



**City of Sweetwater, Texas
Comprehensive
Annual Financial
Report
FY 2014-2015
Ended September 30, 2015**

CITY OF SWEETWATER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2015

Prepared By:
Finance Department

CITY OF SWEETWATER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2015

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INTRODUCTORY SECTION





City of Sweetwater

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

March 8, 2016

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 eighty (180) 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, 2015.

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 unmodified ("clean") opinion on the City of Sweetwater's financial statements for the year ended September 30, 2015. 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, 2015, both real and personal in the City is \$427,880,960, which is a increase of \$30 million, or 8% from September 30, 2014. 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 2015, Oak Creek Lake was at 25 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 2015. The completion of two major capital projects was completed in the first half of fiscal year 2015. One of the completed projects was the new police station and the other was water wellfield development projects. The new police station was 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 Water Development Board Drinking Water SRF low interest loan where if awarded, proceeds will be used to replace a 1930's 750,000 gallon elevated storage tank, replacement of 1600 feet of aging water line, replacement of aging filtering membranes at the water treatment plant, and for continued maintenance of the water and wastewater utility system infrastructure.

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, 2014. This was the thirty second 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.

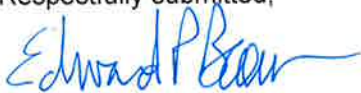
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA awarded the City the Distinguished Budget Presentation Award for its annual budget document dated September 30, 2015. 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 Platinum Member Award 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

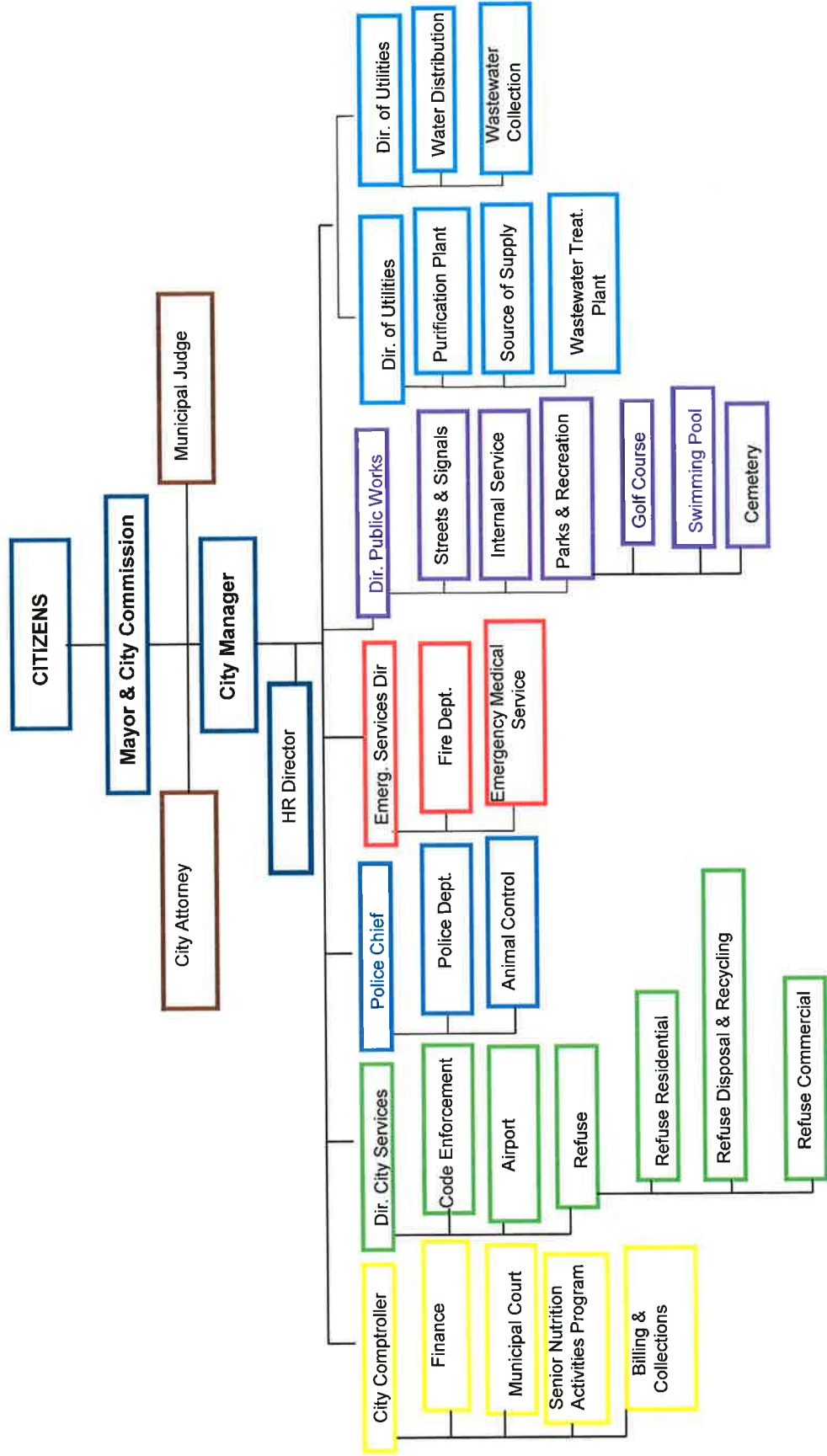
**City of Sweetwater
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

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, 2015**

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, 2015, 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, 2015, 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, the Texas Municipal Retirement System and Sweetwater Firemen's Relief and Retirement Fund Schedules of Changes in Net Pension Liability and Related Ratios, and Schedules of Contributions and Notes to Schedules of Contributions, 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 February 26, 2016, 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
February 26, 2016

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, 2015. 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 \$29,747 (*net position*). Of this amount, \$4,759 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$7,025.
- As of the close of the current fiscal year, the City of Sweetwater's governmental funds reported combined ending fund balances of \$5,697; of this amount, \$4,360 is *available for spending* at the government's discretion (*unassigned fund balance*), \$19 is assigned, \$118 is restricted and \$1,199 is nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,360 or 46 percent of total general fund expenditures.
- On a budgetary-basis the City's General Fund revenues were below budget by \$90 thousand or 1% and total expenditures were below budgeted by \$150 thousand or 1.6%

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 pension plans. Required supplementary information can be found on pages 57-60 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 62-70 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 \$29,747 at the close of the most recent fiscal year.

City of Sweetwater's Net position

	Governmental Activities		Business Type Activities		Total	
	2014	2015	2014	2015	2014	2015
Current & other assets	\$ 8,815	\$ 7,200	\$ 9,906	\$ 9,163	\$ 18,721	\$ 16,363
Capital assets	8,581	9,460	29,480	28,901	38,061	38,361
Total assets	17,396	16,660	39,386	38,064	56,782	54,724
Deferred outflows of resources	-	1,052	-	717	-	1,769
Long-term liabilities outstanding	900	597	17,167	19,399	18,067	19,996
Other liabilities	975	5,867	968	628	1,943	6,495
Total liabilities	1,875	6,464	18,135	20,027	20,010	26,491
Deferred inflows of resources	-	177	-	78	-	255
Net position:						
Net investment in capital assets	8,581	9,460	13,306	13,394	21,887	22,854
Restricted	1,271	1,317	760	817	2,031	2,134
Unrestricted	5,669	294	7,185	4,465	12,854	4,759
Total net position	\$15,521	\$11,071	\$21,251	\$18,676	\$36,772	\$29,747

A significant portion of the City of Sweetwater's net position (77 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, TEXAS

An additional portion of the City of Sweetwater's net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,759) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Sweetwater is able to report positive balances in all three categories of ending net position, both for the government as a whole, as well as for its separate governmental and business-type activities except for the ambulance activity which had a deficit net position. The deficit was due to the implementation of GASB 68. (Note 17) The prior fiscal year reported all positive balances.

The government's ending net positions decreased from the previous year by \$7,025, which includes a prior period adjustment of \$6,927 related to the implementation of GASB No. 68. As a result there is a decrease of \$4,450 in the ending net position of governmental activities and a decrease of \$2,575 in the ending net position of business-type activities.

City of Sweetwater's Changes in Net position

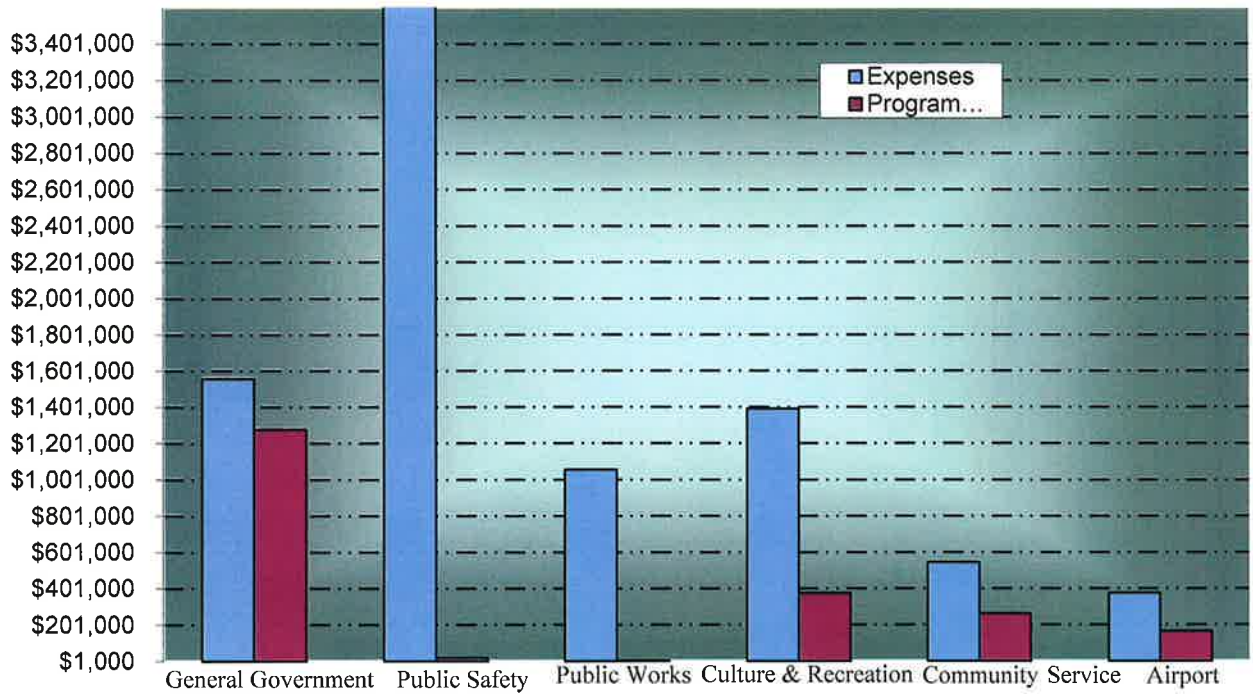
	Governmental activities		Business type activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program Revenues:						
Charges for Services	\$2,156	\$1,818	\$10,445	\$10,036	\$12,601	\$11,854
Operating Grants and Contributions	367	287	10	18	377	305
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property Taxes	1,902	2,046	-	-	1,902	2,046
Sales Taxes	2,707	2,841	-	-	2,707	2,841
Other Taxes	1,719	1,875	-	-	1,719	1,875
Other	1,032	752	107	185	1,139	937
Total Revenues	9,883	9,619	10,562	10,239	20,445	19,858
Expenses:						
General Government	1,563	1,558	-	-	1,563	1,558
Public Safety	4,112	4,491	-	-	4,112	4,491
Public Works	1,057	1,057	-	-	1,057	1,057
Culture and Recreation	1,325	1,393	-	-	1,325	1,393
Community Services	555	545	-	-	555	545
Airport	414	376	-	-	414	376
Water and Sewer	-	-	6,379	6,401	6,379	6,401
Emergency Medical Services	-	-	1,966	2,190	1,966	2,190
Solid Waste	-	-	1,845	1,945	1,845	1,945
Total Expenses	9,026	9,420	10,190	10,536	19,216	19,956
Increase in Net position Before Transfers	857	199	372	(297)	1,229	(98)
Transfers	(410)	(433)	410	433	-	-
Increase in net position	447	(234)	782	136	1,229	(98)
Prior period adjustment	-	(4,216)	-	(2,711)	-	(6,927)
Net position - beginning	15,074	15,521	20,469	21,251	35,543	36,772
Net position	\$15,521	\$11,071	\$21,251	\$18,676	\$36,772	\$29,747

Governmental activities. Governmental activities decreased the City of Sweetwater's net position by \$234. Key elements of this decrease are as follows:

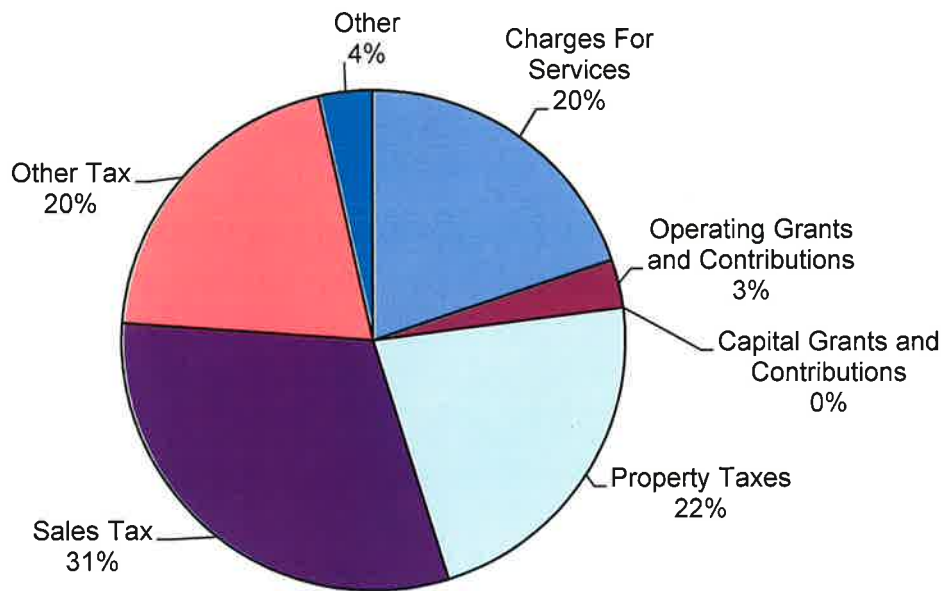
- Charges for Services for governmental activities decreased by \$338 due to a decrease in administration fees from the enterprise funds.
- Other General Revenues for governmental activities decreased by \$280 primarily due to a decrease in Oil and Gas royalties.
- Transfers out of the governmental activities general fund to the EMS fund in the proprietary funds increased by \$23 (6%) 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

