,089	2,163	39,522	330,600	0.4800	330,600	100%
2012	168,192	133,436	70,993	2,927	36,448	339,100	0.4800	339,100	100%
2013	212,969	90,572	131,650	1,941	16,923	420,209	0.4630	420,209	100%
2014	212,753	102,838	97,084	1,314	16,345	397,644	0.4800	397,644	100%

Source: Central Appraisal District of Nolan County

*Software conversion in 2011 revealed misclassification of oil and gas as personal property rather than real property in prior years.

Note: Property is reassessed annually. The district assesses property at approximately 100 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are per \$100 of assessed value. All amounts unless otherwise indicated, are expressed in thousands of dollars.

CITY OF SWEETWATER, TEXAS

**Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$100 of assessed value)**

Fiscal Year	Overlapping Rates												
	City of Sweetwater			Sweetwater Independent School District			Nolan County			Nolan County Hospital District			Total Direct & Overlapping Rates
	Operating	Service	Debt	Operating	Service	Debt	Operating	Service	Debt	Operating	Service	Debt	
2005	0.4650	-	0.4650	1.5000	0.0834	1.5834	0.5400	-	0.5400	0.1700	0.0355	0.2055	2.7939
2006	0.4800	-	0.4800	1.5000	0.0834	1.5834	0.5218	-	0.5218	0.1713	0.0342	0.2055	2.7907
2007	0.4800	-	0.4800	1.3700	0.0834	1.4534	0.5119	-	0.5119	0.1734	0.0321	0.2055	2.6508
2008	0.4800	-	0.4800	1.0400	0.0834	1.1234	0.4053	-	0.4053	0.1117	0.0297	0.1414	2.1501
2009	0.4800	-	0.4800	1.0400	0.1900	1.2300	0.3575	-	0.3575	0.1723	0.0358	0.2081	2.2756
2010	0.4800	-	0.4800	1.0400	0.1900	1.2300	0.3492	-	0.3492	0.1961	0.0581	0.2542	2.3134
2011	0.4800	-	0.4800	1.0600	0.1650	1.2250	0.3754	-	0.3754	0.2020	0.0504	0.2524	2.3328
2012	0.4800	-	0.4800	1.0600	0.1650	1.2250	0.4230	-	0.4230	0.2042	0.0482	0.2524	2.3804
2013	0.4630	-	0.4630	1.0950	0.1200	1.2150	0.3946	-	0.3946	0.2021	0.0197	0.2218	2.2944
2014	0.4800	-	0.4800	1.0950	0.1200	1.2150	0.4431	0.0645	0.5076	0.2287	0.0236	0.2524	2.4549

Source: Central Appraisal District of Nolan County

Notes: Overlapping rates are those of local and county governments that apply to property owners within the City of Sweetwater

CITY OF SWEETWATER, TEXAS

**Principal Property Taxpayers,
Current Year and Ten Years Ago**

Taxpayer	2013			2004		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Ludlum Measurements Inc	19,792,510	1	4.98%	9,032,990	1	3.78%
Cholla Petroleum Inc	7,597,950	2	1.91%			
TST INC - dba Timco	7,157,740	3	1.80%	5,479,710	2	2.29%
Oncor Electric Delivery/TU	4,456,560	4	1.12%	4,476,170	3	1.87%
Wal-Mart Stores Texas LP	4,357,490	5	1.10%			
TXHP Sweetwater LLC	3,924,710	6	0.99%			
Dhilon Inc	3,844,640	7	0.97%			
Wal-Mart Stores LP	3,722,260	8	0.94%			
Texas Fifteen Property LLC	3,447,590	9	0.87%			
CSI Acquisition Co.	3,396,580	10	0.85%			
Sweet K Associates				2,881,590	5	1.21%
Kmart				2,253,500	6	0.94%
First National Bank				2,079,860	7	0.87%
Cristina Enterprises, Inc.				1,947,160	8	0.81%
Union Pacific Railroad				1,942,970	9	0.81%
Brookshires				1,730,700	10	0.72%
Southwestern Bell Telephone				3,137,640	4	1.31%
Total	61,698,030		15.52%	34,962,290		14.63%

