



**City of Sweetwater, Texas
Comprehensive
Annual Financial
Report
FY 2015-2016
Ended September 30, 2016**

City of *Sweetwater*, Texas
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2016

Prepared by:
Finance Department

**“We lead with trust and respect to provide a vibrant,
secure community for all”**



PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK

CITY OF SWEETWATER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	3
GFOA Certificate of Achievement	6
Organizational Chart	7
List of Elected and Appointed Officials	8
FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis	13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	24
Statement of Activities	25
Fund Financial Statements:	
Balance Sheet – Governmental Funds	26
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	29
Statement of Net Position – Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	31
Statement of Cash Flows – Proprietary Funds	32
Notes to the Financial Statements	33
Required Supplementary Information:	
Texas Municipal Retirement System:	
Schedule of Changes in Net Pension Liability and Related Ratios	59
Schedule of Contributions and Notes to Schedule of Contributions	60
Sweetwater Firemen's Retirement Fund:	
Schedule of Changes in Net Pension Liability and Related Ratios	61
Schedule of Contributions and Notes to Schedule of Contributions	62
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds – Special Revenue Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	66
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Senior Nutrition Activities Project Special Revenue Fund	67
Hotel and Motel Special Revenue Fund	68
Cemetery Special Revenue Fund	69
Internal Service Funds	
Combining Statement of Net Position – Internal Service Funds	71
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds	72
Combining Statement of Cash Flows – Internal Service Funds	73

Other Schedules - Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedules By Source.....	75
Schedule by Function and Activity.....	76
Schedule of Changes by Function and Activity	77

STATISTICAL SECTION

Net Position by Component	80
Changes in Net Position	81
Program Revenues by Function/Program	84
Fund Balances, Governmental Funds	85
Changes in Fund Balances, Governmental Funds.....	86
Tax Revenues by Source, Governmental Funds.....	87
Assessed Value and Estimated Actual Value of Taxable Property	88
Direct and Overlapping Property Tax Rates	89
Principal Property Taxpayers.....	90
Property Tax Levies and Collections	91
Principal Water Sales	92
Ratios of Outstanding Debt by Type	93
Ratios of General Bonded Debt Outstanding	94
Direct and Overlapping Governmental Activities Debt.....	95
Legal Debt Margin Information	96
Pledged-Revenue Coverage.....	97
Demographic and Economic Statistics	98
Principal Employers	99
Full-Time Equivalent City Government Employees by Function/Program	100
Operating Indicators by Function/Program	101
Capital Asset Statistics by Function/Program	102

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	104
Schedule of Findings and Responses	106
Summary Schedule of Status of Prior Audit Findings.....	107

INTRODUCTORY SECTION

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PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK



City of *Sweetwater*
P. O. BOX 450 • 200 EAST FOURTH STREET
SWEETWATER, TEXAS 79556 • (325) 236-6313
www.cityofsweetwatertx.com

March 14, 2017

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, 2016.

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, 2016. 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 central western part of the State. It currently occupies 10.96 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 on several occasions.

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.

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PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK

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.

Recent rains have relieved a severe drought in the area. Recreation lakes have been filled and are now stocked with fish. Farmers and ranchers have enjoyed the benefits of the rain in regards to their cotton crops and grass conditions for livestock have been improved.

The price of oil has stabilized at moderate prices over the past year, causing the local service and production industry to stall. Many oil and gas companies have closed their door locally, but Sweetwater has a diverse economy not totally dependent on oil and gas.

Several manufacturing companies are located in close proximity to the City of Sweetwater. 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, 2016, both real and personal in the City is \$465,192,840, which is an increase of \$37 million, or 9% from September 30, 2015. 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 for their families. However, this continues to be a large concern for the City.
- Public safety expenses continue to rise every year and the City plans to work closely with the public safety departments to control costs.

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 2016, Oak Creek Lake was at 49 percent capacity after increased rain fall during the year. The City will be looking at alternative sources over the next ten to twenty years.
- The city and SEED are working on how to create an environment for investment in housing development in Sweetwater. We have a challenge in the lack of housing subdivisions that have been built here over the last 20 years, so this issue will be studied in depth.
- 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.

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PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK

Major initiatives

The City of Sweetwater has contracted with a parks planning firm to provide a parks master plan for Sweetwater. The plan will allow the City to apply for grant funding from Texas Parks and Wildlife for eligible parks projects. This plan should be presented to the Commission for approval in the summer of 2017.

The City received a 5 million dollar 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. The City has completed a large portion of the permitting process and is currently developing a new Type IV landfill. The current landfill has an estimated useful life of less than two years and we are working diligently to ensure the new landfill is operational in the same time frame.

Awards and Acknowledgements

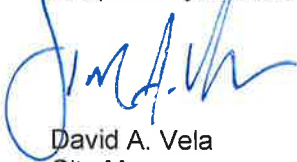
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sweetwater for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2015. This was the thirty seventh consecutive year that 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, 2016. 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.

Respectfully submitted,



David A. Vela
City Manager



Patty Torres
City Comptroller

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PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK



Government Finance Officers Association

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

Presented to

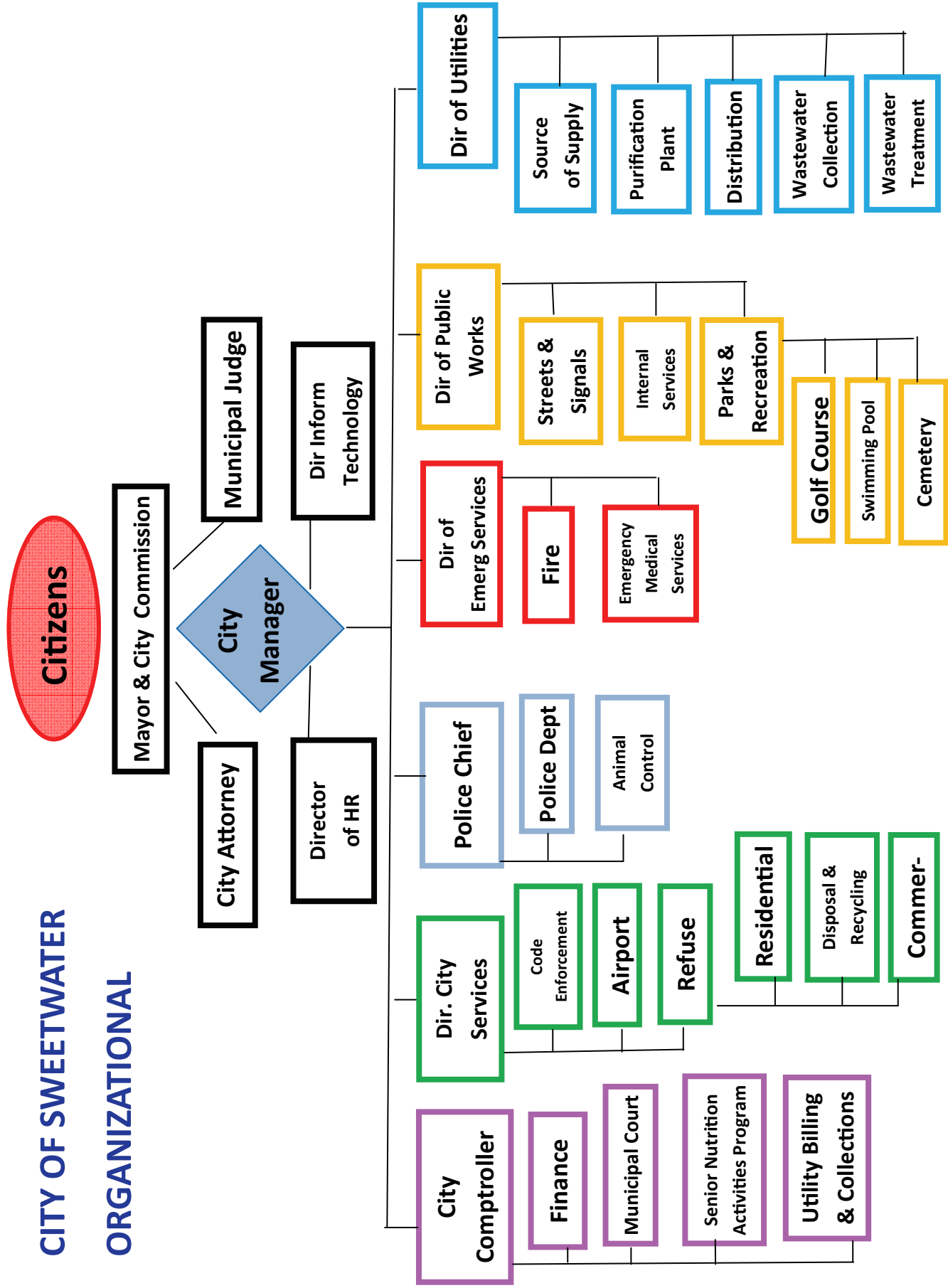
**City of Sweetwater
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

CITY OF SWEETWATER ORGANIZATIONAL



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

**PRINCIPAL OFFICIALS
September 30, 2016**

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

David Vela
Patty Torres
Lisa Adames
Russell Jones
Brian Frieda
Grant Madden
Eddy Campbell
Kirk Harris
Tonya Challis
Zach Adames
Kenny Maxwell
Peter Sheridan

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

FINANCIAL SECTION

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PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK

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, 2016, 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, 2016, 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 January 9, 2017, 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
January 9, 2017

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, 2016. 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 \$30,196 (*net position*). Of this amount, \$5,152 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$449.
- As of the close of the current fiscal year, the City of Sweetwater's governmental funds reported combined ending fund balances of \$6,023; of this amount, \$4,566 is *available for spending* at the government's discretion (*unassigned fund balance*), \$239 is restricted and \$1,218 is nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,566 or 55 percent of total general fund expenditures.
- On a budgetary-basis the City's General Fund revenues were below budget by \$24 thousand or .26% and total expenditures were below budgeted by \$58 thousand or .68%

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.