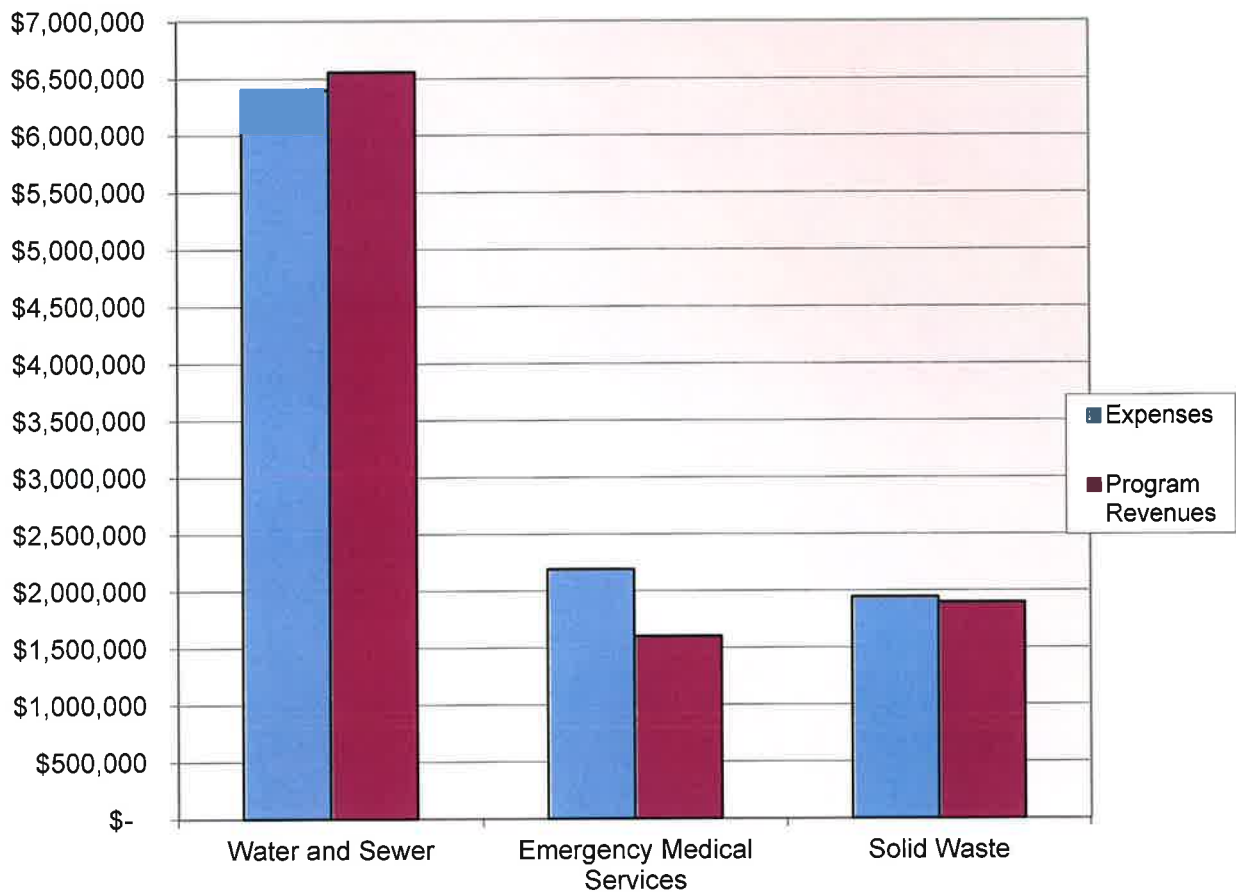


CITY OF SWEETWATER, TEXAS

Business-type activities. Business-type activities decreased the City of Sweetwater's ending net position by \$2,575. Key elements of this decrease are reported on page 16.

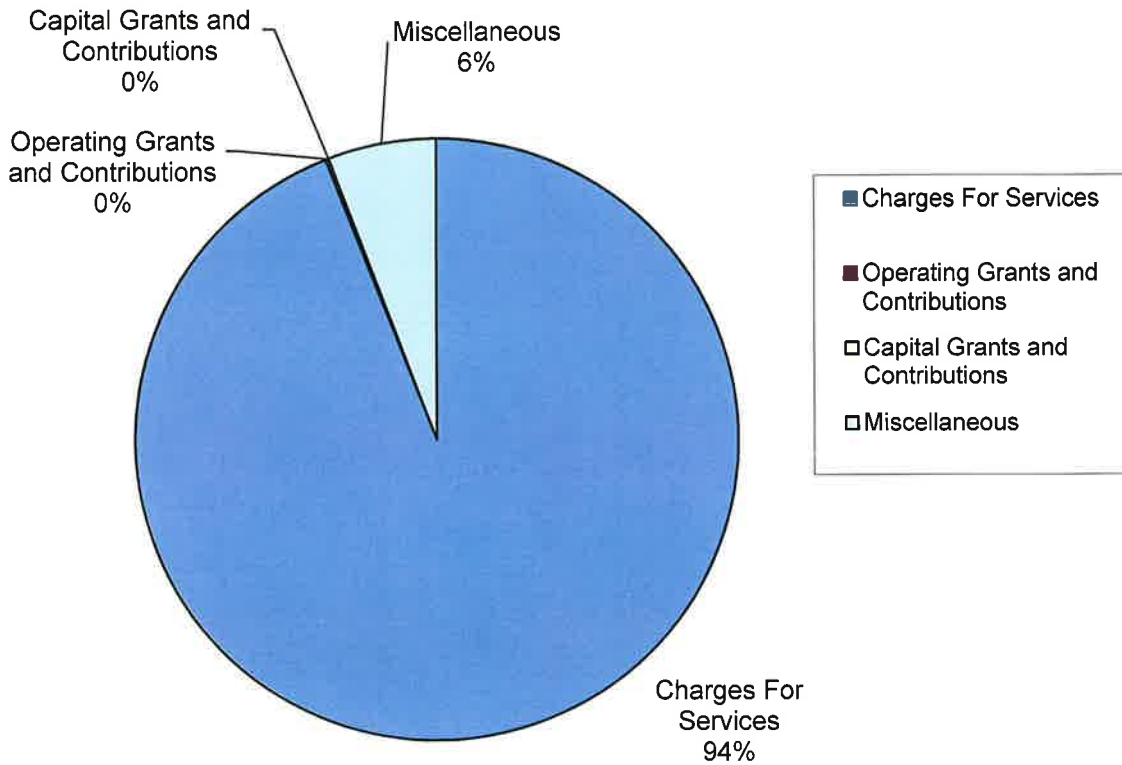
- Charges for services decreased by \$409 (4%) for business-type activities primarily because of decreased sales of water, sewer, and ambulance service.
- Transfers from the general fund increased by \$23 (6%) due to a decrease in revenues in the EMS department.
- Business type total revenues decreased by 3% and expenditures increased by 3%.

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 \$5,697. The combined ending fund balances consist of \$4,360 in unassigned fund balance, which is available for spending at the government's discretion and \$1,336 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 \$4,474 of which \$4,360 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 52.4 percent of total general fund expenditures.

CITY OF SWEETWATER, TEXAS

The fund balance of the City of Sweetwater's general fund decreased by \$1,491 during the current fiscal year. The key factors in this decrease are as follows:

- General fund expenditures decreased \$1,080 from fiscal year 2014 due to the Capital outlay expenditures decreasing by \$1,457 primarily due to the completed construction of a new police station early in fiscal year 2015.
- Transfers out of the general fund increased from \$602 in 2014 to \$645 in 2015
- General Revenues decreased by \$346 mostly due to decreased administrative charges to the enterprise funds and a decrease in the oil and gas royalties.

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 \$5,352. The total increase in net position for this Fund was \$313. The Solid Waste Management Fund had a decrease in net position of \$25. The Ambulance Fund had a decrease in net position of \$151 which includes \$433 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:

- Decrease in oil and gas royalty revenues.
- Increase in charges for employee benefit costs.
- Increase in legal fees due to police department public information requests
- Increase in transfers out.
- Decrease 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, 2015 amounts to \$38,361 (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	
	2014	2015	2014	2015	2014	2015
Land	\$ 178	\$ 178	\$ 2,416	\$ 2,416	\$ 2,594	\$ 2,594
Buildings	880	5,087	7,449	7,065	8,329	12,152
Improvement other than buildings	2,211	2,263	16,756	18,896	18,967	21,159
Machinery and equipment	1,901	1,931	328	484	2,229	2,415
Construction in progress	3,410	-	2,531	41	5,941	41
Total	\$ 8,580	\$ 9,459	\$ 29,480	\$ 28,902	\$ 38,060	\$ 38,361

Additional information on the City of Sweetwater's capital assets can be found in Note (4) starting on page 40 of this report.

CITY OF SWEETWATER, TEXAS

Long-term Obligations. At the end of the current fiscal year, the City of Sweetwater had \$25,265 of long-term obligations, an increase of \$7,198 thousand. Included in the long-term obligations is bonded debt outstanding of \$14,445, which represents bonds secured by revenue and tax sources.

City of Sweetwater's Long-Term Obligations

	Governmental activities		Business-type activities		Total	
	2014	2015	2014	2015	2014	2015
Net Pension Obligation	\$ 380	\$ 5,377	\$ 167	\$ 3,565	\$ 547	\$ 8,942
Compensated Absences	519	489	177	215	696	704
General Obligation Bonds	-	-	13,560	12,605	13,560	12,605
Certificates of Obligation	-	-	2,975	1,840	2,975	1,840
Bond premium			179	1,062	179	1,062
Landfill Post-Closure			110	112	110	112
Total	\$ 899	\$ 5,866	\$ 17,168	\$ 19,399	\$ 18,067	\$ 25,265

The City of Sweetwater's total long-term obligations increased by \$7,198 (40 percent) during the current fiscal year. This change was the result of the implementation of GASB 68 pension accounting and financial reporting requirements. This new statement shifts the focus of reporting from a funding-based approach to an accounting-based approach. The intention is to enhance usefulness of employer pension reports, improve transparency of the plan, and to make it easier to compare public pension plans by standardizing financial reporting requirements.

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 4.3 percent, an increase from the 3.9 rate a year ago. This compares favorably to the state's average unemployment rate for the same period of 4.5 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 2016 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, 2015

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current cash and cash equivalents	\$ 6,675,520	\$ 7,067,893	\$ 13,743,413	\$ 6,615,492
Investments	-	-	-	-
Receivables (net of allowance for uncollectibles)	266,533	1,277,673	1,544,206	25,346
Internal balances	80,554	(80,554)	-	-
Due from other governments	24,008	80,224	104,232	-
Inventories	40,213	-	40,213	-
Restricted assets:				
Cash and cash equivalents	113,147	817,153	930,300	-
Capital assets (net of accumulated depreciation):				
Land	178,332	2,415,757	2,594,089	238,011
Construction in-progress	-	40,525	40,525	-
Buildings	5,087,262	7,064,746	12,152,008	-
Improvements other than buildings	2,262,623	18,895,995	21,158,618	-
Machinery and equipment	1,931,361	484,233	2,415,594	374,659
Total assets	<u>16,659,552</u>	<u>38,063,645</u>	<u>54,723,197</u>	<u>7,253,509</u>
Deferred Outflows of Resources				
Deferred pension outflow	<u>1,052,578</u>	<u>717,399</u>	<u>1,769,977</u>	<u>-</u>
Liabilities				
Accounts payable	441,396	224,022	665,418	-
Customer security deposits	-	352,754	352,754	-
Accrued liabilities	-	51,705	51,705	-
Due to other governments	155,800	-	155,800	-
Long-term liabilities:				
Due within one year	48,966	2,523,649	2,572,615	-
Due in more than one year	5,817,392	16,875,297	22,692,689	-
Total liabilities	<u>6,463,554</u>	<u>20,027,427</u>	<u>26,490,981</u>	<u>-</u>
Deferred Inflows of Resources				
Pension Plan	<u>177,438</u>	<u>77,758</u>	<u>255,196</u>	<u>-</u>
Net Position				
Net investment in capital assets	9,459,578	13,394,090	22,853,668	612,670
Restricted for:				
Perpetual cemetery care	1,199,074	-	1,199,074	-
Drug enforcement	5,055	-	5,055	-
PEG capital costs	113,147	-	113,147	-
Debt service	-	817,153	817,153	-
Economic development	-	-	-	1,126,187
Unrestricted	294,285	4,464,617	4,758,902	5,514,652
Total Net Position	<u>\$ 11,071,139</u>	<u>\$ 18,675,860</u>	<u>\$ 29,746,999</u>	<u>\$ 7,253,509</u>