Source: Central Appraisal District of Nolan County

CITY OF SWEETWATER, TEXAS

**Property Tax Levies and Collections,
Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	1,114,758	1,070,310	96%	55,650	1,125,960	100%
2006	1,179,695	1,134,616	96%	40,952	1,175,568	100%
2007	1,246,419	1,198,389	96%	43,707	1,242,096	100%
2008	1,292,401	1,252,295	97%	35,032	1,287,327	100%
2009	1,469,773	1,366,024	93%	94,530	1,460,554	99%
2010	1,561,808	1,441,740	92%	107,335	1,549,075	99%
2011	1,586,856	1,518,494	96%	55,598	1,574,092	99%
2012	1,627,454	1,556,652	96%	51,165	1,607,817	99%
2013	1,947,460	1,892,650	97%	33,805	1,926,455	99%
2014	1,909,117	1,855,387	97%	-	1,855,387	97%

Source: Central Appraisal District of Nolan County

CITY OF SWEETWATER, TEXAS

**Ratios of Outstanding Debt by Type,
Last 10 Fiscal Years**

Business type Activities						
Fiscal Year	General Obligation Bonds(1)	Certificates of Obligation Bonds(1)	Refunding Bonds (1)	Total	Percentage of Personal Income(3)	Per Capita(4)
2005	-	20,725,000	-	20,725,000	0.1044%	1,815.59
2006	9,160,000	11,540,000	-	20,700,000	0.1110%	1,813.40
2007	9,060,000	13,855,000	-	22,915,000	0.1086%	2,007.45
2008	8,960,000	12,900,000	-	21,860,000	0.1182%	1,915.02
2009	8,865,000	11,905,000	-	20,770,000	0.1326%	1,819.54
2010	8,775,000	10,870,000	-	19,645,000	0.1507%	1,720.98
2011	8,685,000	1,955,000	8,033,338	18,673,338	0.1693%	1,712.21
2012	8,600,000	1,665,000	7,133,523	17,398,523	0.1892%	1,595.32
2013	8,520,000	1,360,000	6,223,707	16,103,707	0.2177%	1,476.59
2014	8,445,000	2,975,000	5,293,892	16,713,892	0.2278%	1,532.54

Notes:

- 1 Details regarding the City's outstanding debt can be found in the Note 5 to the current financial statements.
- 2 The City's bonded debt is only in its Business - Type Activities.
- 3 Estimated Personal Income source: Texas Workforce Commission
- 4 Estimated Population Source: City of Sweetwater Finance Department
- 5 The City issued \$1.935 million of new certificates of obligation to fund wellfield development

CITY OF SWEETWATER, TEXAS

**Ratios of General Bonded Debt Outstanding,
Last 10 Fiscal Years**

Fiscal Year	General Obligation Bonds (1)	Certificates of Obligation Bonds(1)	Refunding Bonds (1)	Total	Percentage of Actual Taxable Value of Property(2)	Per Capita(3)
2005	-	20,725,000	-	20,725,000	8.67%	1,815.59
2006	9,160,000	11,540,000	-	20,700,000	8.46%	1,813.40
2007	9,060,000	13,855,000	-	22,915,000	8.85%	2,007.45
2008	8,960,000	12,900,000	-	21,860,000	8.14%	1,915.02
2009	8,865,000	11,905,000	-	20,770,000	6.80%	1,819.54
2010	8,775,000	10,870,000	-	19,645,000	6.05%	1,720.98
2011	8,685,000	1,955,000	8,033,338	18,673,338	5.65%	1,712.21
2012	8,600,000	1,665,000	7,133,523	17,398,523	5.13%	1,595.32
2013	8,520,000	1,360,000	6,223,707	16,103,707	3.83%	1,476.59
2014	8,445,000	2,975,000	5,293,892	16,713,892	4.20%	1,532.54

Notes:

- 1 Details regarding the City's outstanding debt can be found in the Note 5 to the current financial statements.

General:

- 2 Central Appraisal District of Nolan County
- 3 City of Sweetwater Finance Department

CITY OF SWEETWATER, TEXAS

**Direct and Overlapping Governmental Activities Debt,
As of September 30, 2014**

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Overlapping Debt(1)</u>
Debt repaid with property taxes			
Sweetwater Independent School District	\$ 11,498,867	52.2%	\$ 6,003,558
Nolan County	14,931,000	20.2%	3,019,048
Nolan County Hospital District	26,543,365	20.2%	5,367,068
Subtotal, Overlapping Debt			14,389,675
City government activities direct debt			<u>16,713,892</u>
Total direct and overlapping debt			<u>\$ 31,103,567</u>
Total direct and overlapping debt percent of assessed taxable value			7.8%
Total direct and overlapping debt per Capita			\$2,852

Source: www.mactexas.com
Nolan County Central Appraisal District

Notes:

- 1 Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residence and businesses of Sweetwater. This process recognizes that, when considering the City of Sweetwater's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.
- 2 The percentage of government unit's total property value located with the City's limits.
- 3 All of the City's direct obligations are for business type activities but secured by a pledge of ad valorem taxes levied against all taxable property located with in the City's limits. Additionally the bonds are secured by a first lien pledge of the net revenues of the water and wastewater system.