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,

CITY OF SWEETWATER, TEXAS

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 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.

CITY OF SWEETWATER, TEXAS

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 58-62 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 63-73 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 \$30,196 at the close of the most recent fiscal year.

City of Sweetwater's Net position

	Governmental Activities		Business Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Current & other assets	\$ 7,200	\$ 7,474	\$ 9,163	\$ 14,426	\$16,363	\$21,900
Capital assets	9,460	9,047	28,901	27,880	38,361	36,927
Total assets	16,660	16,521	38,064	42,306	54,724	58,827
Deferred outflows of resources	1,052	2,127	717	1,249	1,769	3,376
Long-term liabilities outstanding	597	243	19,399	558	19,996	801
Other liabilities	5,867	7,410	628	23,679	6,495	31,089
Total liabilities	6,464	7,653	20,027	24,237	26,491	31,890
Deferred inflows of resources	177	79	78	38	255	117
Net position:						
Net investment in capital assets	9,460	9,047	13,394	13,744	22,854	22,791
Restricted	1,317	1,432	817	821	2,134	2,253
Unrestricted	294	437	4,465	4,715	4,759	5,152
Total net position	\$11,071	\$10,916	\$18,676	\$19,280	\$29,747	\$30,196

A significant portion of the City of Sweetwater's net position (75 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.

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* (\$5,152) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF SWEETWATER, TEXAS

At the end of the current fiscal year, the City of Sweetwater is able to report positive balances in all three categories of 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 in the prior fiscal year. Previous to the implementation, the entity reported all positive balances net position.

The government's ending net positions increased from the previous year by \$449. As a result there is a decrease of \$155 in the ending net position of governmental activities and an increase of \$604 in the ending net position of business-type activities.

City of Sweetwater's Changes in Net position

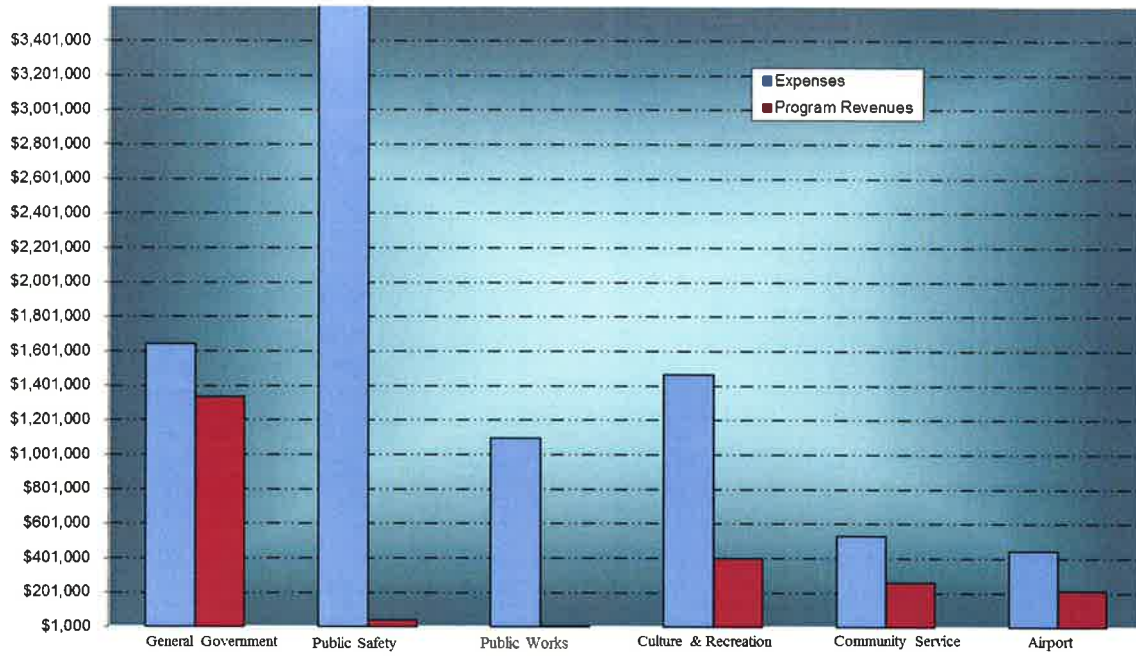
	Governmental activities		Business type activities		Total	
	2015	2016	2015	2016	2015	2016
Revenues:						
Program Revenues:						
Charges for Services	\$1,818	\$1,914	\$10,036	\$10,655	\$11,854	\$12,569
Operating Grants and Contributions	287	308	18	1	305	309
Capital Grants and Contributions	-	38	-	-	-	38
General Revenues:						
Property Taxes	2,046	2,236	-	-	2,046	2,236
Sales Taxes	2,841	3,378	-	-	2,841	3,378
Other Taxes	1,875	1,800	-	-	1,875	1,800
Other	752	726	185	88	937	814
Total Revenues	9,619	10,400	10,239	10,744	19,858	21,144
Expenses:						
General Government	1,558	1,643	-	-	1,558	1,643
Public Safety	4,491	5,010	-	-	4,491	5,010
Public Works	1,057	1,096	-	-	1,057	1,096
Culture and Recreation	1,393	1,465	-	-	1,393	1,465
Community Services	545	533	-	-	545	533
Airport	376	444	-	-	376	444
Water and Sewer	-	-	6,401	6,345	6,401	6,345
Emergency Medical Services	-	-	2,190	2,245	2,190	2,245
Solid Waste	-	-	1,945	1,914	1,945	1,914
Total Expenses	9,420	10,191	10,536	10,504	19,956	20,695
Increase in Net position Before Transfers	199	209	(297)	240	(98)	449
Transfers	(433)	(364)	433	364	-	-
Increase in net position	(234)	(155)	136	604	(98)	449
Net position - beginning	11,305	11,071	18,540	18,676	29,845	29,747
Net position	\$11,071	\$10,916	\$18,676	\$19,280	\$29,747	\$30,196

Governmental activities. Governmental activities decreased the City of Sweetwater's net position by \$155. Key elements of this decrease are as follows:

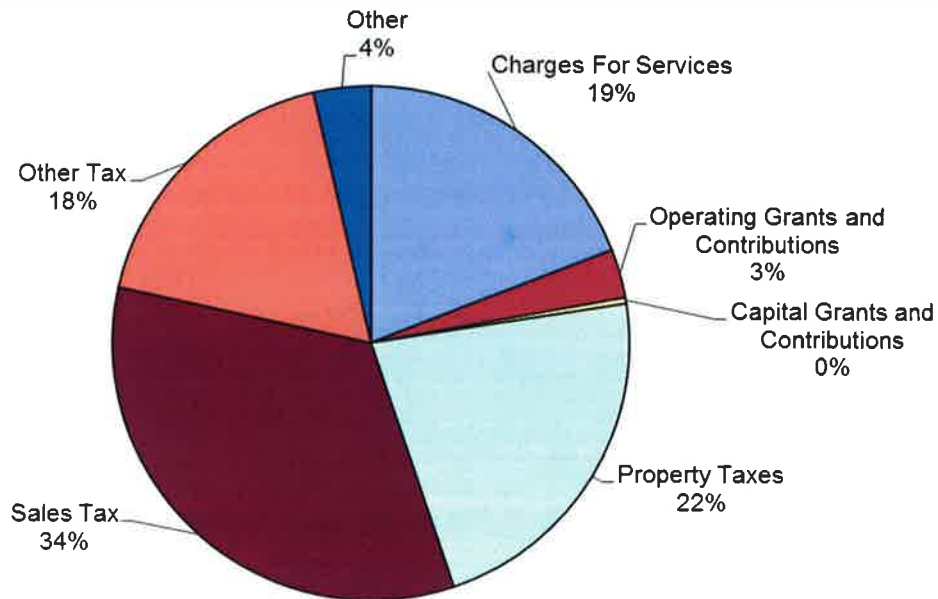
- Franchise fee revenues decreased by \$87.
- Other General Revenues for governmental activities decreased by \$27 even with a current year \$116 sale of land. Decrease is primarily due to a decrease in Oil and Gas royalties.
- Overall, governmental activities expenditures in every function increased by 8%.
- Transfers out of the governmental activities general fund to the EMS fund in the proprietary funds increased by \$23 (5%) due to decreased ambulance calls for services resulting in decrease in EMS charges for services.