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, 2015

	Net (Expenses) Revenues and Changes in Net Position						Component Unit
	Program Revenues			Primary Government			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Function/Program Activities							
Primary Government:							
Governmental Activities							
General government	\$ 1,557,499	\$ 1,277,724	\$ -	\$ (279,775)	\$ -	\$ (279,775)	\$ -
Public safety	4,491,188	-	19,755	(4,471,433)	-	(4,471,433)	-
Public works	1,057,291	3,495	-	(1,053,796)	-	(1,053,796)	-
Culture and recreation	1,392,756	375,659	-	(1,017,097)	-	(1,017,097)	-
Community services	544,645	-	262,470	(282,175)	-	(282,175)	-
Airport	376,425	160,902	4,876	(210,647)	-	(210,647)	-
Total governmental activities	9,419,804	1,817,781	287,101	(7,314,923)	-	(7,314,923)	-
Business-type Activities:							
Water and sewer	6,401,399	6,558,087	-	-	156,688	156,688	-
Ambulance	2,189,949	1,582,404	18,069	-	(589,476)	(589,476)	-
Solid waste management	1,944,585	1,895,226	-	-	(49,359)	(49,359)	-
Total business-type activities	10,535,933	10,035,717	18,069	-	(482,147)	(482,147)	-
Total Primary Government	\$ 19,955,737	\$ 11,853,498	\$ 305,170	\$ (7,314,923)	\$ (482,147)	\$ (7,797,070)	\$ -
Component Unit:							
Sweetwater Enterprise for Economic Development	730,235	-	-	-	-	-	730,235
Total component unit	\$ 730,235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 730,235
General revenues:							
Taxes:							
Property taxes, levied for general purposes				2,045,818	-	2,045,818	-
Sales tax				2,841,341	-	2,841,341	947,114
Franchise tax				1,151,119	-	1,151,119	-
Occupancy tax				715,835	-	715,835	-
Alcohol beverage				7,703	-	7,703	-
Investment earnings				19,463	19,463	38,980	16,328
Other				732,713	166,118	898,831	1,289
Transfers				(433,000)	433,000	-	-
Total general revenues and transfers				7,081,046	618,581	7,699,627	964,731
Change in net position				(233,876)	136,434	(97,443)	234,496
Net position - beginning				15,520,975	21,251,058	36,772,033	7,019,013
Prior period adjustment (see note 16)				(4,215,959)	(2,711,632)	(6,927,591)	-
Net position - beginning as restated				11,305,016	18,539,426	29,844,442	7,019,013
Net position - ending				\$ 11,071,139	\$ 18,675,860	\$ 29,746,999	\$ 7,253,509

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

CITY OF SWEETWATER, TEXAS

Balance Sheet Governmental Funds September 30, 2015

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Current cash and cash equivalents	\$ 4,567,338	\$ 1,360,633	\$ 5,927,971
Receivables, net of allowance for uncollectibles	266,533	-	266,533
Due from other funds	-	2,988	2,988
Due from other governments	-	23,963	23,963
Restricted cash and cash equivalents	113,147	-	113,147
Total assets	\$ 4,947,018	\$ 1,387,584	\$ 6,334,602
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Accounts payable	244,200	7,898	252,098
Due to other funds	72,203	904	73,107
Due to other governments	-	155,800	155,800
Total liabilities	316,403	164,602	481,005
Deferred inflow of resources:			
Unavailable revenue - property taxes	157,008	-	157,008
Fund balances:			
Nonspendable	-	1,199,074	1,199,074
Restricted	113,147	5,055	118,202
Assigned	-	18,853	18,853
Unassigned	4,360,460	-	4,360,460
Total fund balances	4,473,607	1,222,982	5,696,589
Total liabilities, deferred inflows, and fund balances	\$ 4,947,018	\$ 1,387,584	

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.	7,852,171
Deferred outflows of resources are not reported in the governmental funds.	968,900
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(5,214,961)
Deferred inflows of resources are not reported in the governmental funds.	(154,595)
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.	1,923,035
Net position of governmental activities	\$ 11,071,139

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, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 2,036,851	\$ -	\$ 2,036,851
Sales	2,841,341	-	2,841,341
Occupancy	-	715,835	715,835
Alcoholic beverage	7,703	-	7,703
Franchise Fees	1,151,119	-	1,151,119
Intergovernmental	6,861	230,965	237,826
Charges for services	1,343,301	7,400	1,350,701
Rents and royalties	773,839	-	773,839
Contributions and donations	6,853	42,422	49,275
Licenses and permits	35,805	-	35,805
Investment income	16,727	2,790	19,517
Fines and forfeitures	50,270	-	50,270
Miscellaneous	325,600	14,278	339,878
Total revenues	<u>8,596,271</u>	<u>1,013,690</u>	<u>9,609,961</u>
Expenditures			
Current:			
General government	1,588,013	-	1,588,013
Public safety	4,302,794	13,070	4,315,864
Public works	1,047,268	-	1,047,268
Culture and recreation	664,913	715,835	1,380,748
Community services	63,687	467,417	531,104
Airport	212,791	-	212,791
Capital outlay:			
General government	52,026	-	52,026
Public safety	1,448,193	-	1,448,193
Public works	34,390	-	34,390
Culture and recreation	13,000	-	13,000
Community services	-	890	890
Airport	16,000	-	16,000
Total expenditures	<u>9,443,075</u>	<u>1,197,212</u>	<u>10,640,287</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(846,804)</u>	<u>(183,523)</u>	<u>(1,030,326)</u>
Other financing sources (uses)			
Transfers in	-	210,849	210,849
Transfers out	(643,849)	-	(643,849)
Total other financing sources and uses	<u>(643,849)</u>	<u>210,849</u>	<u>(433,000)</u>
Net change in fund balances	<u>(1,490,653)</u>	<u>27,327</u>	<u>(1,463,326)</u>
Fund balances - beginning	5,964,261	1,195,655	7,159,916
Fund balances - ending	<u>\$ 4,473,607</u>	<u>\$ 1,222,982</u>	<u>\$ 5,696,589</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, 2015

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)	\$ (1,463,326)
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 \$1,564,499 exceeded depreciation (\$482,631) in the current period.	1,081,868
Governmental funds report principal payments on debt as expenditures. These payments are reclassified to reduce the long-term liability on the statement of activities.	28,603
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.	69,497
The net gain of certain activities of internal service funds is reported with governmental activities.	<u>49,481</u>
Change in net position of governmental activities (page 25)	<u><u>\$ (233,876)</u></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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 2,021,670	\$ 2,021,670	\$ 2,036,851	\$ 15,181
Sales	2,775,000	2,775,000	2,841,341	66,341
Alcoholic beverage	5,000	5,000	7,703	2,703
Franchise tax	1,122,403	1,122,403	1,151,119	28,716
Intergovernmental	-	-	6,861	6,861
Charges for services	1,346,266	1,346,266	1,343,301	(2,965)
Rents and royalties	1,019,800	901,800	773,839	(127,961)
Contributions and donations	-	-	6,853	6,853
Licenses and permits	37,000	37,000	35,805	(1,195)
Investment income	20,000	20,000	16,727	(3,273)
Fines and forfeitures	58,000	58,000	50,270	(7,730)
Miscellaneous	398,910	398,910	325,600	(73,310)
Total revenues	<u>8,804,049</u>	<u>8,686,049</u>	<u>8,596,271</u>	<u>(89,779)</u>
Expenditures				
Current:				
General government:				
Mayor and commission	37,222	27,522	25,702	1,820
City administration	383,609	382,109	372,841	9,268
City finance	325,925	333,707	327,649	6,058
Municipal court	117,142	119,087	117,128	1,959
Code enforcement	240,364	255,049	246,138	8,911
Non-departmental	467,210	555,847	550,582	5,265
Public safety:				
Police department	4,659,723	4,288,014	4,255,433	32,581
Fire department	1,462,158	1,504,653	1,495,554	9,099
Public works:				
Streets and signals	1,003,437	942,677	911,836	30,841
Animal control	131,475	171,855	169,823	2,032
Culture and recreation:				
Parks and cemetery	531,358	464,623	464,043	580
Golf course	87,096	73,523	74,926	(1,403)
Swimming pool	142,263	147,821	138,945	8,876
Community services	64,250	64,750	63,687	1,063
Airport	251,989	261,684	228,791	32,893
Total expenditures	<u>9,905,221</u>	<u>9,592,921</u>	<u>9,443,075</u>	<u>149,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,101,172)</u>	<u>(906,872)</u>	<u>(846,804)</u>	<u>60,067</u>
Other financing sources (uses)				
Transfers out	(540,000)	(562,100)	(643,849)	(81,749)
Total other financing sources and uses	<u>(540,000)</u>	<u>(562,100)</u>	<u>(643,849)</u>	<u>(81,749)</u>
Net change in fund balances	(1,641,172)	(1,468,972)	(1,490,653)	(21,682)
Fund balances - beginning	5,964,260	5,964,260	5,964,260	-
Fund balances - ending	<u>\$ 4,323,088</u>	<u>\$ 4,495,288</u>	<u>\$ 4,473,607</u>	<u>\$ (21,682)</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, 2015

	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	\$ 6,090,107	\$ 971,483	\$ 6,303	\$ 7,067,893	\$ 747,548
Investments	-	-	-	-	-
Due from other funds	-	-	-	-	150,673
Due from other governments	-	-	80,224	80,224	45
Accounts receivable (net of allowance for uncollectibles)	894,056	254,770	128,847	1,277,673	-
Inventories	-	-	-	-	40,211
Restricted assets:					
Cash and cash equivalents	817,153	-	-	817,153	-
Total current assets	<u>7,801,316</u>	<u>1,226,253</u>	<u>215,374</u>	<u>9,242,943</u>	<u>938,478</u>
Noncurrent assets:					
Capital assets:					
Land	2,097,902	317,856	-	2,415,758	-
Construction in-progress	40,525	-	-	40,525	-
Buildings	13,517,822	96,342	-	13,614,164	145,573
Improvements other than buildings	33,355,928	5,172	-	33,361,100	37,361
Machinery and equipment	4,038,313	663,699	273,087	4,975,099	6,038,811
Less accumulated depreciation	(24,617,539)	(694,433)	(193,419)	(25,505,391)	(4,614,336)
Total capital assets (net of accumulated depreciation)	<u>28,432,951</u>	<u>388,637</u>	<u>79,668</u>	<u>28,901,256</u>	<u>1,607,409</u>
Total assets	<u>36,234,267</u>	<u>1,614,890</u>	<u>295,042</u>	<u>38,144,199</u>	<u>2,545,887</u>
Deferred Outflows of Resources					
Pension Plan	<u>204,261</u>	<u>70,292</u>	<u>442,846</u>	<u>717,399</u>	<u>83,678</u>
Liabilities					
Current Liabilities:					
Accounts payable	135,227	82,619	6,176	224,022	189,297
Customer security deposits	352,754	-	-	352,754	-
Due to other funds	29,929	43,826	6,799	80,554	-
Accrued interest payable	51,705	-	-	51,705	-
Compensated absences-Current	4,210	1,426	15,847	21,483	1,537
Bond obligations-Current	2,502,166	-	-	2,502,166	-
Total current liabilities	<u>3,075,991</u>	<u>127,871</u>	<u>28,822</u>	<u>3,232,684</u>	<u>190,834</u>
Noncurrent liabilities:					
Compensated absences	37,891	12,831	142,625	193,347	13,833
Net pension liability	1,169,311	402,386	1,993,564	3,565,261	479,019
Landfill post-closure	-	111,689	-	111,689	-
Bond obligations	13,005,000	-	-	13,005,000	-
Total noncurrent liabilities	<u>14,212,202</u>	<u>526,906</u>	<u>2,136,189</u>	<u>16,875,297</u>	<u>492,852</u>
Total liabilities	<u>17,288,192</u>	<u>654,777</u>	<u>2,165,011</u>	<u>20,107,980</u>	<u>683,686</u>
Deferred Inflows of Resources					
Pension Plan	<u>55,761</u>	<u>19,189</u>	<u>2,808</u>	<u>77,758</u>	<u>22,843</u>
Net Position					
Net investment in capital assets	12,925,785	388,637	79,668	13,394,090	1,607,409
Restricted for debt service (expendable)	817,153	-	-	817,153	-
Unrestricted	5,351,637	622,579	(1,509,599)	4,464,617	315,626
Total net position	<u>\$ 19,094,575</u>	<u>\$ 1,011,216</u>	<u>\$ (1,429,931)</u>	<u>\$ 18,675,860</u>	<u>\$ 1,923,035</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, 2015

	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	\$ 4,346,628	\$ -	\$ -	\$ 4,346,628	\$ -
Sewer charges	2,143,594	-	-	2,143,594	-
Delinquent penalties	49,325	-	-	49,325	-
Water and sewer taps	18,540	-	-	18,540	-
Other charges for services	-	1,895,226	1,582,404	3,477,630	2,782,132
Miscellaneous income	139,585	21,794	4,739	166,118	11,533
Total operating income	6,697,673	1,917,020	1,587,143	10,201,836	2,793,665
Operating expenses:					
Personal services	1,560,757	618,011	1,107,271	3,286,039	648,518
Supplies	534,960	213,025	682,525	1,430,510	48,923
Other services and charges	2,215,130	1,097,101	390,501	3,702,732	1,737,928
Depreciation	1,400,823	16,448	9,652	1,426,923	310,332
Total operating expenses	5,711,670	1,944,585	2,189,949	9,846,204	2,745,701
Operating income (loss)	986,003	(27,565)	(602,806)	355,632	47,964
Nonoperating revenues (expenses):					
Interest income	16,304	2,580	579	19,463	1,517
Intergovernmental	-	-	18,069	18,069	-
Interest expense	(511,834)	-	-	(511,834)	-
Bond issuance costs	(177,895)	-	-	(177,895)	-
Total nonoperating revenue (expense)	(673,425)	2,580	18,648	(652,198)	1,517
Net income (loss) before transfers	312,578	(24,985)	(584,159)	(296,566)	49,481
Transfers in	-	-	433,000	433,000	-
Change in net position	312,578	(24,985)	(151,159)	136,434	49,481
Total net position - beginning	19,738,255	1,363,427	149,376	21,251,058	2,263,554
Prior period adjustment	(956,258)	(327,225)	(1,428,149)	(2,711,632)	(390,000)
Net position - beginning of year as restated	18,781,997	1,036,202	(1,278,773)	18,539,426	1,873,554
Total net position - ending	\$ 19,094,575	\$ 1,011,216	\$ (1,429,931)	\$ 18,675,860	\$ 1,923,035