CITY OF SWEETWATER, TEXAS

**Legal Debt Margin Information
Last 10 Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$397,644,410
Debt limit (\$2.50 per hundred dollar valuation)	9,941,110
Debt applicable to limit:	
Certificates of Obligation	1,869,135
Less: Amount set aside for repayment of certificate of obligation debt	<u>(759,967)</u>
Total net debt applicable to limit	<u>1,109,168</u>
Legal debt margin	<u>\$ 8,831,942</u>

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt limit	\$ 5,974,615	\$ 6,117,220	\$ 6,470,124	\$ 6,710,135	\$ 7,641,042	\$ 8,121,047	\$ 8,264,999	\$ 8,477,492	\$ 10,505,242	\$ 9,941,110
Total net debt applicable to limit	175,948	1,066,695	964,144	1,260,497	1,277,535	1,275,879	1,283,864	1,131,921	1,096,688	1,109,168
Legal debt margin	\$ 5,798,667	\$ 5,050,525	\$ 5,505,980	\$ 5,449,638	\$ 6,363,507	\$ 6,845,168	\$ 6,981,135	\$ 7,345,571	\$ 9,408,554	\$ 8,831,942

Total net debt applicable to limit as a percentage of debt limit	2.9%	17.4%	14.9%	18.8%	16.7%	15.7%	15.5%	13.4%	10.4%	11.2%
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CITY OF SWEETWATER, TEXAS

**Pledged-Revenue Coverage,
Last 10 Fiscal Years**

Fiscal Year	Water Revenue Bonds					
	Water and Sewer Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service (1)		Coverage
				Principal	Interest	
2005	5,669,700	3,536,487	2,133,213	1,055,000	934,025	1.07
2006	6,067,770	3,860,872	2,206,898	790,000	764,480	1.42
2007	5,706,318	3,645,102	2,061,216	785,000	783,188	1.31
2008	6,750,974	3,895,811	2,855,163	1,055,000	876,452	1.48
2009	6,228,771	3,748,480	2,480,291	1,090,000	830,392	1.29
2010	6,203,342	3,750,736	2,452,606	1,125,000	792,547	1.28
2011	7,692,255	3,787,771	3,904,484	1,170,000	748,039	2.04
2012	6,970,385	3,957,662	3,012,723	1,245,000	599,156	1.63
2013	7,377,626	3,990,698	3,386,928	1,265,000	547,042	1.87
2014	7,008,459	4,548,917	2,459,542	1,295,000	574,135	1.32

Notes:

- (1) Details regarding the City's outstanding debt can be found in the Note 5 to the current financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

CITY OF SWEETWATER, TEXAS

**Demographic and Economic Statistics,
Most Recently Available Ten Calendar Years**

Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2004	11,415	\$346,010,000	\$22,980	37.4	N/A	2,267	5.7%
2005	11,415	\$368,670,000	\$24,888	35.6	N/A	2,288	4.7%
2006	11,415	\$376,473,000	\$25,828	37.1	N/A	2,270	4.3%
2007	11,415	\$400,687,000	\$27,539	37.1	N/A	2,341	3.7%
2008	11,415	\$441,435,000	\$29,609	37.1	N/A	2,320	3.9%
2009	11,415	\$471,694,000	\$31,621	37.1	N/A	2,275	6.3%
2010	10,906	\$479,143,000	\$31,419	37.1	N/A	2,286	6.3%
2011	10,906	\$502,560,000	\$32,914	37.1	N/A	2,273	5.6%
2012	10,906	\$523,214,000	\$35,059	37.5	N/A	2,209	5.0%
2013	10,906	\$572,484,000	\$38,072	38.7	N/A	2,196	4.6%

Sources: Population information is provided by the City of Sweetwater Finance Department. Personal income information provided by the Texas Workforce Commission. Median age information provided by the Sweetwater Economic Development Department. School enrollment information provided by the Sweetwater Independent School District. We were unable to find a source of information to provide Education Level in Years of Schooling.