CITY OF SWEETWATER, TEXAS

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities

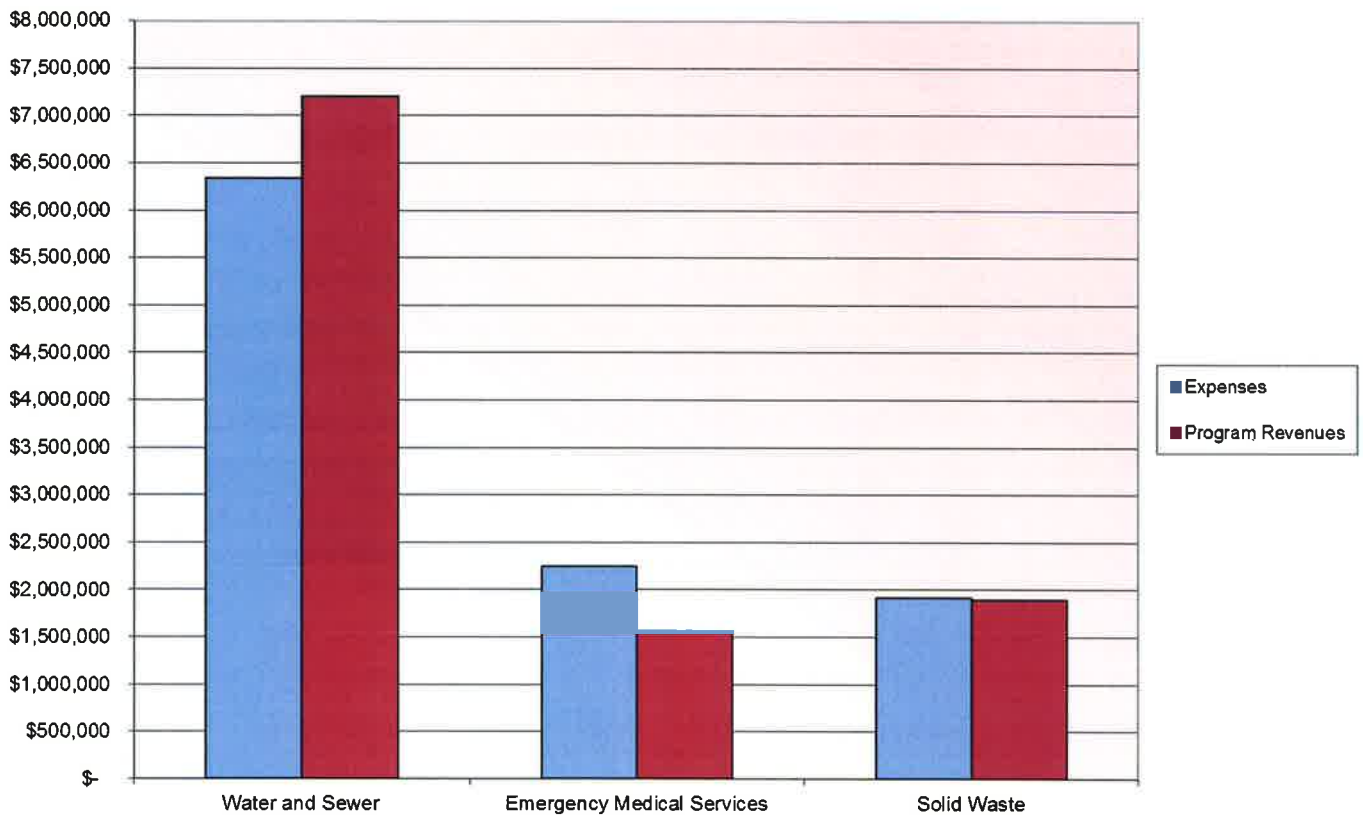


CITY OF SWEETWATER, TEXAS

Business-type activities. Business-type activities increased the City of Sweetwater's ending net position by \$604. Key elements of this increase are as follows.

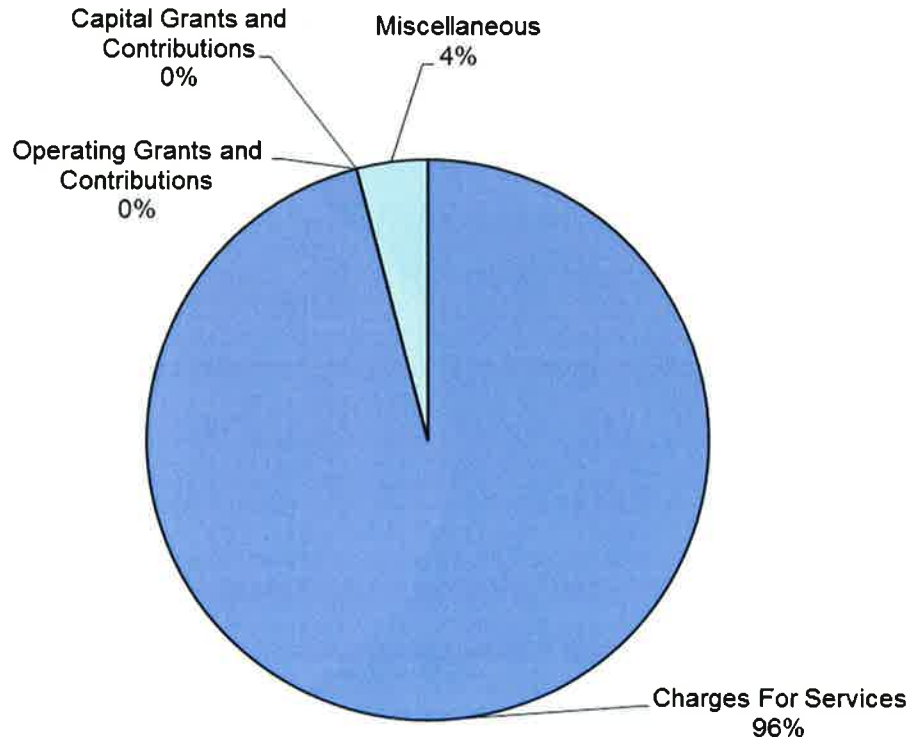
- Charges for services increased by \$619 (6%) for business-type activities primarily because of a 15% increase to water and wastewater rates.
- Transfers from the general fund increased by \$23 (5%) due to a decrease in revenues in the EMS department.
- Business type total revenues increased by 5% and expenditures decreased 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 \$6,023. The combined ending fund balances consist of \$4,566 in unassigned fund balance, which is available for spending at the government's discretion and \$1,457 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 \$4,730 of which \$4,566 was unassigned. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 56.7 percent of total general fund expenditures.

CITY OF SWEETWATER, TEXAS

The fund balance of the City of Sweetwater's general fund increased by \$256 during the current fiscal year. The key factors in this increase are as follows:

- General fund expenditures decreased \$1,098 from fiscal year 2015 due to the Capital outlay expenditures decreasing by \$1,384 primarily due to the completed construction of a new police station early in fiscal year 2015.
- Transfers out of the general fund increased from \$644 in 2015 to \$720 in 2016
- General Revenues increased by \$609 mostly due to an increase in sales tax collections from a one-time inventory sale at a local construction project.

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 \$5,919. The total increase in net position for this Fund was \$939. The Solid Waste Management Fund had a decrease in net position of \$111. The Ambulance Fund had a decrease in net position of \$225 which includes \$456 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 sales tax revenues due to local construction project's inventory purchase.
- Increase in personnel expenses in police department due to patrol officer overtime.
- Increase in transfers out.
- Increase in expenses associated with retirement of city manager and search for new one.

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, 2016 amounts to \$36,928 (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	
	2015	2016	2015	2016	2015	2016
Land	\$ 178	\$ 178	\$ 2,416	\$ 2,416	\$ 2,594	\$ 2,594
Buildings	5,087	4,805	7,065	6,693	12,152	11,498
Improvement other than buildings	2,263	2,057	18,896	18,003	21,159	20,061
Machinery and equipment	1,931	2,007	484	609	2,415	2,616
Construction in progress	-	-	41	159	41	159
Total	\$ 9,459	\$ 9,047	\$ 28,902	\$ 27,880	\$ 38,361	\$ 36,928

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 \$31,089 of long-term obligations, an increase of \$5,824 thousand. Included in the long-term obligations is bonded debt outstanding of \$18,005, which represents bonds secured by revenue and tax sources.

City of Sweetwater's Long-Term Obligations

	Governmental activities		Business-type activities		Total	
	2015	2016	2015	2016	2015	2016
Net Pension Obligation	\$ 5,377	\$ 6,879	\$ 3,565	\$ 4,398	\$ 8,942	\$ 11,277
Compensated Absences	489	531	215	225	704	756
General Obligation Bonds	-	-	12,605	11,260	12,605	11,260
Certificates of Obligation	-	-	1,840	6,745	1,840	6,745
Bond premium	-	-	1,062	937	1,062	937
Landfill Post-Closure	-	-	112	113	112	113
Total	\$ 5,866	\$ 7,410	\$ 19,399	\$ 23,678	\$ 25,265	\$ 31,088

The City of Sweetwater's total long-term obligations increased by \$5,824 (23 percent) during the current fiscal year. This change was primarily due to the \$5 million bond issue for the water system improvements project to begin next fiscal year.

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's county, Nolan, at year end was 5.3 percent, an increase from the 4.3 rate a year ago. This compares unfavorably to the state's average unemployment rate for the same period of 4.9 percent. The increase in unemployment rate is primarily due to the decrease in oil and gas production service companies.
- 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 2017 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.

**“We lead with trust and respect to provide a vibrant,
secure community for all”**



PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK

BASIC FINANCIAL STATEMENTS

CITY OF SWEETWATER, TEXAS

Statement of Net Position September 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current cash and cash equivalents	\$ 6,952,729	\$ 7,432,449	\$ 14,385,178	\$ 6,512,990
Investments	-	-	-	-
Receivables (net of allowance for uncollectibles)	249,638	1,354,932	1,604,570	14,027
Internal balances	70,038	(70,038)	-	-
Due from other governments	14,064	81,527	95,591	-
Inventories	23,833	-	23,833	-
Restricted assets:				
Cash and cash equivalents	163,339	5,626,617	5,789,956	-
Capital assets (net of accumulated depreciation):				
Land	178,332	2,415,757	2,594,089	274,979
Construction in-progress	-	159,240	159,240	-
Buildings	4,805,219	6,692,992	11,498,211	-
Improvements other than buildings	2,057,306	18,003,166	20,060,472	-
Machinery and equipment	2,006,384	609,142	2,615,526	567,233
Total assets	<u>16,520,883</u>	<u>42,305,786</u>	<u>58,826,669</u>	<u>7,369,229</u>
Deferred Outflows of Resources				
Deferred pension outflow	<u>2,127,536</u>	<u>1,248,727</u>	<u>3,376,263</u>	<u>-</u>
Liabilities				
Accounts payable	144,105	154,413	298,518	-
Customer security deposits	-	353,809	353,809	-
Accrued liabilities	-	50,011	50,011	-
Due to other governments	98,369	-	98,369	-
Long-term liabilities:				
Due within one year	53,172	1,822,593	1,875,765	-
Due in more than one year	7,357,264	21,855,895	29,213,159	-
Total liabilities	<u>7,652,910</u>	<u>24,236,721</u>	<u>31,889,631</u>	<u>-</u>
Deferred Inflows of Resources				
Pension Plan	<u>79,222</u>	<u>37,933</u>	<u>117,155</u>	<u>-</u>
Net Position				
Net investment in capital assets	9,047,241	13,743,436	22,790,677	842,212
Restricted for:				
Perpetual cemetery care	1,217,604	-	1,217,604	-
Community services	58,179	-	58,179	-
Drug enforcement	17,521	-	17,521	-
PEG capital costs	113,339	-	113,339	-
Park improvements	25,000	-	25,000	-
Debt service	-	821,408	821,408	-
Economic development	-	-	-	1,026,000
Unrestricted	437,403	4,715,014	5,152,417	5,501,017
Total Net Position	<u>\$ 10,916,287</u>	<u>\$ 19,279,858</u>	<u>\$ 30,196,145</u>	<u>\$ 7,369,229</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, 2016