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, 2015

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water and Wastewater	Solid Waste Management	Ambulance	
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 6,736,403	\$ 1,919,178	\$ 1,591,807	\$ 10,247,388
Receipts from interfund services provided	-	-	-	-
Payments to suppliers	3,113,143	1,282,006	1,074,877	5,470,026
Payments to employees	1,615,394	636,304	949,072	3,200,770
Net cash provided by operating activities	2,007,866	868	(432,142)	1,576,592
Cash Flows From Noncapital Financing Activities				
Transfers from other funds	-	-	433,000	433,000
Intergovernmental grants	-	-	18,069	18,069
Net cash provided (used) by noncapital financing activities	-	-	451,069	451,069
Cash Flows From Capital and Related Financing Activities				
General Obligation bonds issued	9,432,790	-	-	9,432,790
Bond issuance costs	(177,895)	-	-	(177,895)
Acquisition and construction of capital assets	(813,488)	(7,691)	(26,755)	(847,934)
Disposition of equipment	-	-	-	-
Principal paid on contractual obligations	(10,639,516)	-	-	(10,639,516)
Interest and paying agent fees	(511,834)	-	-	(511,834)
Net cash provided (used) by capital and related financing activities	(2,709,943)	(7,691)	(26,755)	(2,744,389)
Cash Flows From Investing Activities				
Interest and dividends received	16,304	2,580	579	19,463
Redemption of investments	117,130	-	-	117,130
Net cash provided (used) by investing activities	133,434	2,580	579	136,593
Net increase in cash and cash equivalents	(568,643)	(4,243)	(7,248)	(580,134)
Cash and cash equivalents at beginning of year	7,475,903	975,726	13,551	8,465,180
Cash and cash equivalents at end of year	\$ 6,907,260	\$ 971,483	\$ 6,303	\$ 7,885,046
As reported on balance sheet:				
Cash	\$ 6,090,107	\$ 971,483	\$ 6,303	\$ 7,067,893
Restricted Cash	817,153	-	-	817,153
Total cash and cash equivalents at end of year	\$ 6,907,260	\$ 971,483	\$ 6,303	\$ 7,885,046
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	986,003	(27,565)	(602,806)	355,632
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,400,823	16,448	9,652	1,426,923
(Increase) decrease in accounts receivable	29,766	2,158	23,383	55,307
(Increase) decrease in other receivables	-	-	-	-
(Increase) in due from other governments	-	-	(18,720)	(18,720)
(Increase) in due from other funds	-	-	-	-
(Increase) decrease in inventories	-	-	-	-
(Increase) decrease in deferred outflows of resources	(55,303)	(19,032)	(347,164)	(421,499)
Increase (decrease) in accounts payable	(354,470)	23,953	(695)	(331,212)
Increase (decrease) in customer deposits	8,965	-	-	8,965
Increase (decrease) in compensated absences	(303)	405	38,250	38,352
Increase (decrease) in net pension liability	(54,792)	(18,855)	464,305	390,658
Increase (decrease) in landfill post-closure	-	1,542	-	1,542
Increase (decrease) in due to other funds	8,002	2,626	(1,156)	9,472
Increase (decrease) in accrued interest payable	(16,585)	-	-	(16,585)
Increase (decrease) in deferred inflows of resources	55,761	19,189	2,808	77,758
Total adjustments	1,021,863	28,433	170,664	1,220,960
Net cash provided by operating activities	\$ 2,007,866	\$ 868	\$ (432,142)	\$ 1,576,592

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

(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, 2015

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.

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.

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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

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 Commission 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 Commission 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 Commission 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 was one amendment passed this past year and it was material in relation to the original appropriations which were adopted. This amendment decreased revenue by \$290,200 and decreased expenses by \$118,000 in the general fund. The revenue account change was due to decreased oil prices. The most significant expense account amended was associated with lower than anticipated construction costs of the new police station of \$371,709. The remaining amendments to the general fund expenses were across the board with no significant department concentration. Included in the amendment was an increase in Hotel and Motel fund revenue and expenses. The City received higher than anticipated occupancy tax revenue when several hotels were completed during the year. The City was able to increase the monies distributed to the entities within the City receiving the tax revenue for tourism.

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, 2015

G. Cash and Investments

Cash of all funds, including restricted cash, but excluding the Payroll fund, Employee Benefit, SEED, Drug Enforcement, Series 2014 Debt Service Fund, and Well Field Development Debt Service Fund 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.

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.

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 were \$113,147 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 \$817,153 at 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 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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2015

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 Liability

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

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 has one item that qualified for reporting in this category; the deferred outflow related to pension reported in the government-wide Statement of Net Position, Proprietary fund financial statements, and Internal Service fund financial statements.

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 two types of items which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The first is unavailable revenue related to property taxes which 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. The second is the deferred inflow related to pensions reported in the government-wide Statement of Net Position, Proprietary fund financial statements, and Internal Service fund financial statements.

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, 2015

Q. Nature and Purpose of Classifications of Fund Equity

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. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

As of September 30, 2015, fund balances are composed of the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Cemetery care	\$ -	\$ 1,199,074	\$ 1,199,074
Restricted:			
PEG capital costs	113,147	-	113,147
Drug enforcement	-	5,055	5,055
Assigned:			
Senior nutrition program	-	18,853	18,853
Unassigned Fund Balances	<u>4,360,460</u>	<u>-</u>	<u>4,360,460</u>
Total Fund Balances	<u>\$ 4,473,607</u>	<u>\$ 1,222,982</u>	<u>\$ 5,696,589</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. Minimum Fund Balance Policy

The General Fund unrestricted fund balance should be at least 25% of the General Fund annual expenditures. This percentage is the equivalent of 92 days expenditures. The circumstances in which the unrestricted balance can be "spent down" include unforeseen revenue shortfalls, unpredicted one-time expenditures or a deliberate spending of accumulated funds in the Committed or Assigned fund balance categories. The balances would be replenished with budgetary measures in the following fiscal year as appropriate.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

S. 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.

The government-wide statement of net position of the primary government reported restricted net position of \$2,134,429, of which \$118,202 of net position is restricted by enabling legislation.

(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, 2015, 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 \$14,673,713 and its component unit's (SEED) carrying amount of deposits totaled \$6,615,492. The respective bank balances totaled \$14,966,085 and \$6,618,192. 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 \$21,823,272 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 did not have any investments at September 30, 2015.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

(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	\$ 2,245	\$ 942,388	\$ 264,836	\$ 321,095	\$ 1,530,564
Taxes	272,552	-	-	-	272,552
Gross Receivables	274,797	942,388	264,836	321,095	1,803,116
Less: allowance for uncollectibles	(8,264)	(48,332)	(10,066)	(192,248)	(258,910)
Net total receivables	\$ 266,533	\$ 894,056	\$ 254,770	\$ 128,847	\$ 1,544,206

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

(4) Capital Assets

Capital asset activity for the year ended September 30, 2015 was as follows:

Primary Government	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 178,332	\$ -	\$ -	\$ 178,332
Construction in-progress	3,409,550	-	(3,409,550)	-
Total capital assets, not being depreciated:	3,587,882	-	(3,409,550)	178,332
Capital assets, being depreciated:				
Buildings	3,323,703	4,392,896	-	7,716,599
Improvements other than buildings	6,738,082	264,888	-	7,002,970
Machinery and equipment	7,122,283	424,103	-	7,546,386
Total capital assets being depreciated	17,184,069	5,081,887	-	22,265,955
Less accumulated depreciation for:				
Buildings	(2,443,408)	(185,929)	-	(2,629,337)
Improvements other than buildings	(4,527,003)	(213,344)	-	(4,740,347)
Machinery and equipment	(5,221,335)	(393,690)	-	(5,615,025)
Total accumulated depreciation	(12,191,747)	(792,962)	-	(12,984,709)
Total capital assets, being depreciated, net	4,992,322	4,288,925	-	9,281,246
Governmental activities capital assets, net	\$ 8,580,204	\$ 4,288,925	\$ (3,409,550)	\$ 9,459,578

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,415,757	\$ -	\$ -	\$ 2,415,757
Construction in-progress	2,530,983	40,525	(2,530,983)	40,525
Total capital assets, not being depreciated	<u>2,456,282</u>	<u>40,525</u>	<u>(2,530,983)</u>	<u>2,456,282</u>
Capital assets, being depreciated:				
Buildings and system	13,614,164	-	-	13,614,164
Improvements other than buildings	30,260,148	3,100,953	-	33,361,101
Machinery and equipment	4,737,659	237,440	-	4,975,099
Total capital assets being depreciated	<u>48,611,970</u>	<u>3,338,393</u>	<u>-</u>	<u>51,950,364</u>
Less accumulated depreciation for:				
Buildings and system	(6,164,893)	(384,525)	-	(6,549,418)
Improvements other than buildings	(13,504,302)	(960,804)	-	(14,465,106)
Machinery and equipment	(4,409,272)	(81,594)	-	(4,490,866)
Total accumulated depreciation	<u>(24,078,467)</u>	<u>(1,426,924)</u>	<u>-</u>	<u>(25,505,390)</u>
Total capital assets, being depreciated, net	<u>24,533,504</u>	<u>1,911,469</u>	<u>-</u>	<u>26,444,974</u>
Business-type activities capital assets, net	<u>\$ 29,480,244</u>	<u>\$ 1,951,994</u>	<u>\$ (2,530,983)</u>	<u>\$ 28,901,256</u>

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

Governmental activities:	
General government	\$ 11,135
Public safety	228,009
Public works	31,215
Culture and recreation	25,912
Community services	21,388
Airport	164,972
Internal Service	310,331
Total depreciation expense – governmental activities	<u>\$792,962</u>
Business-type activities:	
Water and sewer	\$1,400,823
Solid waste management	16,448
Ambulance	9,653
Total depreciation expense – business-type activities	<u>\$1,426,924</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

Discretely Presented Component Unit

Activity for SEED for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 193,981	\$ 44,030	\$ -	\$ 238,011
Total capital assets, not being depreciated	<u>193,981</u>	<u>44,030</u>	<u>-</u>	<u>238,011</u>
Capital assets, being depreciated:				
Machinery and equipment	401,276	-	-	401,276
Total capital assets being depreciated	<u>401,276</u>	<u>-</u>	<u>-</u>	<u>401,276</u>
Less accumulated depreciation for:				
Machinery and equipment	(6,553)	(20,064)	-	(26,617)
Total accumulated depreciation	<u>(6,553)</u>	<u>(20,064)</u>	<u>-</u>	<u>(26,617)</u>
Total capital assets, being depreciated, net	<u>394,723</u>	<u>(20,064)</u>	<u>-</u>	<u>374,659</u>
SEED capital assets, net	<u>\$ 588,704</u>	<u>\$ 23,966</u>	<u>\$ -</u>	<u>\$ 612,670</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, 2015, bonds payable consisted of the following individual issues:

	<u>Business-Type Activities</u>
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%.	4,190,000
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%.	1,840,000
2015 Combination Tax & Revenue Refunding Bonds, dated May 1, 2015 for \$8,480,000 due in annual installments through August 15, 2025, bearing interest rates of 2% to 3.5%.	<u>8,415,000</u>
Total Bonds Payable	<u>\$ 14,445,000</u>

All three bond issues 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. If the City has sufficient surplus revenues set aside and available in advance of the time when ad valorem taxes are scheduled to be levied for any year, they have the option of reducing the required tax levy required to be deposited in the interest and sinking fund. The City has chosen to set aside adequate surplus water revenues, thus reducing the required ad valorem tax requirement to zero. The City has not adopted an interest and sinking tax rate and considers all debt to be enterprise fund debt to be repaid by enterprise fund revenue.

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, 2015.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

Changes in Outstanding Debt

Transactions for the year ended September 30, 2015 are summarized as follows:

	Balance September 30, 2014	New Issue or Additions	Payments or Expenditures	Balance September 30, 2015	Due Within One Year
<u>Governmental Activities</u>					
Net pension liability	\$ 380,417	\$ 5,478,164	\$ 481,879	\$ 5,376,702	\$ -
Compensated Absences	519,111	9,141	38,596	489,656	48,966
Total Governmental Activities	\$ 899,528	\$ 5,487,305	\$ 520,475	\$ 5,866,358	\$ 48,966
<u>Business-type Activities</u>					
General Obligation Bonds	13,560,000	8,480,000	9,435,000	12,605,000	1,345,000
Certificates of Obligation	2,975,000	-	1,135,000	1,840,000	95,000
Bond premium	178,892	952,790	69,516	1,062,166	125,095
Total bonds payable	16,713,892	9,432,790	10,639,516	15,507,166	1,565,095
Landfill post-closure	110,147	1,542	-	111,689	-
Net pension liability	167,071	3,641,667	243,477	3,565,261	-
Compensated Absences	176,478	38,655	304	214,830	21,483
Total Business-type Activities	\$ 17,167,588	\$ 13,114,654	\$ 10,883,296	\$ 19,398,946	\$ 1,586,578

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.