CITY OF SWEETWATER, TEXAS

**Principal Employers,
Current Year and Ten Years Ago**

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Ludlum Measurements	425	1	7.0%	355	2	7.2%
Sweetwater ISD	390	2	6.4%	400	1	8.1%
Rolling Plains Hospital	251	3	4.1%	260	3	5.3%
Wal-Mart	250	4	4.1%	200	5	4.1%
United States Gypsum	215	5	3.5%	248	4	5.0%
Texas State Technical College	137	6	2.2%	172	6	3.5%
City of Sweetwater	135	7	2.2%	157	7	3.2%
Crest Pumping Technologies	120	8	2.1%	N/A	N/A	N/A
Buzzi Unicem/Lone Star Cement	105	9	1.7%	117	8	2.4%
MHMR	100	10	1.6%	N/A	N/A	N/A
Nolan County	100	10	1.6%	96	10	2.0%
TA Travel Stop	N/A	N/A	N/A	97	9	2.0%
Total	2,228		36.5%	2,102		42.8%

Source: Sweetwater Enterprise for Economic Development. We could not find a source of information to provide 2004 Principal Employers.

CITY OF SWEETWATER, TEXAS

**Full Time Equivalent City Government Employees by Function/Program,
Last Ten Fiscal Years**

Function Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration	3.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Finance	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Court and Legal	1.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Code Enforcement	1.75	2.50	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Police										
Officers	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00	22.00
Civilians	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Fire										
Firefighters and officers	16.00	16.00	16.00	15.50	14.50	14.00	14.00	14.00	14.00	14.00
Civilians	0.50	0.50	0.50	-	-	-	-	-	-	-
Street and Signals	5.75	5.75	6.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Animal Control	1.00	1.25	1.00	1.00	1.25	1.25	1.25	2.00	2.00	2.00
Parks and Recreation	3.75	3.75	4.25	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Golf Course	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Swimming Pool	3.25	3.25	3.25	4.25	7.00	6.75	5.75	5.75	5.75	5.75
Airport	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
S.N.A.P.	5.25	6.00	6.00	5.00	5.25	5.25	5.25	5.25	5.25	5.25
Water										
Billing and Collections	2.25	3.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Source of Supply	2.70	2.45	3.45	3.45	3.95	3.95	3.95	3.95	3.95	3.95
Water Purification	3.20	1.20	3.20	3.70	4.20	4.20	4.20	4.20	4.20	4.20
Water Distribution	9.20	9.20	9.20	9.20	9.20	9.20	9.20	9.20	9.20	9.20
Wastewater Collection	3.45	2.45	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
Wastewater Treatment	3.45	3.45	3.45	2.95	3.95	3.95	3.95	3.95	3.95	3.95
Emergency Medical Services										
Paramedic/Firefighters/Officers	7.50	8.00	8.00	8.50	9.50	10.00	10.00	10.00	10.00	10.00
Civilians	0.50	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Refuse										
Refuse Collection -Residential	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75
Refuse Disposal	4.50	5.00	5.00	3.25	3.25	3.25	3.50	3.50	3.50	3.50
Refuse Collection-Commercial	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Central Garage and Stores	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Cemetery	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

Source: City Human Resource Department

CITY OF SWEETWATER, TEXAS
Operating Indicators by Function/Program,
Last Ten Available Fiscal Years