	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	\$ 1,642,864	\$ 1,338,490	\$ -	\$ (304,374)	\$ -	\$ (304,374)	\$ -
Public safety	5,010,521	-	3,862	(4,968,499)	-	(4,968,499)	-
Public works	1,095,851	3,747	-	(1,092,104)	-	(1,092,104)	-
Culture and recreation	1,464,758	377,382	25,000	(1,062,376)	-	(1,062,376)	-
Community services	533,096	-	261,167	(271,929)	-	(271,929)	-
Airport	443,799	194,555	18,143	(231,101)	-	(231,101)	-
Total governmental activities	10,190,889	1,914,173	308,172	(7,930,383)	-	(7,930,383)	-
Business-type Activities:							
Water and sewer	6,344,981	7,202,525	-	-	857,544	857,544	-
Ambulance	2,244,762	1,561,508	1,600	-	(681,654)	(681,654)	-
Solid waste management	1,914,193	1,891,078	-	-	(23,115)	(23,115)	-
Total business-type activities	10,503,937	10,655,111	1,600	-	152,776	152,776	-
Total Primary Government	\$ 20,694,826	\$ 12,569,284	\$ 309,772	\$ (7,930,383)	\$ 152,776	\$ (7,777,607)	\$ -
Component Unit:							
Sweetwater Enterprise for Economic Development	1,032,817	-	-	-	-	-	1,032,817
Total component unit	\$ 1,032,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,032,817
General revenues:							
Taxes:							
Property taxes, levied for general purposes				2,236,094	-	2,236,094	-
Sales tax				3,377,448	-	3,377,448	1,125,816
Franchise tax				1,064,016	-	1,064,016	-
Occupancy tax				726,290	-	726,290	-
Alcohol beverage				9,347	-	9,347	-
Investment earnings				20,561	26,111	46,672	21,269
Gain on sale of capital assets				116,204	-	116,204	-
Other				589,044	61,637	650,681	1,452
Transfers				(363,473)	363,473	-	-
Total general revenues and transfers				7,775,531	451,222	8,226,753	1,148,537
Change in net position				(154,852)	603,998	449,146	115,720
Net position - beginning				11,071,139	18,675,860	29,746,999	7,253,509
Net position - beginning as restated				11,071,139	18,675,860	29,746,999	7,253,509
Net position - ending				\$ 10,916,287	\$ 19,279,858	\$ 30,196,145	\$ 7,369,229

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

CITY OF SWEETWATER, TEXAS

Balance Sheet Governmental Funds September 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Current cash and cash equivalents	\$ 4,602,670	\$ 1,389,040	\$ 5,991,710
Receivables, net of allowance for uncollectibles	249,638	-	249,638
Due from other funds	-	2,865	2,865
Due from other governments	-	13,970	13,970
Restricted cash and cash equivalents	163,339	-	163,339
Total assets	\$ 5,015,647	\$ 1,405,875	\$ 6,421,522
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Accounts payable	38,864	9,987	48,851
Due to other funds	73,222	4,215	77,437
Due to other governments	-	98,369	98,369
Total liabilities	112,086	112,571	224,657
Deferred inflow of resources:			
Unavailable revenue - property taxes	173,842	-	173,842
Fund balances:			
Nonspendable	-	1,217,604	1,217,604
Restricted	163,339	75,700	239,039
Unassigned	4,566,380	-	4,566,380
Total fund balances	4,729,719	1,293,304	6,023,023
Total liabilities, deferred inflows, and fund balances	\$ 5,015,647	\$ 1,405,875	

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.	8,366,698
Deferred outflows of resources are not reported in the governmental funds.	951,287
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,932,054)
Deferred inflows of resources are not reported in the governmental funds.	83,349
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	173,842
Internal service funds are used by management to charge the costs of central garage and stores as well as employee benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,250,142
Net position of governmental activities	\$ 10,916,287

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, 2016

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 2,219,258	\$ -	\$ 2,219,258
Sales	3,377,448	-	3,377,448
Occupancy	-	726,290	726,290
Alcoholic beverage	9,347	-	9,347
Franchise Fees	1,064,016	-	1,064,016
Intergovernmental	83,254	222,458	305,712
Charges for services	1,434,723	2,200	1,436,923
Rents and royalties	573,908	-	573,908
Contributions and donations	1,911	38,709	40,620
Licenses and permits	32,089	-	32,089
Investment income	17,061	3,500	20,561
Fines and forfeitures	59,314	-	59,314
Miscellaneous	333,328	67,656	400,984
Total revenues	<u>9,205,658</u>	<u>1,060,813</u>	<u>10,266,471</u>
Expenditures			
Current:			
General government	1,637,268	-	1,637,268
Public safety	4,402,089	39,470	4,441,559
Public works	1,074,272	-	1,074,272
Culture and recreation	710,170	726,290	1,436,460
Community services	64,818	445,975	510,793
Airport	277,288	-	277,288
Capital outlay:			
General government	21,969	-	21,969
Public safety	105,112	-	105,112
Public works	16,278	-	16,278
Culture and recreation	24,351	-	24,351
Community services	-	-	-
Airport	11,959	-	11,959
Total expenditures	<u>8,345,574</u>	<u>1,211,735</u>	<u>9,557,309</u>
Excess (deficiency) of revenues over (under) expenditures	<u>860,084</u>	<u>(150,922)</u>	<u>709,162</u>
Other financing sources (uses)			
Sale of Assets	116,204	-	116,204
Transfers in	-	221,244	221,244
Transfers out	(720,175)	-	(720,175)
Total other financing sources and uses	<u>(603,971)</u>	<u>221,244</u>	<u>(382,727)</u>
Net change in fund balances	256,112	70,322	326,434
Fund balances - beginning	<u>4,473,607</u>	<u>1,222,982</u>	<u>5,696,589</u>
Fund balances - ending	<u>\$ 4,729,719</u>	<u>\$ 1,293,304</u>	<u>\$ 6,023,022</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, 2016

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)	\$ 326,434
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 depreciation (\$634,041) exceeded capital outlays of \$179,669 in the current year.	(454,372)
Governmental funds report principal payments on debt as expenditures. These payments are reclassified to reduce the long-term liability on the statement of activities.	(41,531)
Included in the items related to debt is the recognition of deferred outflows of resources of \$951,287, deferred inflows of resources of \$83,349 and net pension liability of (\$1,363,958) associated with pension plans.	(329,327)
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.	16,836
The net gain of certain activities of internal service funds is reported with governmental activities.	<u>327,107</u>
Change in net position of governmental activities (page 25)	<u>\$ (154,852)</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 2,214,137	\$ 2,213,137	\$ 2,219,258	\$ 6,121
Sales	2,895,000	3,424,000	3,377,448	(46,552)
Alcoholic beverage	7,000	9,300	9,347	47
Franchise tax	1,149,024	1,087,200	1,064,016	(23,184)
Intergovernmental	37,000	57,725	83,254	25,529
Charges for services	1,380,322	1,437,322	1,434,723	(2,599)
Rents and royalties	919,600	568,100	573,908	5,808
Contributions and donations	5,000	1,900	1,911	11
Licenses and permits	40,500	30,755	32,089	1,334
Investment income	20,000	17,125	17,061	(64)
Fines and forfeitures	63,300	55,130	59,314	4,184
Miscellaneous	409,625	327,877	333,328	5,451
Total revenues	9,140,508	9,229,571	9,205,658	(23,914)
Expenditures				
Current:				
General government:				
Mayor and commission	40,469	35,544	33,696	1,848
City administration	400,151	456,141	460,129	(3,988)
City finance	332,777	335,167	333,118	2,049
Municipal court	121,980	123,060	122,821	239
Code enforcement	258,132	232,227	231,249	978
Non-departmental	485,758	466,924	478,224	(11,300)
Public safety:				
Police department	2,844,995	3,003,935	3,000,628	3,307
Fire department	1,668,098	1,533,048	1,506,573	26,475
Public works:				
Streets and signals	1,022,264	958,673	935,562	23,111
Animal control	145,521	156,481	154,988	1,493
Culture and recreation:				
Parks and cemetery	532,777	514,952	514,648	304
Golf course	87,473	85,798	85,807	(9)
Swimming pool	154,180	140,850	134,066	6,784
Community services	64,400	64,700	64,818	(118)
Airport	287,808	295,852	289,247	6,605
Total expenditures	8,446,783	8,403,352	8,345,574	57,778
Excess (deficiency) of revenues over (under) expenditures	693,725	826,219	860,084	33,864
Other financing sources (uses)				
Sale of assets	-	116,200	116,204	4
Transfers out	(607,000)	(695,281)	(720,175)	(24,894)
Total other financing sources and uses	(607,000)	(579,081)	(603,971)	(24,890)
Net change in fund balances	86,725	247,138	256,112	8,974
Fund balances - beginning	4,473,607	4,473,607	4,473,607	-
Fund balances - ending	\$ 4,560,332	\$ 4,720,745	\$ 4,729,719	\$ 8,974