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

Bond Accrued Interest Payable	\$ 51,705
Current Maturities of Bonds	765,449
Total Interest and Sinking Fund	\$ 817,154

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to September 30, 2015 are as follows:

Year Ending <u>September 30</u>	Enterprise Fund Debt		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	1,440,000	410,265	1,850,265
2017	1,470,000	378,590	1,848,590
2018	1,190,000	351,090	1,541,090
2019	1,235,000	318,240	1,553,240
2020	1,270,000	283,878	1,553,878
2021 - 2025	6,960,000	821,851	7,781,851
2026 - 2030	530,000	86,055	616,055
2031 - 2033	350,000	19,289	369,289
	<u>\$ 14,445,000</u>	<u>\$ 2,669,255</u>	<u>\$ 17,114,255</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

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	Capital Assets - Net	Related Debt	Unspent Debt Proceeds	Total
Water and Sewer Fund	<u>\$28,901,256</u>	<u>\$15,507,166</u>	<u>\$ -</u>	<u>\$13,394,090</u>

(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, 2015 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 participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

Vesting and Retirement Eligibility

TMRS members vest after 5 years of service. If a vested member leaves covered employment before reaching retirement eligibility, the member may leave his or her deposits with TMRS, earn interest on the deposits, and, upon reaching age 60, apply for and receive a monthly retirement payment. A member becomes eligible for service retirement based on various combinations of age and service, depending on which provisions have been adopted by the employing municipality. The City of Sweetwater has adopted a 5 yrs/age 60, 25 yrs/any age provision for their service retirement eligibilities.

Cost of Living adjustments

Cost-of-living adjustments are calculated at a 2.1% rate.

Employees covered by benefit terms

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	70
Inactive employees entitled to but not yet receiving benefits	30
Active employees	<u>106</u>
	206

Contributions

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

Employees for the City of Sweetwater were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 19.97% and 19.19% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$957,565 and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

Actuarial assumptions:

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	<u>5.0%</u>	8.50%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
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available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	[a]	[b]	[a] – [b]
Balance at 12/31/2013	\$ 27,664,348	\$ 22,062,165	\$ 5,602,183
Changes for the year:			
Service cost	671,107	-	671,107
Interest	1,911,569	-	1,911,569
Difference between expected and actual experience	(329,247)	-	(329,247)
Changes in assumptions	-	-	-
Contributions – employer	-	930,310	(930,310)
Contributions – employee	-	326,100	(326,100)
Net investment income	-	1,262,036	(1,262,036)
Benefit payments, including refunds of employee contributions	(1,383,552)	(1,383,552)	-
Administrative expense	-	(13,177)	13,177
Other changes	-	(1,083)	1,083
Net changes	<u>\$ 869,877</u>	<u>\$ 1,120,634</u>	<u>\$ (250,757)</u>
Balance at 12/31/2014	<u>\$ 28,534,225</u>	<u>\$ 23,182,799</u>	<u>\$ 5,351,426</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	Discount rate	Net pension liability
1% decrease	6.0%	\$ 9,170,200
Current discount rate	7.0%	\$ 5,351,426
1% increase	8.0%	\$ 2,196,091

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tMrs.com.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
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Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015 the city recognized pension expense of \$708,896.

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 255,196
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	225,853	-
Contributions subsequent to the measurement date	708,968	-
Total	<u>\$ 934,821</u>	<u>\$ 255,196</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending Dec 31:	
2016	\$ (17,588)
2017	(17,588)
2018	(17,588)
2019	23,421
2020	-
Thereafter	-

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 2014 and 2015.

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 2015, 2014 and 2013 were \$11,485, \$11,112, and \$10,715 respectively, which equaled the required contributions each year.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
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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.

Authority for the Fund and Definitions

The Sweetwater Firemen's Relief and Retirement Fund is established under the authority of the Texas Local Fire Fighter's Retirement Act (TLFFRA). The fund is administered by a Board of Trustees. The Board is made up of three members elected from and by the fund's members, two representatives of the City of Sweetwater, Texas, and two citizen members.

The City of Sweetwater contributes 16.0 percent of each member's total pay (including regular, longevity and overtime pay, but excluding lump sum distributions for unused sick leave, or vacation).

Fund members contribute to the fund at a rate of 16.0 percent of pay. Employee 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.

Fund members receive credit for service for the period during which they pay into, and keep on deposit in the fund, the contributions required by the fund. Service is also granted for certain periods during which a member received disability benefits from the fund; however, service granted during periods of disability is limited to the amount of service, if any, needed to bring a member's service up to 20 years.

Retirement, death, disability, and termination benefits are calculated based upon a member's average monthly salary for the three consecutive-year period which produce the highest average.

The fund was established November 3, 1941, and was most recently amended August 28, 2014.

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 percent of the 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

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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:

- a. excessive and habitual use of drugs, intoxicants, or narcotics;
- b. injury or disease sustained while willfully and illegally participating in fights, riots, civil insurrections, or while committing a felony;
- c. injury or disease sustained while serving in the armed forces;
- d. injury or disease diagnosed or discovered subsequent to termination of employment; or
- e. 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.

Definition of Disability

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 for 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.

Amount of Disability Benefit

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

- a. equals 79 percent of the 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 either he or his spouse is living.

If a disabled member receives workers' 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) two-thirds of any additional service benefit earned by the member as of the date of his death.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2015

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 to the above widow's benefit, 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.

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.

Amount of Monthly Retirement Income to DROP Program Participants

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 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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

Employees covered by the plan

At December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	24
Terminated employees entitled to but not yet receiving benefits	0
Active members	<u>26</u>
Total	50

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 8.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate:

	<u>Discount rate</u>	<u>Net pension liability</u>
1% decrease	7.0%	\$ 2,411,588
Current discount rate	8.0%	\$ 3,590,537
1% increase	9.0%	\$ 5,001,579

Investments and the Long-term Expected rate of Return on Pension Plan Assets

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
1 Cash & short-term fixed income	0.49%	0.00%
2 Fixed income		
(a) Investment Grade	17.16%	3.00%
(b) High Yield	8.98%	5.00%
3 Equities, Real Estate, and Alternate Investments		
(a) All-cap	11.34%	5.75%
(b) Large-cap	12.37%	6.75%
(c) Smid-cap	4.98%	8.25%
(d) Smid-cap value	2.55%	8.75%
(e) Small-cap	4.56%	8.25%
(f) Emerging markets	4.88%	6.00%
(g) Global equity	13.93%	5.80%
(h) Real estate	3.33%	7.75%
(i) Income Opportunity Fund	10.21%	6.00%
(j) Master limited partnership	2.96%	9.00%
(k) Strategic global convertibles	<u>2.26%</u>	6.75%
Total	<u>100.00%</u>	

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	[a]	[b]	[a] – [b]
Balance at 12/31/2013	\$ 10,846,737	\$ 8,128,910	\$ 2,717,827
Changes for the year:			
Service cost	327,271	-	327,271
Interest	865,092	-	865,092
Difference between expected and actual experience	(971,741)	-	(971,741)
Changes in assumptions	1,473,737	-	1,473,737
Contributions – employer	-	221,847	(221,847)
Contributions – employee	-	221,847	(221,847)
Net investment income	-	639,233	(639,233)
Benefit payments, including refunds of employee contributions	(686,376)	(686,376)	-
(Gain) or Loss due to differences in Projected vs. Actual earnings	-	(226,941)	226,941
Administrative expense	-	(34,337)	34,337
Other changes	-	-	-
Net changes	<u>\$ 1,007,983</u>	<u>\$ 135,273</u>	<u>\$ 872,710</u>
Balance at 12/31/2014	<u>\$ 11,854,720</u>	<u>\$ 8,264,183</u>	<u>\$ 3,590,537</u>

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.

(9) Individual Fund Disclosures

For fiscal year ended September 30, 2015, 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	Golf Course	\$ 1,403

This over-expenditures were funded by decreased expenditures in other departments.

(10) Fund Balance Deficit

The Ambulance Enterprise Fund had a deficit fund balance at September 30, 2015 of \$1,429,931. This deficit is due to the implementation of GASB 68 and the requirement to restate beginning net position for prior period liability and the reclassification of contributions subsequent to the measurement date of December 31, 2014.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

The Firemen's Relief and Retirement Board is in the process of reviewing the contribution rates and will raise the rates in order to comply with the pension board guidelines necessary to get the amortization period below 40 years. This reduction will be accomplished within 10 years

(11) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2015, is as follows:

	Due From	Due To
General fund	\$ -	\$ 72,203
Non-major governmental funds:		
Senior nutrition activities project	-	576
Cemetery	2,988	328
Major proprietary funds:		
Water and wastewater fund	-	29,929
Solid waste management fund	-	43,826
Ambulance	-	6,799
Internal service fund		
Central garage and stores	150,673	-
	<u>\$ 153,661</u>	<u>\$ 153,661</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.

	Transfers In	Transfers Out
General Fund	\$ -	\$ 643,849
Non-major governmental funds:		
Senior nutrition activities project	170,000	-
Cemetery	40,849	-
Major business-type fund		
Ambulance	433,000	-
	<u>\$ 643,849</u>	<u>\$ 643,849</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.

(12) 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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

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 \$1,018,082 in health claims and stop-loss premiums for the year ended September 30, 2015. The City contributed \$812,137 and City employees contributed \$276,500 to the health insurance program for the year ended September 30, 2015. 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 \$ 1,384,921.

Incurred but not reported estimated health claims have been accrued as a liability based on the claims submitted after September 30, 2015, and on the City's remaining exposure under the aggregate stop-loss insurance coverage. The estimated liability for health claims is \$76,436 at September 30, 2015.

	<u>Balance at Beginning Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance At End of Fiscal Year</u>
2012-2013	\$ 69,264	\$ 1,116,675	\$ 1,115,417	\$ 70,522
2013-2014	\$ 70,522	\$ 1,218,011	\$ 1,262,075	\$ 26,458
2014-2015	\$ 26,458	\$ 1,018,082	\$ 1,120,976	\$ 76,436

(13) 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.

(14) 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.

(15) Construction Commitments

The City has active construction projects at fiscal year end. The key projects in progress include SCADA system upgrades, and a water distribution 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>
Business-Type Activities		
Water and sewer	\$ 40,525	\$ 21,593

These commitments will be funded through unrestricted cash.

(16) 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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2015

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 \$94,373 and the post-closure cost estimate is \$17,316. The estimated remaining landfill capacity is 4 years.

(17) New Pronouncements

Implemented

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 implementation of Statements No. 68 and No. 71 resulted in the reporting of a deferred outflow of resources, a liability and a deferred inflow of resources related to the City's participation in the Texas Municipal Retirement System (TMRS) and Sweetwater Firemen's Relief and Retirement Fund (FRR). The City's net position has been restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position beginning of year, as previously stated	\$15,520,975	\$21,251,058
GASB Statements 68 and 71 implementation:		
Beginning System liability - TMRS	(3,895,207)	(1,706,976)
Beginning System liability - FRR	(1,250,200)	(1,467,627)
Beginning deferred outflow of resources for		
Contributions subsequent to the measurement date:		
TMRS	474,000	207,718
FRR	75,031	88,182
Eliminate prior year phase-in rate liability	380,417	167,071
Net position - beginning as restated	<u>\$ 11,305,016</u>	<u>\$ 18,539,426</u>

Recently Issued Accounting Pronouncements

The GASB has issued the following statement which will become effective in future years.

Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" - This statement changes the focus of accounting of postemployment benefits other than pensions from whether they are responsibility funding the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the City in fiscal year 2018.

Statement No. 77, "Tax Abatement Disclosures" - This statement requires governments that enter into tax abatement agreement to provide certain disclosures regarding these commitments. This statement will become effective for the City in fiscal year 2017.

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

CITY OF SWEETWATER, TEXAS

Texas Municipal Retirement System Schedule of Changes in Net Pension Liability and Related Ratios Last 10 years (will ultimately be displayed)

	Measurement Year <u>2014</u>
Total pension liability	
Service Cost	\$ 671,107
Interest (on the Total Pension Liability)	1,911,569
Changes of benefit terms	-
Difference between expected and actual experience	(329,247)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,383,552)</u>
Net Change in Total Pension Liability	869,877
Total Pension Liability - Beginning	<u>27,664,348</u>
Total Pension Liability - Ending (a)	<u><u>\$ 28,534,225</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 930,310
Contributions - Employee	326,100
Net Investment Income	1,262,036
Benefit payments, including refunds of employee contributions	(1,383,552)
Administrative Expense	(13,177)
Other	<u>(1,083)</u>
Net change in Plan Fiduciary Net Position	1,120,634
Plan Fiduciary Net Position - Beginning	<u>22,062,165</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 23,182,799</u></u>
Net Pension Liability - Ending (a) - (b)	\$ 5,351,426
Plan Fiduciary Net Position as a % of Total Pension Liability	81.25%
Covered Employee Payroll	\$ 4,658,574
Net Pension Liability as a % of Covered Employee Payroll	114.87%

Notes to Schedule:

N/A

CITY OF SWEETWATER, TEXAS

Texas Municipal Retirement System
 Schedule of Contributions
 Last 10 years (will ultimately be displayed)

	9/30/2015
Actuarially Determined Contribution	\$ 957,565
Contributions in relation to the actuarially determined contribution	\$ 957,565
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 4,581,299
Contributions as a percentage of covered employee payroll	21%

Notes to Schedule of Contributions

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, closed
Remaining Amortization Period	21 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005-2009.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other information:

Notes

There were no benefit changes during the year.