Function Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Code Enforcement	295	173	164	162	149	134	143	107	142	190
Building permits issued										
Violation notices mailed	205	239	264	529	281	261	204	88	249	432
Weeds	50	35	58	348	99	99	52	63	51	56
Junk	96	145	142	60	245	128	127	99	77	131
Other	39	9	41	121	85	30	36	33	30	19
Number of substandard structures identified										
Police	582	245	526	512	537	538	536	558	530	700
Crimes against person	704	553	897	774	904	791	799	846	815	1,200
Crimes against property	3,376	1,818	1,843	1,578	1,856	1,574	1,440	1,637	1,600	1,500
Traffic citations	12,488	11,653	13,946	19,261	23,234	22,572	22,642	23,298	22,500	24,000
Request for service	1,331	1,331	1,417	1,298	1,141	1,315	1,383	1,309	1,350	1,200
Persons arrested										
Fire	340	340	317	304	326	360	378	486	444	368
Fire calls in city	150	173	202	155	301	250	182	344	328	215
Fire calls out of city										
Animal Control	603	703	667	816	682	658	692	681	675	534
Dogs and cats impounded	2,791	2,953	2,492	2,449	1,598	1,861	1,831	1,033	1,750	2,567
Citizen calls										
Golf Course	9,937	9,067	5,184	1,007	3,446	4,548	4,927	1,934	4,386	3,104
Number of rounds played	115	114	114	114	197	68	57	150	52	57
Number of memberships										
Swimming Pool	8,750	7,533	7,259	7,922	8,910	9,584	9,045	9,305	8,742	6,505
Number of daily admissions										
Water	999,635,333	911,886,481	892,452,007	790,872,766	935,786,600	853,402,993	714,779,000	898,703,000	917,745,000	916,048,681
Gallons pumped	959,062,178	911,886,481	892,452,007	790,872,766	854,436,715	829,902,900	694,000,000	798,475,000	847,000,000	831,825,000
Gallons treated	2.6MGD	2.63MGD	2.60MGD	2.29MGD	2.32MGD	2.20MGD	1.9MGD	2.4MGD	2.3MGD	2.3MGD
Average daily consumption	3.6MGD	4.26MGD	4.56MGD	3.58MGD	3.5MGD	2.88MGD	3.3MGD	3.6MGD	3.8MGD	3.5MGD
Peak Consumption	1.4MGD	1.5MGD	1.03MGD	1.0MGD	1.0MGD	1.0MGD	1.1MGD	1.0MGD	1.0MGD	1.0MGD
Average daily sewage treatment										
Emergency Medical Service	742	798	782	829	948	874	987	996	890	885
Ambulance calls within city	1,900	1,872	1,862	2,064	2,227	2,031	2,348	2,109	2,057	2,316
Ambulance calls total										
Refuse	5,567	5,590	5,555	5,863	6,349	6,338	6,048	5,348	6,058	5,583
Residential tons collected	3,397	3,397	3,383	3,716	3,816	3,387	3,754	3,607	3,634	3,724
Commercial ton collected										

Sources: Various City departments
 Note: Million Gallons per day is abbreviated MGD for reporting purposes

CITY OF SWEETWATER, TEXAS

Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	22	21	21	21	21	21	21	21	21
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Trucks	4	4	6	6	6	6	6	6	6	6
Other public works										
Streets (miles)	84.76	84.76	84.76	84.76	84.76	84.76	84.76	84.76	84.76	84.76
Streetlights	815	815	815	815	815	815	815	815	815	816
Traffic signs	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152	1,152
Parks and recreation										
Swimming pools	1	1	1	1	1	1	1	1	1	1
Parks	5	5	5	5	5	5	5	5	5	5
Parks - acreage	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085
Baseball/softball diamonds	5	5	5	5	5	5	5	5	5	5
Water										
Water mains (miles)	185	185	179	179	179	179	179	179	191	191
Fire hydrants	405	405	416	416	416	416	416	416	443	443
Storage capacity (million gallons)	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	6.5	6.5
Sewage										
Sanitary sewers (miles)	116	116	116	116	116	116	116	116	123	123



GOVERNMENT AUDITING STANDARDS SECTION



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

Honorable Mayor Jim McKenzie and
Members of the City Commission
Sweetwater, TX 79556

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining funds of the City of Sweetwater, Texas ("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 and have issued my report thereon dated December 29, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sweetwater's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and,

accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Sweetwater, Texas
January 31, 2014

CITY OF SWEETWATER, TEXAS

Schedule of Findings and Responses
For the Year Ended September 30, 2014

I. Summary of the Auditor's Results:

- | | |
|------------------------------------------------------------------|------------|
| 1. The type of report issued on the financial statements: | Unmodified |
| 2.a. Significant deficiencies in internal control: | None |
| b. Significant deficiencies that were material weaknesses: | None |
| 3. Noncompliance, which is material to the financial statements: | None |

II. Findings Relating to the Financial Statements Which Are Required To Be Reported Accordance with *Generally Accepted Government Auditing Standards*.

None

CITY OF SWEETWATER, TEXAS

Summary Schedule of Status of Prior Audit Findings
For the Year Ended September 30, 2014

There were no prior audit findings.