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, 2016

	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	\$ 6,561,623	\$ 844,885	\$ 25,941	\$ 7,432,449	\$ 961,019
Investments	-	-	-	-	-
Due from other funds	-	-	-	-	144,610
Due from other governments	-	-	81,527	81,527	94
Accounts receivable (net of allowance for uncollectibles)	974,746	251,762	128,424	1,354,932	-
Inventories	-	-	-	-	23,833
Restricted assets:					
Cash and cash equivalents	5,626,617	-	-	5,626,617	-
Total current assets	<u>13,162,986</u>	<u>1,096,647</u>	<u>235,892</u>	<u>14,495,525</u>	<u>1,129,557</u>
Noncurrent assets:					
Capital assets:					
Land	2,097,901	317,856	-	2,415,757	-
Construction in-progress	159,240	-	-	159,240	-
Buildings	13,528,430	96,342	-	13,624,772	145,573
Improvements other than buildings	33,470,823	15,152	-	33,485,975	37,361
Machinery and equipment	4,275,873	663,699	272,762	5,212,334	6,250,794
Less accumulated depreciation	(26,101,753)	(711,810)	(204,217)	(27,017,780)	(4,784,285)
Total capital assets (net of accumulated depreciation)	<u>27,430,514</u>	<u>381,240</u>	<u>68,545</u>	<u>27,880,299</u>	<u>1,649,443</u>
Total assets	<u>40,593,500</u>	<u>1,477,887</u>	<u>304,437</u>	<u>42,375,824</u>	<u>2,779,000</u>
Deferred Outflows of Resources					
Pension Plan	<u>410,831</u>	<u>143,273</u>	<u>694,623</u>	<u>1,248,727</u>	<u>207,349</u>
Liabilities					
Current Liabilities:					
Accounts payable	92,583	51,634	10,196	154,413	95,254
Customer security deposits	353,809	-	-	353,809	-
Due to other funds	26,260	36,452	7,325	70,038	-
Accrued interest payable	50,011	-	-	50,011	-
Compensated absences-Current	4,192	1,558	16,749	22,499	-
Bond obligations-Current	1,800,095	-	-	1,800,095	-
Total current liabilities	<u>2,326,950</u>	<u>89,644</u>	<u>34,270</u>	<u>2,450,865</u>	<u>95,254</u>
Noncurrent liabilities:					
Compensated absences	37,730	14,014	150,739	202,483	15,904
Net pension liability	1,436,703	494,807	2,467,119	4,398,629	617,073
Landfill post-closure	-	112,806	-	112,806	-
Bond obligations	17,141,977	-	-	17,141,977	-
Total noncurrent liabilities	<u>18,616,410</u>	<u>621,627</u>	<u>2,617,858</u>	<u>21,855,895</u>	<u>632,977</u>
Total liabilities	<u>20,943,360</u>	<u>711,271</u>	<u>2,652,128</u>	<u>24,306,760</u>	<u>728,231</u>
Deferred Inflows of Resources					
Pension Plan	<u>26,966</u>	<u>9,236</u>	<u>1,731</u>	<u>37,933</u>	<u>7,976</u>
Net Position					
Net investment in capital assets	13,293,651	381,240	68,545	13,743,436	1,649,443
Restricted for debt service (expendable)	821,408	-	-	821,408	-
Unrestricted	5,918,946	519,413	(1,723,345)	4,715,014	600,699
Total net position	<u>\$ 20,034,005</u>	<u>\$ 900,653</u>	<u>\$ (1,654,800)</u>	<u>\$ 19,279,858</u>	<u>\$ 2,250,142</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, 2016

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Water and Wastewater	Solid Waste Management	Ambulance		
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 4,778,061	\$ -	\$ -	\$ 4,778,061	\$ -
Sewer charges	2,377,705	-	-	2,377,705	-
Delinquent penalties	28,037	-	-	28,037	-
Water and sewer taps	18,722	-	-	18,722	-
Other charges for services	-	1,891,078	1,561,508	3,452,586	3,001,267
Miscellaneous income	48,273	12,576	788	61,637	50,732
Total operating income	<u>7,250,798</u>	<u>1,903,654</u>	<u>1,562,296</u>	<u>10,716,749</u>	<u>3,051,999</u>
Operating expenses:					
Personal services	1,653,221	649,881	1,242,024	3,545,126	834,266
Supplies	510,031	205,868	578,981	1,294,880	45,292
Other services and charges	2,210,697	1,041,067	412,634	3,664,398	1,656,412
Depreciation	1,491,696	17,377	11,123	1,520,196	327,007
Total operating expenses	<u>5,865,645</u>	<u>1,914,193</u>	<u>2,244,762</u>	<u>10,024,600</u>	<u>2,862,977</u>
Operating income (loss)	<u>1,385,153</u>	<u>(10,539)</u>	<u>(682,466)</u>	<u>692,150</u>	<u>189,022</u>
Nonoperating revenues (expenses):					
Interest income	22,611	3,003	497	26,111	2,626
Intergovernmental	-	-	1,600	1,600	-
Interest expense	(283,477)	-	-	(283,477)	-
Bond issuance costs	(195,859)	-	-	(195,859)	-
Total nonoperating revenue (expense)	<u>(456,725)</u>	<u>3,003</u>	<u>2,097</u>	<u>(451,626)</u>	<u>2,626</u>
Net income (loss) before transfers	928,430	(7,536)	(680,369)	240,525	191,648
Transfers in	11,000	-	455,500	466,500	135,458
Transfers out	-	(103,027)	-	(103,027)	-
Change in net position	<u>939,430</u>	<u>(110,563)</u>	<u>(224,869)</u>	<u>603,998</u>	<u>327,107</u>
Total net position - beginning	19,094,575	1,011,216	(1,429,931)	18,675,860	1,923,035
Total net position - ending	<u>\$ 20,034,005</u>	<u>\$ 900,653</u>	<u>\$ (1,654,800)</u>	<u>\$ 19,279,858</u>	<u>\$ 2,250,142</u>

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

CITY OF SWEETWATER, TEXAS

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Funds
	Water and Wastewater	Solid Waste Management	Ambulance		
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 7,167,494	\$ 1,899,288	\$ 1,561,942	\$ 10,628,724	\$ -
Receipts from interfund services provided	-	-	-	-	3,051,999
Payments to suppliers	2,765,065	1,276,804	987,594	5,029,463	1,773,357
Payments to employees	1,621,373	639,079	1,012,307	3,272,759	834,216
Net cash provided by operating activities	<u>2,781,056</u>	<u>(16,595)</u>	<u>(437,959)</u>	<u>2,326,503</u>	<u>444,426</u>
Cash Flows From Noncapital Financing Activities					
Transfers between funds	11,000	(103,027)	455,500	363,473	135,458
Intergovernmental grants	-	-	1,600	1,600	-
Net cash provided (used) by noncapital financing activities	<u>11,000</u>	<u>(103,027)</u>	<u>457,100</u>	<u>365,073</u>	<u>135,458</u>
Cash Flows From Capital and Related Financing Activities					
General Obligation bonds issued	5,000,000	-	-	5,000,000	-
Bond issuance costs	(195,859)	-	-	(195,859)	-
Acquisition and construction of capital assets	(489,259)	(9,980)	-	(499,239)	(369,041)
Disposition of equipment	-	-	-	-	-
Principal paid on contractual obligations	(1,565,094)	-	-	(1,565,094)	-
Interest and paying agent fees	(283,477)	-	-	(283,477)	-
Net cash provided (used) by capital and related financing activities	<u>2,466,312</u>	<u>(9,980)</u>	<u>-</u>	<u>2,456,332</u>	<u>(369,041)</u>
Cash Flows From Investing Activities					
Interest and dividends received	22,611	3,003	497	26,111	2,626
Redemption of investments	-	-	-	-	-
Net cash provided (used) by investing activities	<u>22,611</u>	<u>3,003</u>	<u>497</u>	<u>26,111</u>	<u>2,626</u>
Net increase in cash and cash equivalents	5,280,980	(126,598)	19,638	5,174,021	213,471
Cash and cash equivalents at beginning of year	6,907,260	971,483	6,303	7,885,046	747,548
Cash and cash equivalents at end of year	<u>\$ 12,188,240</u>	<u>\$ 844,885</u>	<u>\$ 25,941</u>	<u>\$ 13,059,067</u>	<u>\$ 961,019</u>
As reported on balance sheet:					
Cash	\$ 6,561,623	\$ 844,885	\$ 25,941	\$ 7,432,449	\$ 961,019
Restricted Cash	5,626,617	-	-	5,626,617	-
Total cash and cash equivalents at end of year	<u>\$ 12,188,240</u>	<u>\$ 844,885</u>	<u>\$ 25,941</u>	<u>\$ 13,059,066</u>	<u>\$ 961,019</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	<u>1,385,153</u>	<u>(10,539)</u>	<u>(682,466)</u>	<u>692,149</u>	<u>189,022</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,491,696	17,377	11,123	1,520,196	327,007
(Increase) decrease in accounts receivable	(80,690)	3,008	423	(77,259)	-
(Increase) decrease in other receivables	-	-	-	-	-
(Increase) in due from other governments	-	-	(1,303)	(1,303)	(49)
(Increase) in due from other funds	-	-	-	-	6,063
(Increase) decrease in inventories	-	-	-	-	16,378
(Increase) decrease in deferred outflows of resources	(206,570)	(72,981)	(251,777)	(531,328)	(123,671)
Increase (decrease) in accounts payable	(42,644)	(30,985)	4,020	(69,609)	(94,043)
Increase (decrease) in customer deposits	1,055	-	-	1,055	-
Increase (decrease) in compensated absences	(179)	1,315	9,016	10,152	534
Increase (decrease) in net pension liability	267,392	92,421	473,555	833,368	138,054
Increase (decrease) in landfill post-closure	-	1,117	-	1,117	-
Increase (decrease) in due to other funds	(3,669)	(7,374)	526	(10,517)	-
Increase (decrease) in accrued interest payable	(1,694)	-	-	(1,694)	-
Increase (decrease) in deferred inflows of resources	(28,795)	(9,953)	(1,077)	(39,825)	(14,867)
Total adjustments	<u>1,395,903</u>	<u>(6,056)</u>	<u>244,507</u>	<u>1,634,352</u>	<u>255,405</u>
Net cash provided by operating activities	<u>\$ 2,781,056</u>	<u>\$ (16,595)</u>	<u>\$ (437,959)</u>	<u>\$ 2,326,501</u>	<u>\$ 444,426</u>

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

(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, 2016

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, 2016

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 increased revenue by \$205,263 and increased expenses by \$44,850 in the general fund. The revenue account change was due to decreased oil prices. The most significant expense account amended in any one department was in the police department. The City added \$193,371 to their budget mainly to cover additional personnel costs. 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 in the amount of \$185,000. 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. There was an increase to the Ambulance enterprise fund budget in the amount of \$165,981 for additional personnel costs. The revenue to cover these additional costs came from additional charges as well as additional operating transfers from the general fund. The Central Garage and Stores internal service fund budget was increased \$324,215 for equipment that needed to be purchased later in the year due to a vehicle being lost in a fire and other unusual circumstances that occurred during the year.