CITY OF SWEETWATER, TEXAS

Sweetwater Firemen's Relief and Retirement Fund Schedule of Changes in Net Pension Liability and Related Ratios Last 10 years (will ultimately be displayed)

	Measurement Year <u>2014</u>
Total pension liability	
Service Cost	\$ 327,271
Interest (on the Total Pension Liability)	865,092
Changes of benefit terms	-
Difference between expected and actual experience	(971,741)
Change of assumptions	1,473,737
Benefit payments, including refunds of employee contributions	<u>(686,376)</u>
Net Change in Total Pension Liability	1,007,983
Total Pension Liability - Beginning	<u>10,846,737</u>
Total Pension Liability - Ending (a)	<u><u>\$ 11,854,720</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 221,847
Contributions - Employee	221,847
Projected earnings on plan investments	639,233
Gain (Loss) due to differences in projected vs actual earnings	(226,941)
Benefit payments, including refunds of employee contributions	(686,376)
Administrative Expense	(34,337)
Other	<u>-</u>
Net change in Plan Fiduciary Net Position	135,273
Plan Fiduciary Net Position - Beginning	<u>8,128,910</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 8,264,183</u></u>
Net Pension Liability - Ending (a) - (b)	\$ 3,590,537
Plan Fiduciary Net Position as a % of Total Pension Liability	69.71%
Covered Employee Payroll	\$ 1,386,544
Net Pension Liability as a % of Covered Employee Payroll	258.96%

Notes to Schedule:

N/A

CITY OF SWEETWATER, TEXAS

Sweetwater Firemen's Relief and Retirement Fund
 Schedule of Contributions
 Last 10 years (will ultimately be displayed)

	9/30/2015
Actuarially Determined Contribution	\$ 231,566
Contributions in relation to the actuarially determined contribution	\$ 231,566
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 1,447,285
Contributions as a percentage of covered employee payroll	21%

Notes to Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates for the December 31, 2014 measurement date were based on the contracted contribution rates.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of pay, open
Remaining Amortization Period	58.8 years
Asset Valuation Method	5-year smoothed market value with a 20% of market value corridor
Inflation	3.00%
Salary Increases	4.50%
Investment Rate of Return	8.00%
Retirement Age	Age 54
Mortality	Employee and healthy annuitant combined rates from the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females.

Other information:

Notes There have been no benefit changes since the December 21, 2014 valuation date.

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, 2015

	Senior Nutrition Activities Project	Hotel and Motel Fund	Cemetery Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
Assets					
Current cash and cash equivalents	\$ 3,364	\$ 155,800	\$ 1,199,402	\$ 5,055	\$ 1,363,621
Due from other funds	-	-	-	-	-
Due from other governments	23,963	-	-	-	23,963
Total assets	\$ 27,327	\$ 155,800	\$ 1,199,402	\$ 5,055	\$ 1,387,584
Liabilities					
Accounts payable	7,898	-	-	-	7,898
Due to other funds	576	-	328	-	904
Due to other governments	-	155,800	-	-	155,800
Total liabilities	8,474	155,800	328	-	164,602
Fund Balances					
Nonspendable - Perpetual Cemetery Care	-	-	1,199,074	-	1,199,074
Restricted for drug enforcement	-	-	-	5,055	5,055
Assigned for senior nutrition program	18,853	-	-	-	18,853
Total fund balances	18,853	-	1,199,074	5,055	1,222,982
Total liabilities and fund balances	\$ 27,327	\$ 155,800	\$ 1,199,402	\$ 5,055	\$ 1,387,584

CITY OF SWEETWATER, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended September 30, 2015

	Senior Nutrition Activities Project	Hotel and Motel Fund	Cemetery Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
Revenues					
Occupancy tax	\$ -	\$ 715,835	\$ -	\$ -	\$ 715,835
Intergovernmental	220,048	-	-	-	220,048
Charges for services	-	-	7,400	-	7,400
Investment income	-	-	2,772	18	2,790
Contributions and donations	42,421	-	-	10,917	53,338
Miscellaneous	479	-	13,800	-	14,279
Total revenues	262,948	715,835	23,972	10,935	1,013,690
Expenditures					
Current:					
Public safety	-	-	-	13,070	13,070
Culture and recreation	-	715,835	-	-	715,835
Community services	425,102	-	43,205	-	468,307
Total expenditures	425,102	715,835	43,205	13,070	1,197,212
Excess (deficiency) of revenues over (under) expenditures	(162,154)	-	(19,233)	(2,135)	(183,522)
Other Financing Sources (Uses):					
Transfers in	170,000	-	40,849	-	210,849
Transfers out	-	-	-	-	-
Net change in fund balances	7,846	-	21,616	(2,135)	27,327
Fund balances - beginning	11,007	-	1,177,458	7,190	1,195,655
Fund balances - ending	\$ 18,853	\$ -	\$ 1,199,074	\$ 5,055	\$ 1,222,982

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 230,500	\$ 230,500	\$ 220,048	\$ (10,452)
Contributions and donations	34,000	42,200	42,421	221
Miscellaneous	8,000	-	479	479
Total revenues	<u>272,500</u>	<u>272,700</u>	<u>262,948</u>	<u>(9,752)</u>
Expenditures				
Current:				
Community services	438,742	435,712	425,102	10,610
Total expenditures	<u>438,742</u>	<u>435,712</u>	<u>425,102</u>	<u>10,610</u>
Excess (deficiency) of revenues over (under) expenditures	(166,242)	(163,012)	(162,154)	858
Other Financing Sources (Uses):				
Transfers in	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>
Net change in fund balances	3,758	6,988	7,846	858
Fund balances - beginning	<u>11,007</u>	<u>11,007</u>	<u>11,007</u>	<u>-</u>
Fund balances - ending	<u>\$ 14,765</u>	<u>\$ 17,995</u>	<u>\$ 18,853</u>	<u>\$ 858</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Occupancy tax	\$ 450,000	\$ 806,412	\$ 715,835	\$ (90,577)
Total revenues	<u>450,000</u>	<u>806,412</u>	<u>715,835</u>	<u>(90,577)</u>
Expenditures				
Current:				
Culture and recreation	450,000	806,412	715,835	90,577
Total expenditures	<u>450,000</u>	<u>806,412</u>	<u>715,835</u>	<u>90,577</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 4,000	\$ 8,000	\$ 7,400	\$ (600)
Miscellaneous	19,000	13,000	13,800	800
Investment income	3,000	3,000	2,772	(228)
Total revenues	<u>26,000</u>	<u>24,000</u>	<u>23,972</u>	<u>(28)</u>
Expenditures				
Current:				
Community services	<u>45,665</u>	<u>46,608</u>	<u>43,205</u>	<u>3,403</u>
Total expenditures	<u>45,665</u>	<u>46,608</u>	<u>43,205</u>	<u>3,403</u>
Excess (deficiency) of revenues over (under) expenditures	(19,665)	(22,608)	(19,233)	3,375
Other Financing Sources (Uses):				
Transfers in	<u>20,000</u>	<u>42,100</u>	<u>40,849</u>	<u>(1,251)</u>
Net change in fund balances	335	19,492	21,616	2,124
Fund balances - beginning	<u>1,177,458</u>	<u>1,177,458</u>	<u>1,177,458</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,177,793</u>	<u>\$ 1,196,950</u>	<u>\$ 1,199,074</u>	<u>\$ 2,124</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, 2015

	Central Garage and Stores	Employee Benefit Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 578,987	\$ 168,561	\$ 747,548
Due from other funds	150,673	-	150,673
Due from other governments	45	-	45
Inventory	<u>40,211</u>	<u>-</u>	<u>40,211</u>
Total current assets	<u>769,916</u>	<u>168,561</u>	<u>938,478</u>
Capital assets:			
Buildings	145,573	-	145,573
Improvements other than buildings	37,361	-	37,361
Machinery and equipment	6,038,811	-	6,038,811
Less accumulated depreciation	<u>(4,614,336)</u>	<u>-</u>	<u>(4,614,336)</u>
Total capital assets (net of accumulated depreciation)	<u>1,607,409</u>	<u>-</u>	<u>1,607,409</u>
Total assets	<u>2,377,325</u>	<u>168,561</u>	<u>2,545,887</u>
Deferred Outflows of Resources			
Pension Plan	<u>83,678</u>	<u>-</u>	<u>83,678</u>
Liabilities			
Current Liabilities:			
Accounts payable	<u>112,861</u>	<u>76,436</u>	<u>189,297</u>
Total current liabilities	<u>112,861</u>	<u>76,436</u>	<u>189,297</u>
Noncurrent liabilities:			
Net pension liability	479,019	-	479,019
Accrued compensated absences	<u>15,370</u>	<u>-</u>	<u>15,370</u>
Total noncurrent liabilities	<u>494,389</u>	<u>-</u>	<u>494,389</u>
Total liabilities	<u>607,250</u>	<u>76,436</u>	<u>683,686</u>
Deferred Inflows of Resources			
Pension Plan	<u>22,843</u>	<u>-</u>	<u>22,843</u>
Net Assets			
Net investment in capital assets	1,607,409	-	1,607,409
Unrestricted	<u>223,501</u>	<u>92,125</u>	<u>315,626</u>
Total net position	<u>\$ 1,830,910</u>	<u>\$ 92,125</u>	<u>\$ 1,923,035</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, 2015

	Central Garage and Stores	Employee Benefit Fund	Total
Operating revenues:			
Charges for services	\$ 1,162,064	\$ 1,620,069	\$ 2,782,132
Miscellaneous	11,533	-	11,533
	<u>1,173,596</u>	<u>1,620,069</u>	<u>2,793,665</u>
Operating expenses:			
Personal services	648,518	-	648,518
Supplies	48,923	-	48,923
Other services and charges	201,372	1,536,556	1,737,928
Depreciation	310,332	-	310,332
	<u>1,209,145</u>	<u>1,536,556</u>	<u>2,745,701</u>
Operating income	<u>(35,549)</u>	<u>83,514</u>	<u>47,964</u>
Nonoperating revenues (expenses):			
Interest income	<u>1,249</u>	<u>268</u>	<u>1,517</u>
Change in net position	(34,300)	83,781	49,481
Total net position - beginning	2,255,210	8,344	2,263,554
Prior period adjustment	(390,000)	-	(390,000)
Net position - beginning of year as restated	1,865,210	8,344	1,873,554
Total net position - ending	<u>\$ 1,830,910</u>	<u>\$ 92,125</u>	<u>\$ 1,923,035</u>

CITY OF SWEETWATER, TEXAS

Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2015

	Central Garage and Stores	Employee Benefit Fund	Total
Cash Flows From Operating Activities			
Receipts from interfund services provided	\$ 1,173,595	\$ 1,620,069	\$ 2,793,664
Payments to suppliers	182,202	1,486,579	1,668,781
Payments to employees	671,631	-	671,631
Net cash provided by operating activities	<u>319,762</u>	<u>133,490</u>	<u>453,252</u>
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(107,838)	-	(107,838)
Disposition of equipment	-	-	-
Net cash used by capital and related financing activities	<u>(107,838)</u>	<u>-</u>	<u>(107,838)</u>
Cash Flows From Investing Activities			
Interest and dividends received	1,249	268	1,517
Net cash provided (used) by investing activities	<u>1,249</u>	<u>268</u>	<u>1,517</u>
Net increase (decrease) in cash and cash equivalents	213,174	133,759	346,933
Cash and cash equivalents at beginning of year	365,813	34,802	400,615
Cash and cash equivalents at end of year	<u>\$ 578,987</u>	<u>\$ 168,561</u>	<u>\$ 747,548</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	(35,549)	83,514	47,965
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	310,332	-	310,332
(Increase) decrease in other receivables	-	-	-
(Increase) decrease in due from other funds	(14,143)	-	(14,143)
(Increase) in due from other governments	202	-	202
(Increase) decrease in inventories	(10,094)	-	(10,094)
(increase) decrease in deferred outflows of resources	(22,656)	-	(22,656)
Increase (decrease) in accounts payable	92,128	49,977	142,105
Increase (decrease) in net pension liability	(22,446)	-	(22,446)
Increase (decrease) in compensated absences	(854)	-	(854)
Increase (decrease) in deferred inflows of resources	22,843	-	22,843
Total adjustments	<u>355,311</u>	<u>49,977</u>	<u>405,288</u>
Net cash provided by operating activities	<u>\$ 319,762</u>	<u>\$ 133,490</u>	<u>\$ 453,252</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 Comparative Schedules By Source September 30, 2015 and 2014

	2015	2014
General fixed assets:		
Land	\$ 178,332	\$ 178,332
Construction in-progress	-	3,409,552
Buildings	7,571,026	3,178,130
Improvements other than buildings	6,965,609	6,700,720
Machinery and equipment	1,507,575	1,191,311
 Total governmental funds capital assets	 \$ 16,222,542	 \$ 14,658,045
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	6,932,831	5,369,224
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	2,718,492	2,717,602
 Total governmental funds capital assets	 \$ 16,222,542	 \$ 14,658,045

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
Schedule by Function and Activity
September 30, 2015

	Total	Land	Construction in-progress	Building	Improvements other than Building	Machinery and Equipment
General government:						
Administration	\$ 66,628	-	\$ -	-	\$ 39,000	\$ 27,628
General government buildings	532,872	9,000	-	280,755	142,159	100,958
Total general government	599,500	9,000	-	280,755	181,159	128,586
Public safety:						
Police protection	5,767,885	20,472	-	4,525,643	488,522	733,248
Fire protection	1,528,215	81,451	-	1,025,710	83,512	337,542
Civil defense	107,299	-	-	-	63,824	43,475
Total public safety	7,403,399	101,923	-	5,551,353	635,858	1,114,265
Public works:						
Streets and highways	1,885,056	800	-	-	1,847,759	36,497
Recycling center	35,113	-	-	-	24,219	10,894
Animal control	26,509	-	-	26,509	-	-
Total Public works	1,946,678	800	-	26,509	1,871,978	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	536,437	-	-	-	531,960	4,477
Total culture and recreation	1,827,820	24,870	-	121,317	1,603,249	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	601,838	-	-	494,358	8,726	98,754
Total community services	848,864	4,500	-	726,884	18,726	98,754
Airport	3,596,282	37,239	-	864,208	2,654,640	40,195
Total governmental funds capital assets	\$ 16,222,542	\$ 178,332	\$ -	\$ 7,571,026	\$ 6,965,609	\$ 1,507,575

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 of Changes By Function and Activity For the Fiscal Year Ended September 30, 2015

	Governmental Funds Capital Assets 10/01/14	Additions	Deductions	Governmental Funds Capital Assets 09/30/15
General government:				
Administration	\$ 27,628	\$ 39,000	\$ -	\$ 66,628
General government buildings	519,847	13,025	-	532,872
Total general government	<u>547,475</u>	<u>52,025</u>	<u>-</u>	<u>599,500</u>
Public safety:				
Police protection	4,367,700	1,400,186	-	5,767,885
Fire protection	1,480,209	48,006	-	1,528,215
Civil defense	107,299	-	-	107,299
Total public safety	<u>5,955,208</u>	<u>1,448,192</u>	<u>-</u>	<u>7,403,399</u>
Public works:				
Streets and highways	1,868,055	17,001	-	1,885,056
Recycling center	35,113	-	-	35,113
Animal control	9,119	17,390	-	26,509
Total public works	<u>1,912,287</u>	<u>34,391</u>	<u>-</u>	<u>1,946,678</u>
Culture and recreation:				
Parks and cemetery	1,031,635	-	-	1,031,635
Golf course	259,748	-	-	259,748
Swimming pool	523,437	13,000	-	536,437
Total culture and recreation	<u>1,814,820</u>	<u>13,000</u>	<u>-</u>	<u>1,827,820</u>
Community Services:				
Municipal auditorium	38,850	-	-	38,850
Health department	43,719	-	-	43,719
Museum	164,457	-	-	164,457
SNAP	600,948	890	-	601,838
Total community services	<u>847,974</u>	<u>890</u>	<u>-</u>	<u>848,864</u>
Airport	3,580,282	16,000	-	3,596,282
Total governmental funds capital assets	<u>\$ 14,658,045</u>	<u>\$ 1,564,497</u>	<u>\$ -</u>	<u>\$ 16,222,542</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.

STATISTICAL SECTION

(Unaudited)

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.	76-82
Revenue Capacity These schedules contain information to help readers assess the City’s most significant local revenue source-its property tax.	83-88
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.	89-92
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.	93-94
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.	95-97

CITY OF SWEETWATER, TEXAS

Net Position by Component
Last Ten Fiscal Years

(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Invested in capital assets, net of related debt	\$ 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	\$ 9,459,578
Restricted	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	1,317,276
Unrestricted	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	294,285
Total governmental activities net position	\$ 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	\$ 11,071,139
Business-type activities										
Invested in capital assets, net of related debt	\$ 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	\$ 13,394,090
Restricted	2,382,711	845,137	92,991	677,857	686,668	709,175	712,235	715,354	759,967	817,153
Unrestricted	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	4,464,617
Total business-type activities net position	\$ 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	\$ 18,675,860
Primary government										
Net investment in capital assets	\$ 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	\$ 22,853,668
Restricted	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	2,134,429
Unrestricted	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	4,758,902
Total primary government net position	\$ 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	\$ 29,746,999

Notes: The City implemented GASB Statement No. 65 in fiscal year 2014. The amounts for all fiscal years presented have been restated for the effects of this standard. The City implemented GASB Statement No. 68 in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

CITY OF SWEETWATER, TEXAS

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

(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,557,499
Public safety	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	4,491,188
Public works	806,438	851,027	802,182	940,334	975,452	1,101,889	1,007,398	1,072,818	1,056,515	1,057,291
Culture and recreation	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	1,392,756
Community services	369,565	398,673	418,674	448,606	486,967	530,442	491,645	502,840	555,465	544,645
Airport	127,386	143,550	143,388	159,763	168,676	230,145	322,991	452,828	413,656	376,425
Total governmental activities expenses	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	9,419,804
Business-type activities:										
Water and sewer	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	6,401,399
Ambulance	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	2,189,949
Solid waste management	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	1,944,585
Total business-type activities expenses	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	10,535,933
Total primary government expenses	\$ 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	\$ 19,955,737

CITY OF SWEETWATER, TEXAS

Changes in Net Position
Last Ten Fiscal Years

(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Continued										
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 1,277,724
Public works	2,625	1,731	596	538	430	24,419	16,560	21,673	3,363	3,495
Culture and recreation	246,781	249,599	385,645	371,134	371,340	375,378	360,077	365,182	364,659	375,659
Community services	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	160,902
Operating grants and contributions	222,728	249,236	283,225	412,667	297,460	329,867	267,093	392,616	367,386	287,101
Capital grants and contributions	-	-	-	482,996	21,680	170,168	690,376	472,375	-	-
Total governmental activities program revenues	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	2,104,881
Business-type activities:										
Charges for services:										
Water and sewer	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	6,558,087
Ambulance	789,003	884,688	962,153	1,003,307	1,113,400	1,030,757	1,102,030	1,566,407	1,533,151	1,582,404
Solid waste management	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	1,895,226
Operating grants and contributions	-	148,006	-	20,491	21,787	2,800	10,832	20,454	9,979	18,069
Capital grants and contributions	112,258	2,186	20,000	-	23,000	-	252,083	-	-	-
Total business-type activities program revenues	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	10,053,786
Total primary government program revenues	\$ 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	\$ 12,158,667
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (7,314,923)
Business-type activities	197,468	(87,807)	571,275	279,508	256,580	1,389,740	1,131,946	1,368,359	264,640	(482,147)
Total primary government net expense	\$ (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)	\$ (7,797,070)

CITY OF SWEETWATER, TEXAS

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Continued										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$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	\$2,045,818
Sales taxes	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	2,841,341
Franchise taxes	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	1,151,119
Other taxes	304,300	467,204	475,269	459,250	352,334	433,575	505,979	572,910	620,562	723,538
Investment earnings	149,702	209,336	144,081	36,990	29,264	29,041	22,017	24,761	25,297	19,517
Miscellaneous	1,017,518	447,490	706,026	560,679	757,485	914,358	1,314,414	861,174	1,006,410	732,713
Special item	-	-	-	-	-	-	531,339	4,521	-	-
Transfers	(150,000)	(185,000)	(150,000)	(267,500)	(220,000)	(318,000)	(401,000)	(365,500)	(410,000)	(433,000)
Total governmental activities	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	\$7,081,046
Business-type activities:										
Investment earnings	167,775	217,915	251,663	47,109	19,266	27,538	22,459	23,304	20,667	19,463
Miscellaneous	116,929	51,230	120,997	162,242	100,312	363,534	89,737	77,793	86,433	166,118
Special item	-	-	(1,332,927)	-	-	-	-	-	-	-
Transfers	150,000	185,000	150,000	267,500	220,000	318,000	401,000	365,500	410,000	433,000
Total business-type activities	434,703	454,145	(810,268)	476,852	339,578	709,072	513,196	466,597	517,100	618,581
Total primary government	\$ 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	\$ 7,699,628
Change in Net Position										
Governmental activities	\$ 1,279,999	\$ 474,284	\$ 992,671	\$ 407,647	\$ 161,242	\$ 839,012	\$ 2,288,920	\$ 674,380	\$ 446,387	\$ (233,877)
Business-type activities	632,172	366,338	(238,993)	756,360	596,158	2,098,811	1,645,141	1,834,958	781,740	136,434
Total primary government	\$ 1,912,171	\$ 840,620	\$ 753,678	\$ 1,164,007	\$ 757,400	\$ 2,937,823	\$ 3,934,062	\$ 2,509,338	\$ 1,228,127	\$ (97,443)

Source: Comprehensive Annual Financial Reports

Notes: The City implemented GASB Statement No. 65 in fiscal year 2014. The amounts for all fiscal years presented have been restated for the effects of this standard. The City implemented GASB Statement No. 68 in fiscal year 2015. The amounts for all prior fiscal years have not been restated for the effects of this standard.

CITY OF SWEETWATER, TEXAS

**Program Revenues by Function/Program
Last Two Fiscal Years**

Function/Program	Program Revenue	
	Fiscal Year 2015	Fiscal Year 2014
Governmental Activities		
General Government	\$1,277,724	\$1,608,618
Public Safety	19,755	87,117
Public Works	3,495	3,363
Culture and Recreation	375,659	364,659
Community Services	262,470	275,629
Airport	165,778	184,086
Subtotal Governmental Activities	2,104,881	2,523,472
Business-type Activities		
Water and Sewer	6,558,087	6,958,410
Ambulance	1,600,473	1,543,130
Solid Waste Management	1,895,226	1,953,590
Subtotal Business-type Activities	10,053,786	10,455,130
Total Primary Government	\$12,158,667	\$12,978,602

Source: Comprehensive Annual Financial Reports

CITY OF SWEETWATER, TEXAS

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

(Prepared using the modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Unreserved	2,590,987	3,063,525	4,134,064	4,435,088	4,930,607	-	-	-	-	-
Restricted	-	-	-	-	-	-	35,854	61,082	87,134	113,147
Unassigned	-	-	-	-	-	6,331,590	8,196,184	8,086,154	5,877,126	4,360,460
Total general fund	\$ 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	\$ 4,473,607
All Other Governmental Funds										
Reserved	\$ 959,989	\$ 1,015,879	\$ 1,038,267	\$ 1,039,844	\$ 1,079,255	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	23,239	14,874	23,540	84,547	74,632	-	-	-	-	-
Nonspendable	-	-	-	-	-	1,105,496	1,126,190	1,151,193	1,177,458	1,199,074
Restricted	-	-	-	-	-	10,280	7,682	6,950	7,190	5,055
Assigned	-	-	-	-	-	26,929	13,444	11,690	11,007	18,853
Total all other governmental funds	\$ 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	\$ 1,222,982

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

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

CITY OF SWEETWATER, TEXAS

Changes in Fund Balances, Governmental Funds,

Last Ten Fiscal Years

(Prepared using the modified accrual basis of accounting)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 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	\$ 6,752,849
Intergovernmental	180,153	5,116	234,119	743,368	267,974	417,997	663,485	819,231	248,798	237,826
Charges for services	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	1,350,701
Licenses and permits	12,833	14,013	16,019	25,007	20,079	26,887	31,026	26,919	37,211	35,805
Investment income	149,702	209,336	144,081	36,990	24,826	31,605	23,891	24,761	25,297	19,517
Fines and forfeitures	42,993	23,978	28,402	37,376	40,567	39,632	50,788	59,405	43,772	50,270
Miscellaneous	557,780	691,608	755,133	712,974	808,653	1,055,012	2,019,907	1,345,905	1,508,869	1,162,993
Total revenues	<u>7,131,871</u>	<u>7,180,361</u>	<u>8,072,294</u>	<u>8,006,925</u>	<u>7,586,716</u>	<u>9,149,463</u>	<u>10,173,236</u>	<u>9,704,678</u>	<u>9,892,061</u>	<u>9,609,961</u>
Expenditures										
General government	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	1,588,013
Public safety	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	4,315,864
Public works	839,940	862,520	775,676	806,877	876,497	958,960	956,175	1,008,327	1,030,142	1,047,268
Culture and recreation	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	1,380,748
Community services	363,704	395,321	413,796	446,363	473,400	463,120	480,162	490,629	531,270	531,104
Airport	48,246	64,816	64,521	65,267	58,476	119,606	214,915	311,461	250,578	212,791
Capital outlay	41,021	88,301	215,984	547,977	171,268	211,803	625,523	1,337,961	3,029,805	1,564,499
Total expenditures	<u>6,273,501</u>	<u>6,475,586</u>	<u>6,820,701</u>	<u>7,375,817</u>	<u>6,841,699</u>	<u>7,441,661</u>	<u>8,122,927</u>	<u>9,405,984</u>	<u>11,639,214</u>	<u>10,640,287</u>
Excess of revenues over (under) expenditures	858,370	704,775	1,251,593	631,108	745,017	1,707,802	2,050,309	298,694	(1,747,153)	(1,030,326)
Other Financing Sources (Uses)										
Transfers in	55,000	58,500	66,000	64,000	151,636	86,066	146,613	163,636	192,210	210,849
Transfers out	(205,000)	(243,500)	(216,000)	(331,500)	(371,636)	(404,066)	(547,613)	(529,136)	(602,210)	(643,849)
Proceeds from sale of assets	-	-	-	-	-	-	255,750	4,521	-	-
Total other financing sources (uses)	<u>(150,000)</u>	<u>(185,000)</u>	<u>(150,000)</u>	<u>(267,500)</u>	<u>(220,000)</u>	<u>(318,000)</u>	<u>(145,250)</u>	<u>(360,979)</u>	<u>(410,000)</u>	<u>(433,000)</u>
Net change in fund balances	\$ 708,370	\$ 519,775	\$ 1,101,593	\$ 363,608	\$ 525,017	\$ 1,389,802	\$ 1,905,059	\$ (62,285)	\$ (2,157,153)	\$ (1,463,326)
Debt Service as a % of noncapital expenditures	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Comprehensive Annual Financial Reports

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
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
2015	2,037	2,841	1,151	716	8	6,753
Change:						
2006-2015	69%	53%	-15%	142%	-11%	43%

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 53% 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*					
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%
2015	215,970	120,004	106,200	1,558	15,852	427,880	0.4800	427,880	100%

Source: Central Appraisal District of Nolan County

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.