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, 2016

G. Cash and Investments

Cash of all funds, including restricted cash, but excluding the payroll fund, employee benefit, SEED, drug enforcement, debt service funds, and construction funds 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

The City has funds with the following restricted cash and cash equivalents:

General Fund	\$ 163,339
Water and Wastewater Fund	\$ 5,626,617

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 \$138,339 at year-end. The City also has \$25,000 restricted for park improvements. 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. This restricted balance was \$821,408 at year-end. Also, the City has funds restricted for construction from their 2016 bond issue in the amount of \$4,805,209. These funds will be used for improvements to the City's waterworks system.

L. Capital Assets

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2016

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

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

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

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

M. Compensated Absences

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

N. Net Pension Liability

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

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.

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, 2016, fund balances are composed of the following:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Cemetery care	\$ -	\$ 1,217,604	\$ 1,217,604
Restricted:			
PEG capital costs	138,339	-	138,339
Park improvements	25,000	-	25,000
Drug enforcement	-	17,521	17,521
Senior nutrition program	-	58,179	58,179
Unassigned Fund Balances	<u>4,566,380</u>	<u>-</u>	<u>4,566,380</u>
Total Fund Balances	<u>\$ 4,729,719</u>	<u>\$ 1,293,304</u>	<u>\$ 6,023,023</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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

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.

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 \$2,253,051, of which \$130,860 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, 2016, 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 \$20,175,134 and its component unit's (SEED) carrying amount of deposits totaled \$6,512,990. The respective bank balances totaled \$20,508,006 and \$6,512,990. 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 \$23,696,260 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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

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, 2016.

(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	\$ 2,473	\$ 1,021,501	\$ 262,163	\$ 306,836	\$ 1,592,973
Taxes	256,315	-	-	-	256,315
Gross Receivables	258,788	1,021,501	262,163	306,836	1,849,288
Less: allowance for uncollectibles	(9,150)	(46,756)	(10,401)	(178,412)	(244,718)
Net total receivables	<u>\$ 249,638</u>	<u>\$ 974,746</u>	<u>\$ 251,762</u>	<u>\$ 128,424</u>	<u>\$ 1,604,570</u>

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, 2016 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	-	-	-	-
Total capital assets, not being depreciated:	<u>178,332</u>	<u>-</u>	<u>-</u>	<u>178,332</u>
Capital assets, being depreciated:				
Buildings	7,716,599	-	-	7,716,599
Improvements other than buildings	7,002,970	31,778	-	7,034,748
Machinery and equipment	7,546,386	516,933	(157,058)	7,906,261
Total capital assets being depreciated	<u>22,265,955</u>	<u>548,710</u>	<u>(157,058)</u>	<u>22,657,608</u>
Less accumulated depreciation for:				
Buildings	(2,629,337)	(282,043)	-	(2,911,380)
Improvements other than buildings	(4,740,347)	(237,094)	-	(4,977,442)
Machinery and equipment	(5,615,025)	(441,910)	157,058	(5,899,877)
Total accumulated depreciation	<u>(12,984,709)</u>	<u>(961,048)</u>	<u>157,058</u>	<u>(13,788,698)</u>
Total capital assets, being depreciated, net	<u>9,281,246</u>	<u>(412,337)</u>	<u>-</u>	<u>8,868,909</u>
Total governmental activities capital assets, net	<u>\$ 9,459,578</u>	<u>\$ (412,337)</u>	<u>\$ -</u>	<u>\$ 9,047,241</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

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	40,525	159,240	(40,525)	159,240
Total capital assets, not being depreciated	<u>2,456,282</u>	<u>159,240</u>	<u>(40,525)</u>	<u>2,574,997</u>
Capital assets, being depreciated:				
Buildings and system	13,614,164	10,608	-	13,624,772
Improvements other than buildings	33,361,101	125,338	(463)	33,485,975
Machinery and equipment	4,975,099	244,579	(7,019)	5,212,334
Total capital assets being depreciated	<u>51,950,363</u>	<u>380,525</u>	<u>(7,807)</u>	<u>52,323,081</u>
Less accumulated depreciation for:				
Buildings and system	(6,549,419)	(382,361)	-	(6,931,780)
Improvements other than buildings	(14,465,106)	(1,018,166)	463	(15,482,809)
Machinery and equipment	(4,490,866)	(119,670)	7,344	(4,603,192)
Total accumulated depreciation	<u>(25,505,391)</u>	<u>(1,520,197)</u>	<u>7,807</u>	<u>(27,017,780)</u>
Total capital assets, being depreciated, net	<u>26,444,972</u>	<u>(1,139,671)</u>	<u>-</u>	<u>25,305,300</u>
Business-type activities capital assets, net	<u>\$ 28,901,253</u>	<u>\$ (980,431)</u>	<u>\$ (40,525)</u>	<u>\$ 27,880,297</u>

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

Governmental activities:	
General government	\$ 16,996
Public safety	346,332
Public works	36,431
Culture and recreation	40,236
Community services	26,548
Airport	167,498
Internal Service	327,007
Total depreciation expense – governmental activities	<u>\$961,048</u>
Business-type activities:	
Water and sewer	\$1,491,696
Solid waste management	17,377
Ambulance	11,123
Total depreciation expense – business-type activities	<u>\$1,520,196</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

Discretely Presented Component Unit

Activity for SEED for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 238,011	\$ 36,968	\$ -	\$ 274,979
Total capital assets, not being depreciated	<u>238,011</u>	<u>36,968</u>	<u>-</u>	<u>274,979</u>
Capital assets, being depreciated:				
Machinery and equipment	401,276	572,000	(401,276)	572,000
Total capital assets being depreciated	<u>401,276</u>	<u>572,000</u>	<u>(401,276)</u>	<u>572,000</u>
Less accumulated depreciation for:				
Machinery and equipment	(26,617)	(19,815)	41,665	(4,767)
Total accumulated depreciation	<u>(26,617)</u>	<u>(19,815)</u>	<u>41,665</u>	<u>(4,767)</u>
Total capital assets, being depreciated, net	<u>374,659</u>	<u>552,185</u>	<u>(359,611)</u>	<u>567,233</u>
SEED capital assets, net	<u>\$ 612,670</u>	<u>\$ 589,153</u>	<u>\$(359,611)</u>	<u>\$ 842,212</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, 2016, 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%.	\$ 3,235,000
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%.	1,745,000
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%.	8,025,000
2016 Combination Tax & Revenue Certificates of Obligation, dated July 15, 2016 for \$5,000,000 due in annual installments through August 15, 2036, bearing interest rates of 0% to 0.8%.	<u>5,000,000</u>
Total Bonds Payable	<u>\$ 18,005,000</u>

All four 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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

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, 2016.

Changes in Outstanding Debt

Transactions for the year ended September 30, 2016 are summarized as follows:

	Balance September 30, 2015	New Issue or Additions	Payments or Expenditures	Balance September 30, 2016	Due Within One Year
<u>Governmental Activities</u>					
Net pension liability	\$5,376,702	\$1,502,012	\$ -	\$6,878,714	\$ -
Compensated Absences	489,656	45,409	3,343	531,722	53,172
Total Governmental Activities	\$5,866,358	\$1,547,421	\$ 3,343	\$7,410,436	\$ 53,172
<u>Business-type Activities</u>					
General Obligation Bonds	12,605,000	-	1,345,000	11,260,000	1,375,000
Certificates of Obligation	1,840,000	5,000,000	95,000	6,745,000	300,000
Bond premium	1,062,166	-	125,094	937,072	125,095
Total bonds payable	15,507,166	5,000,000	1,565,094	18,942,072	1,800,095
Landfill post-closure	111,689	1,117	-	112,806	-
Net pension liability	3,565,261	833,368	-	4,398,629	-
Compensated Absences	214,830	10,331	179	224,982	22,499
Total Business-type Activities	\$19,398,946	\$5,844,816	\$1,565,273	\$23,678,489	\$1,822,594

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 for debt:

Bond Accrued Interest Payable	\$ 50,011
Current Maturities of Bonds	771,397
Total Interest and Sinking Fund	<u>\$ 821,408</u>

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to September 30, 2016 are as follows:

<u>Year Ending September 30</u>	<u>Enterprise Fund Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	1,715,000	396,829	2,111,829
2018	1,435,000	367,926	1,802,926
2019	1,480,000	335,076	1,815,076
2020	1,515,000	300,714	1,815,714
2021	1,550,000	266,438	1,816,438
2022 - 2026	6,985,000	677,259	7,662,259
2027 - 2031	1,800,000	140,104	1,940,104
2032 - 2036	1,525,000	38,977	1,563,977
	<u>\$18,005,000</u>	<u>\$ 2,523,320</u>	<u>\$20,528,320</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