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

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			Nolan County			Nolan County Hospital		
	Operating	Debt	Total	Operating	Debt	Total	Operating	Debt	Total	Operating	Debt	Total
2006	0.4800	-	0.4800	1.5000	0.0834	1.5834	0.5218	-	0.5218	0.1713	0.0342	0.2055
2007	0.4800	-	0.4800	1.3700	0.0834	1.4534	0.5119	-	0.5119	0.1734	0.0321	0.2055
2008	0.4800	-	0.4800	1.0400	0.0834	1.1234	0.4053	-	0.4053	0.1117	0.0297	0.1414
2009	0.4800	-	0.4800	1.0400	0.1900	1.2300	0.3575	-	0.3575	0.1723	0.0358	0.2081
2010	0.4800	-	0.4800	1.0400	0.1900	1.2300	0.3492	-	0.3492	0.1961	0.0581	0.2542
2011	0.4800	-	0.4800	1.0600	0.1650	1.2250	0.3754	-	0.3754	0.2020	0.0504	0.2524
2012	0.4800	-	0.4800	1.0600	0.1650	1.2250	0.4230	-	0.4230	0.2042	0.0482	0.2524
2013	0.4630	-	0.4630	1.0950	0.1200	1.2150	0.3946	-	0.3946	0.2021	0.0197	0.2218
2014	0.4800	-	0.4800	1.0950	0.1200	1.2150	0.4431	0.0645	0.5076	0.2287	0.0236	0.2524
2015	0.4800	-	0.4800	1.0950	0.1200	1.2150	0.4448	0.0639	0.5087	0.2459	0.1580	0.4040

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**

	Tax Year 2014			Tax Year 2005		
	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	20,454,350	1	4.78%	10,282,061	1	3.97%
Cholla Petroleum Inc	9,030,080	2	2.11%			
TST INC - dba Timco	7,714,870	3	1.80%	3,421,200	4	1.32%
Oncor Electric Delivery/TU	4,990,290	4	1.17%			
Wal-Mart Stores Texas LP	4,625,230	5	1.08%	3,934,577	3	1.52%
TXHP Sweetwater LLC	4,200,000	6	0.98%			
Dhilon Inc	3,800,000	7	0.89%			
Wal-Mart Stores LP	3,722,260	8	0.87%	1,965,268	10	0.76%
CSI Acquisition Co.	3,503,450	9	0.82%			
Union Pacific Railroad	3,408,780	10	0.80%			
TXU Electric Delivery				4,617,270	2	1.78%
Southwestern Bell Telephone				3,016,280	5	1.17%
Sweet K Associates				2,881,597	6	1.11%
Cristina Enterprises, Inc.				2,729,456	7	1.05%
Kmart				2,054,931	8	0.79%
First National Bank				2,025,908	9	0.78%
Total	65,449,310		15.30%	36,928,548		14.27%

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
2006	1,179,695	1,134,616	96%	41,629	1,176,245	100%
2007	1,246,419	1,198,389	96%	43,923	1,242,312	100%
2008	1,292,401	1,252,295	97%	35,204	1,287,499	100%
2009	1,469,773	1,366,024	93%	97,393	1,463,417	100%
2010	1,561,808	1,441,740	92%	109,467	1,551,207	99%
2011	1,586,856	1,518,494	96%	57,596	1,576,090	99%
2012	1,627,454	1,556,652	96%	61,907	1,618,559	99%
2013	1,947,460	1,892,650	97%	42,643	1,935,293	99%
2014	1,909,117	1,855,387	97%	29,339	1,884,726	99%
2015	2,053,829	1,987,413	97%	-	1,987,413	97%

Source: Central Appraisal District of Nolan County

CITY OF SWEETWATER

Principal Water Sales Current Year and Ten Years Ago Fiscal Year

Water Customer	2015				2006			
	Water Rate	Water Sales	Rank	Percentage of Total Water Sales	Water Rate	Water Sales	Rank	Percentage of Total Water Sales
UNITED STATES GYPSUM CO	\$ 6.31	\$ 571,116.63	1	13.48%	\$ 4.99	\$ 622,707.75	1	13.91%
HOUSING AUTHORITY	\$ 6.69	\$ 279,261.34	2	6.59%	\$ 5.29	\$ 210,691.99	3	4.71%
GEORGIA PACIFIC	\$ 6.31	\$ 278,753.80	3	6.58%	\$ 4.99	\$ 258,933.02	2	5.79%
CITY OF ROBY	\$ 5.68	\$ 247,775.80	4	5.85%	\$ 4.49	\$ 181,806.91	4	4.06%
SWEETWATER ISD	\$ 6.31	\$ 134,699.68	5	3.18%	\$ 4.99	\$ 107,262.31	6	2.40%
APPLE CREEK APT	\$ 6.69	\$ 130,798.56	6	3.09%	\$ 5.29	\$ 84,742.24	7	1.89%
CITY OF TRENT	\$ 5.68	\$ 129,560.88	7	3.06%	\$ 4.49	\$ 118,064.62	5	2.64%
LUDLUM MEASUREMENTS	\$ 6.31	\$ 89,308.27	8	2.11%	\$ 4.99	\$ 55,448.43	10	1.24%
HBSN INVESTMENT CO., L.L.C.	\$ 6.69	\$ 85,176.16	9	2.01%	\$ 8.02	\$ 75,690.86	8	1.69%
ROLLING PLAINS CAMPUS(TSTC)	\$ 10.14	\$ 79,477.44	10	1.88%	\$ 4.99	\$ 55,590.86	9	1.24%
ROLLING PLAINS HOSPITAL								
		<u>\$ 2,025,928.56</u>		<u>47.81%</u>		<u>\$ 1,770,938.99</u>		<u>39.57%</u>

Source: City of Sweetwater Utility Department

CITY OF SWEETWATER, TEXAS

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

Fiscal Year	Business type Activities			Total	Percentage of Personal Income(3)	Per Capita(4)
	General Obligation Bonds(1)	Certificates of Obligation Bonds(1)	Refunding Bonds (1)			
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
2015	-	1,840,000	13,667,167	15,507,167	0.2354%	1,421.89

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 General Obligation Refunding bonds of \$8.480 million to refund the 2005 General Obligation Refunding bond issue and the 2007 Certificate of Obligation bond issue.

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	Less: Amounts Available in Debt Service Fund	Net General Bonded Debt	Percentage of Actual Taxable Value of Property(2)	Per Capita(3)
2006	9,160,000	11,540,000	-	20,700,000	483,745	20,216,255	8.26%	1,771.03
2007	9,060,000	13,855,000	-	22,915,000	837,755	22,077,245	8.53%	1,934.06
2008	8,960,000	12,900,000	-	21,860,000	670,955	21,189,045	7.89%	1,856.25
2009	8,865,000	11,905,000	-	20,770,000	677,857	20,092,143	6.57%	1,760.15
2010	8,775,000	10,870,000	-	19,645,000	686,668	18,958,332	5.84%	1,660.83
2011	8,685,000	1,955,000	8,033,338	18,673,338	709,175	17,964,163	5.43%	1,647.18
2012	8,600,000	1,665,000	7,133,523	17,398,523	712,235	16,686,288	4.92%	1,530.01
2013	8,520,000	1,360,000	6,223,707	16,103,707	715,354	15,388,353	3.66%	1,411.00
2014	8,445,000	2,975,000	5,293,892	16,713,892	759,967	15,953,925	4.01%	1,462.86
2015	-	1,840,000	13,667,166	15,507,166	817,153	14,690,013	3.43%	1,346.97

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

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

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed value	\$ 427,880,960
Debt limit ¹ (\$2.50 per hundred dollar valuation)	10,697,024
Debt applicable to limit:	
Certificates of Obligation	2,601,834
Less: Amount set aside for repayment of certificate of obligation debt	<u>(817,154)</u>
Total net debt applicable to limit	<u>1,784,680</u>
Legal debt margin	<u>\$ 8,912,344</u>

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 6,117,220	\$ 6,470,124	\$ 6,710,135	\$ 7,641,135	\$ 8,121,047	\$ 8,264,999	\$ 8,477,492	\$ 10,505,242	\$ 9,941,110	\$ 10,697,024
Total net debt applicable to limit	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	1,784,680
Legal debt margin	\$ 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	\$ 8,912,344

Total net debt applicable to limit as a percentage of debt limit	17.4%	14.9%	18.8%	16.7%	15.7%	15.5%	13.4%	10.4%	11.2%	16.7%
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Notes:

¹ The Constitution of the State of Texas limits the maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for home -rule cities

CITY OF SWEETWATER, TEXAS

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

<u>Fiscal Year</u>	<u>Water Revenue Bonds</u>					
	<u>Water and Sewer Revenue</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Debt Service (1)</u>		<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	
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
2015	6,697,673	4,310,847	2,386,826	2,090,000	511,834	0.92

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		Median Age	Education		School Enrollment	Unemployment Rate
			Personal Income	Personal Income		Level in Years of Schooling	Level in Years of Schooling		
2005	11,415	\$368,670,000	\$24,888	\$24,888	35.6	N/A	N/A	2,288	4.7%
2006	11,415	\$376,473,000	\$25,828	\$25,828	37.1	N/A	N/A	2,270	4.3%
2007	11,415	\$400,687,000	\$27,539	\$27,539	37.1	N/A	N/A	2,341	3.7%
2008	11,415	\$441,435,000	\$29,609	\$29,609	37.1	N/A	N/A	2,320	3.9%
2009	11,415	\$471,694,000	\$31,621	\$31,621	37.1	N/A	N/A	2,275	6.3%
2010	10,906	\$479,143,000	\$31,419	\$31,419	37.1	N/A	N/A	2,286	6.3%
2011	10,906	\$502,560,000	\$32,914	\$32,914	37.1	N/A	N/A	2,273	5.6%
2012	10,906	\$523,214,000	\$35,059	\$35,059	37.5	N/A	N/A	2,209	5.0%
2013	10,906	\$572,484,000	\$38,072	\$38,072	38.7	N/A	N/A	2,196	4.6%
2014	10,906	\$550,910,000	\$36,501	\$36,501	37.6	N/A	N/A	2,169	3.5%

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**

	2015			2006		
	Employers	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Ludlum Measurements	425	1	6.9%	355	2	7.2%
Sweetwater ISD	390	2	6.3%	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	97	11	1.6%	97	9	2.0%
Total	2,325		37.9%	2,102		42.8%

Source: Sweetwater Enterprise for Economic Development.

CITY OF SWEETWATER, TEXAS

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

Function Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administration	3.00	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	3.20
Court and Legal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Code Enforcement	2.50	2.75	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	15.50	14.50	14.00	14.00	14.00	14.00	14.00	15.00
Civilians	0.50	0.50	-	-	-	-	-	-	-	-
Street and Signals	5.75	6.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Animal Control	1.25	1.00	1.00	1.25	1.25	1.25	2.00	2.00	2.00	2.00
Parks and Recreation	3.75	4.25	5.00	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	4.25	7.00	6.75	5.75	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.	6.00	6.00	5.00	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Water										
Billing and Collections	3.00	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.70
Source of Supply	2.45	3.45	3.45	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Water Purification	1.20	3.20	3.70	4.20	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	2.45	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
Wastewater Treatment	3.45	3.45	2.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Emergency Medical Services										
Paramedic/Firefighters/Officers	8.00	8.00	8.50	9.50	10.00	10.00	10.00	10.00	10.00	10.00
Civilians	0.50	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.20
Refuse										
Refuse Collection -Residential	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.85
Refuse Disposal	5.00	5.00	3.25	3.25	3.25	3.50	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	3.10
Central Garage and Stores	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.20
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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Code Enforcement										
Building permits issued	173	164	162	149	134	143	107	142	190	168
Violation notices mailed										
Weeds	239	264	529	281	261	204	88	249	432	312
Junk	35	58	348	99	99	52	63	51	56	53
Other	145	142	60	245	128	127	99	77	131	121
Number of substandard structures identified	9	41	121	85	30	36	33	30	19	41
Police										
Crimes against person	245	526	512	537	538	536	558	530	700	612
Crimes against property	553	897	774	904	791	799	846	815	1,200	1,056
Traffic citations	1,818	1,843	1,578	1,856	1,574	1,440	1,637	1,600	1,500	569
Request for service	11,653	13,946	19,261	23,234	22,572	22,642	23,298	22,500	24,000	21,928
Persons arrested	1,331	1,417	1,298	1,141	1,315	1,383	1,309	1,350	1,200	923
Fire										
Fire calls in city	340	317	304	326	360	378	486	444	368	352
Fire calls out of city	173	202	155	301	250	182	344	328	215	247
Animal Control										
Dogs and cats impounded	703	667	816	682	658	692	681	675	534	687
Citizen calls	2,953	2,492	2,449	1,598	1,861	1,831	1,033	1,750	2,567	3,170
Golf Course										
Number of rounds played	9,067	5,184	1,007	3,446	4,548	4,927	1,934	4,386	3,104	3,956
Number of memberships	114	114	114	197	68	57	150	52	57	60
Swimming Pool										
Number of daily admissions	7,533	7,259	7,922	8,910	9,584	9,045	9,305	8,742	6,505	6,569
Water										
Gallons pumped	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	855,907,419
Gallons treated	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	474,191,919
Average daily consumption	2.63MGD	2.60MGD	2.29MGD	2.32MGD	2.20MGD	1.9MGD	2.4MGD	2.3MGD	2.3MGD	2.1MGD
Peak Consumption	4.26MGD	4.56MGD	3.58MGD	3.5MGD	2.88MGD	3.3MGD	3.6MGD	3.8MGD	3.5MGD	3.1MGD
Average daily sewage treatment	1.5MGD	1.03MGD	1.0MGD	1.0MGD	1.0MGD	1.1MGD	1.0MGD	1.0MGD	1.0MGD	1.0MGD
Emergency Medical Service										
Ambulance calls within city	798	782	829	948	874	987	996	890	885	1,146
Ambulance calls total	1,872	1,862	2,064	2,227	2,031	2,348	2,109	2,057	2,316	2,244
Refuse										
Residential tons collected	5,590	5,555	5,863	6,349	6,338	6,048	5,348	6,058	5,583	5,933
Commercial ton collected	3,397	3,383	3,716	3,816	3,387	3,754	3,607	3,634	3,724	3,807

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	22	21	21	21	21	21	21	21	21	22
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Trucks	4	6	6	6	6	6	6	6	6	8
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	816	816	817
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	179	179	179	179	179	179	191	191	194
Fire hydrants	405	416	416	416	416	416	416	443	443	460
Storage capacity (million gallons)	3.4	3.4	3.4	3.4	3.4	3.4	3.4	6.5	6.5	6.5
Sewage										
Sanitary sewers (miles)	116	116	116	116	116	116	116	123	123	123

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



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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated February 26, 2016.

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.

A handwritten signature in cursive script that reads "Catharine Wilks".

Sweetwater, Texas
February 26, 2016

CITY OF SWEETWATER, TEXAS

Schedule of Findings and Responses
For the Year Ended September 30, 2015

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, 2015

There were no prior audit findings.