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>\$ 27,430,514</u>	<u>\$ 18,942,072</u>	<u>\$ 4,805,209</u>	<u>\$ 13,293,651</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, 2016 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 866 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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.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, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	76
Inactive employees entitled to but not yet receiving benefits	38
Active employees	<u>104</u>
	218

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 19.19% and 18.15% in calendar years 2015 and 2016,

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2016

respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$963,144 and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. 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. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	<u>5.0%</u>	8.00%
Total	<u>100%</u>	

Discount Rate

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Net Pension Liability [a] – [b]
Balance at 12/31/2014	\$ 28,534,225	\$ 23,182,799	\$ 5,351,426
Changes for the year:			
Service cost	792,135	-	792,135
Interest	1,976,956	-	1,976,956
Difference between expected and actual experience	(226,424)	-	(226,424)
Changes in assumptions	72,076	-	72,076
Contributions – employer	-	967,603	(967,603)
Contributions – employee	-	352,957	(352,957)
Net investment income	-	34,208	(34,208)
Benefit payments, including refunds of employee contributions	(1,376,124)	(1,376,124)	-
Administrative expense	-	(20,836)	20,836
Other changes	-	(1,029)	1,029
Net changes	<u>\$ 1,238,619</u>	<u>\$ (43,222)</u>	<u>\$ 1,281,840</u>
Balance at 12/31/2015	<u>\$ 29,772,844</u>	<u>\$ 23,139,577</u>	<u>\$ 6,633,267</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

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

	Discount rate	Net pension liability
1% decrease	5.75%	\$ 10,616,687
Current discount rate	6.75%	\$ 6,633,267
1% increase	7.75%	\$ 3,345,801

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.

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

For the year ended September 30, 2016 the city recognized pension expense of \$1,078,141.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 171,864
Changes of assumptions	-	(54,708)
Net difference between projected and actual earnings on Plan investments	1,259,119	-
Contributions subsequent to the measurement date	704,510	-
Total	\$1,963,629	\$ 117,155

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, 2016. 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	\$ 262,938
2017	262,938
2018	303,947
2019	312,136
2020	-
Thereafter	-

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

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 2015 and 2016.

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 2016, 2015 and 2014 were \$13,580, \$11,597, and \$11,112 respectively, which equaled the required contributions each year.

Sweetwater Firemen's Relief and Retirement Fund Plan Description

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

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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2016

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.

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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2016

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.

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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

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.

Employees covered by the plan

At December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	25
Terminated employees entitled to but not yet receiving benefits	0
Active members	<u>26</u>
Total	51

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%	\$ 6,124,976
Current discount rate	8.0%	\$ 4,644,076
1% increase	9.0%	\$ 3,406,579

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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>	

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Net Pension Liability [a] – [b]
Balance at 12/31/2014	\$ 11,854,720	\$ 8,264,183	\$ 3,590,537
Changes for the year:			
Service cost	341,799	-	341,799
Interest	939,280	-	939,280
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions – employer	-	236,832	(236,832)
Contributions – employee	-	236,832	(236,832)
Net investment income	-	639,857	(639,857)
Benefit payments, including refunds of employee contributions	(911,057)	(911,057)	-
(Gain) or Loss due to differences in Projected vs. Actual earnings	-	(791,421)	791,421
Administrative expense	-	(94,560)	94,560
Other changes	-	-	-
Net changes	<u>\$ 370,022</u>	<u>\$ (683,517)</u>	<u>\$ 1,053,539</u>
Balance at 12/31/2015	<u>\$ 12,224,742</u>	<u>\$ 7,580,666</u>	<u>\$ 4,644,076</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

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

For the year ended September 30, 2016 the city recognized pension expense of \$723,948.

At September 30, 2016, 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	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	1,228,646	-
Contributions subsequent to the measurement date	183,993	-
Total	<u>\$1,412,639</u>	<u>\$ -</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, 2016. 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	\$ 224,998
2017	224,998
2018	224,999
2019	179,611
2020	21,326
Thereafter	352,714

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, 2016, 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	City Administration	\$ 3,988
	Non-departmental	11,300
	Golf Course	9
	Airport	118

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

(10) Fund Balance Deficit

The Ambulance Enterprise Fund had a deficit fund balance at September 30, 2016 of \$1,654,800. 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.

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, 2016, is as follows:

	Due From	Due To
General fund	\$ -	\$ 73,222
Non-major governmental funds:		
Senior nutrition activities project	-	4,032
Cemetery	2,865	183
Major proprietary funds:		
Water and wastewater fund	-	26,260
Solid waste management fund	-	36,452
Ambulance	-	7,325
Internal service fund		
Central garage and stores	144,610	-
	<u>\$ 147,475</u>	<u>\$ 147,475</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	\$ -	\$ 720,175
Non-major governmental funds:		
Senior nutrition activities project	184,800	-
Cemetery	36,444	-
Major business-type fund		
Water and wastewater fund	11,000	-
Solid waste management fund	-	103,027
Ambulance	455,500	-
Internal service fund		
Central garage and stores	135,458	-
	<u>\$ 823,202</u>	<u>\$ 823,202</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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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

The City informally budgets for current claims based on current health care statistics. The City incurred \$1,063,878 in health claims and stop-loss premiums for the year ended September 30, 2016. The City contributed \$812,137 and City employees contributed \$287,254 to the health insurance program for the year ended September 30, 2016. 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 \$ 1,436,111.

Incurred but not reported estimated health claims have been accrued as a liability based on the claims submitted after September 30, 2016, and on the City's remaining exposure under the aggregate stop-loss insurance coverage. The estimated liability for health claims is \$94,077 at September 30, 2016.

	<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>
2013-2014	\$ 70,522	\$ 1,218,011	\$ 1,262,075	\$ 26,458
2014-2015	\$ 26,458	\$ 1,018,082	\$ 1,120,976	\$ 76,436
2015-2016	\$ 76,436	\$ 1,063,878	\$ 1,046,237	\$ 94,077

(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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2016

(15) Construction Commitments

The City has an active construction project at fiscal year end. The project is a water system improvement and elevated storage tank construction 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	\$ 159,240	\$ 255,760

These commitments will be funded by the 2016 bond issue.

(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 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 \$95,317 and the post-closure cost estimate is \$17,489. The current landfill has an estimated useful life of less than two years. The Sanitation Department completed the new landfill's permitting process and is now in the construction phase. The new landfill will be operational by the end of the old landfill's useful life.

(17) New Pronouncements

Implemented

Statement No. 72, "Fair Value Measurement and Application" - This statement addresses accounting and financial reporting issues related to fair value measurements. The provisions of the Statement are effective for periods beginning after June 15, 2015.

Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" - This statement establishes the hierarchy of GAAP for state and local governments. The provisions of the Statement are effective for periods beginning after June 15, 2015.

Neither of these statements required a restatement of prior year reports.

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.

REQUIRED SUPPLEMENTARY INFORMATION

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 2015	Measurement Year 2014
Total pension liability		
Service Cost	\$ 792,135	\$ 671,107
Interest (on the Total Pension Liability)	1,976,956	1,911,569
Changes of benefit terms	-	-
Difference between expected and actual experience	(226,424)	(329,247)
Change of assumptions	72,076	-
Benefit payments, including refunds of employee contributions	<u>(1,376,124)</u>	<u>(1,383,552)</u>
Net Change in Total Pension Liability	1,238,619	869,877
Total Pension Liability - Beginning	<u>28,534,225</u>	<u>27,664,348</u>
Total Pension Liability - Ending (a)	<u><u>\$ 29,772,844</u></u>	<u><u>\$ 28,534,225</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 967,603	\$ 930,310
Contributions - Employee	352,957	326,100
Net Investment Income	34,208	1,262,036
Benefit payments, including refunds of employee contributions	(1,376,124)	(1,383,552)
Administrative Expense	(20,836)	(13,177)
Other	<u>(1,029)</u>	<u>(1,083)</u>
Net change in Plan Fiduciary Net Position	(43,222)	1,120,634
Plan Fiduciary Net Position - Beginning	<u>23,182,799</u>	<u>22,062,165</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 23,139,577</u></u>	<u><u>\$ 23,182,799</u></u>
 Net Pension Liability - Ending (a) - (b)	\$ 6,633,267	\$ 5,351,426
Plan Fiduciary Net Position as a % of Total Pension Liability	77.72%	81.25%
Covered Employee Payroll	\$ 5,042,236	\$ 4,658,574
Net Pension Liability as a % of Covered Employee Payroll	131.55%	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)

	9/30/2016	9/30/2015
Actuarially Determined Contribution	\$ 963,144	\$ 957,565
Contributions in relation to the actuarially determined contribution	\$ 963,144	\$ 957,565
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 5,229,357	\$ 4,581,299
Contributions as a percentage of covered employee payroll	18%	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	30 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis 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)

	<u>Measurement Year 2015</u>	<u>Measurement Year 2014</u>
Total pension liability		
Service Cost	\$ 341,799	\$ 327,271
Interest (on the Total Pension Liability)	939,280	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>(911,057)</u>	<u>(686,376)</u>
Net Change in Total Pension Liability	370,022	1,007,983
Total Pension Liability - Beginning	<u>11,854,720</u>	<u>10,846,737</u>
Total Pension Liability - Ending (a)	<u><u>\$ 12,224,742</u></u>	<u><u>\$ 11,854,720</u></u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 236,832	\$ 221,847
Contributions - Employee	236,832	221,847
Projected earnings on plan investments	639,857	639,233
Gain (Loss) due to differences in projected vs actual earnings	(791,421)	(226,941)
Benefit payments, including refunds of employee contributions	(911,057)	(686,376)
Administrative Expense	(94,560)	(34,337)
Other	<u>-</u>	<u>-</u>
Net change in Plan Fiduciary Net Position	(683,517)	135,273
Plan Fiduciary Net Position - Beginning	<u>8,264,183</u>	<u>8,128,910</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 7,580,666</u></u>	<u><u>\$ 8,264,183</u></u>
Net Pension Liability - Ending (a) - (b)	\$ 4,644,076	\$ 3,590,537
Plan Fiduciary Net Position as a % of Total Pension Liability	62.01%	69.71%
Covered Employee Payroll	\$ 1,480,200	\$ 1,386,544
Net Pension Liability as a % of Covered Employee Payroll	313.75%	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)

	9/30/2016	9/30/2015
Actuarially Determined Contribution	\$ 236,832	\$ 231,566
Contributions in relation to the actuarially determined contribution	\$ 236,832	\$ 231,566
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 1,480,200	\$ 1,447,285
Contributions as a percentage of covered employee payroll	16%	16%

Notes to Schedule of Contributions

Valuation Date: December 31, 2014
Notes: Actuarially determined contribution rates for 2015-2016 fiscal year 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.

* Effective October 1, 2016 the City increased its contribution rate to 18.0% of pay, and fund members increased their contribution rate to 17.0% of pay. Had these contribution rates been in effect on the December 31, 2014 valuation date, the amortization period would have been 32.8 years.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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, 2016

	Senior Nutrition Activities Project	Hotel and Motel Fund	Cemetery Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
Assets					
Current cash and cash equivalents	\$ 58,228	\$ 98,369	\$ 1,214,922	\$ 17,521	\$ 1,389,040
Due from other funds	-	-	2,865	-	2,865
Due from other governments	13,970	-	-	-	13,970
Total assets	\$ 72,198	\$ 98,369	\$ 1,217,787	\$ 17,521	\$ 1,405,875
Liabilities					
Accounts payable	9,987	-	-	-	9,987
Due to other funds	4,032	-	183	-	4,215
Due to other governments	-	98,369	-	-	98,369
Total liabilities	14,019	98,369	183	-	112,571
Fund Balances					
Nonspendable - Perpetual Cemetery Care	-	-	1,217,604	-	1,217,604
Restricted for drug enforcement	-	-	-	17,521	17,521
Restricted for senior nutrition program	58,179	-	-	-	58,179
Total fund balances	58,179	-	1,217,604	17,521	1,293,304
Total liabilities and fund balances	\$ 72,198	\$ 98,369	\$ 1,217,787	\$ 17,521	\$ 1,405,875

CITY OF SWEETWATER, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2016

	Senior Nutrition Activities Project	Hotel and Motel Fund	Cemetery Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
Revenues					
Occupancy tax	\$ -	\$ 726,290	\$ -	\$ -	\$ 726,290
Intergovernmental	222,458	-	-	-	222,458
Charges for services	-	-	2,200	-	2,200
Investment income	-	-	3,400	100	3,500
Contributions and donations	38,709	-	-	-	38,709
Miscellaneous	-	-	15,820	51,836	67,656
Total revenues	<u>261,167</u>	<u>726,290</u>	<u>21,420</u>	<u>51,936</u>	<u>1,060,813</u>
Expenditures					
Current:					
Public safety	-	-	-	39,470	39,470
Culture and recreation	-	726,290	-	-	726,290
Community services	406,641	-	39,334	-	445,975
Total expenditures	<u>406,641</u>	<u>726,290</u>	<u>39,334</u>	<u>39,470</u>	<u>1,211,735</u>
Excess (deficiency) of revenues over (under) expenditures	(145,474)	-	(17,914)	12,466	(150,922)
Other Financing Sources (Uses):					
Transfers in	184,800	-	36,444	-	221,244
Transfers out	-	-	-	-	-
Net change in fund balances	39,326	-	18,530	12,466	70,322
Fund balances - beginning	18,853	-	1,199,074	5,055	1,222,982
Fund balances - ending	<u>\$ 58,179</u>	<u>\$ -</u>	<u>\$ 1,217,604</u>	<u>\$ 17,521</u>	<u>\$ 1,293,304</u>

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 220,444	\$ 216,323	\$ 222,458	\$ 6,135
Contributions and donations	36,000	38,300	38,709	409
Miscellaneous	8,000	-	-	-
Total revenues	<u>264,444</u>	<u>254,623</u>	<u>261,167</u>	<u>6,544</u>
Expenditures				
Current:				
Community services	439,153	405,054	406,641	(1,587)
Total expenditures	<u>439,153</u>	<u>405,054</u>	<u>406,641</u>	<u>(1,587)</u>
Excess (deficiency) of revenues over (under) expenditures	(174,709)	(150,431)	(145,474)	4,957
Other Financing Sources (Uses):				
Transfers in	<u>185,000</u>	<u>185,000</u>	<u>184,800</u>	<u>(200)</u>
Net change in fund balances	10,291	34,569	39,326	4,757
Fund balances - beginning	<u>18,853</u>	<u>18,853</u>	<u>18,853</u>	<u>-</u>
Fund balances - ending	<u>\$ 29,144</u>	<u>\$ 53,422</u>	<u>\$ 58,179</u>	<u>\$ 4,757</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Occupancy tax	\$ 550,000	\$ 735,000	\$ 726,290	\$ (8,710)
Total revenues	<u>550,000</u>	<u>735,000</u>	<u>726,290</u>	<u>(8,710)</u>
Expenditures				
Current:				
Culture and recreation	550,000	735,000	726,290	8,710
Total expenditures	<u>550,000</u>	<u>735,000</u>	<u>726,290</u>	<u>8,710</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 6,000	\$ 2,200	\$ 2,200	\$ -
Miscellaneous	19,000	16,100	15,820	(280)
Investment income	3,000	3,400	3,400	-
Total revenues	<u>28,000</u>	<u>21,700</u>	<u>21,420</u>	<u>(280)</u>
Expenditures				
Current:				
Community services	<u>45,906</u>	<u>39,751</u>	<u>39,334</u>	<u>417</u>
Total expenditures	<u>45,906</u>	<u>39,751</u>	<u>39,334</u>	<u>417</u>
Excess (deficiency) of revenues over (under) expenditures	(17,906)	(18,051)	(17,914)	137
Other Financing Sources (Uses):				
Transfers in	<u>20,000</u>	<u>36,750</u>	<u>36,444</u>	<u>(306)</u>
Net change in fund balances	<u>2,094</u>	<u>18,699</u>	<u>18,530</u>	<u>(169)</u>
Fund balances - beginning	<u>1,199,074</u>	<u>1,199,074</u>	<u>1,199,074</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,201,168</u>	<u>\$ 1,217,773</u>	<u>\$ 1,217,604</u>	<u>\$ (169)</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, 2016

	Central Garage and Stores	Employee Benefit Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 597,621	\$ 363,398	\$ 961,019
Due from other funds	144,610	-	144,610
Due from other governments	94	-	94
Inventory	23,833	-	23,833
Total current assets	<u>766,159</u>	<u>363,398</u>	<u>1,129,557</u>
Capital assets:			
Buildings	145,573	-	145,573
Improvements other than buildings	37,361	-	37,361
Machinery and equipment	6,250,794	-	6,250,794
Less accumulated depreciation	<u>(4,784,285)</u>	<u>-</u>	<u>(4,784,285)</u>
Total capital assets (net of accumulated depreciation)	<u>1,649,443</u>	<u>-</u>	<u>1,649,443</u>
Total assets	<u>2,415,602</u>	<u>363,398</u>	<u>2,779,000</u>
Deferred Outflows of Resources			
Pension Plan	<u>207,349</u>	<u>-</u>	<u>207,349</u>
Liabilities			
Current Liabilities:			
Accounts payable	<u>36,843</u>	<u>58,411</u>	<u>95,254</u>
Total current liabilities	<u>36,843</u>	<u>58,411</u>	<u>95,254</u>
Noncurrent liabilities:			
Net pension liability	617,073	-	617,073
Accrued compensated absences	<u>15,904</u>	<u>-</u>	<u>15,904</u>
Total noncurrent liabilities	<u>632,977</u>	<u>-</u>	<u>632,977</u>
Total liabilities	<u>669,820</u>	<u>58,411</u>	<u>728,231</u>
Deferred Inflows of Resources			
Pension Plan	<u>7,976</u>	<u>-</u>	<u>7,976</u>
Net Assets			
Net investment in capital assets	1,649,443	-	1,649,443
Unrestricted	295,712	304,987	600,699
Total net position	<u>\$ 1,945,155</u>	<u>\$ 304,987</u>	<u>\$ 2,250,142</u>

Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended September 30, 2016

	Central Garage and Stores	Employee Benefit Fund	Total
Operating revenues:			
Charges for services	\$ 1,346,066	\$ 1,655,201	\$ 3,001,267
Miscellaneous	50,732	-	50,732
Total operating income	1,396,798	1,655,201	3,051,999
Operating expenses:			
Personal services	834,266	-	834,266
Supplies	45,292	-	45,292
Other services and charges	213,299	1,443,113	1,656,412
Depreciation	327,007	-	327,007
Total operating expenses	1,419,864	1,443,113	2,862,977
Operating income	(23,066)	212,088	189,022
Nonoperating revenues (expenses):			
Interest income	1,852	774	2,626
Income before transfers	(21,214)	212,862	191,648
Transfers in	135,458	-	135,458
Change in net position	114,245	212,862	327,107
Total net position - beginning	1,830,910	92,125	1,923,035
Total net position - ending	\$ 1,945,155	\$ 304,987	\$ 2,250,142

CITY OF SWEETWATER, TEXAS

Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2016

	Central Garage and Stores	Employee Benefit Fund	Total
Cash Flows From Operating Activities			
Receipts from interfund services provided	\$ 1,396,798	\$ 1,655,201	\$ 3,051,999
Payments to suppliers	312,218	1,461,139	1,773,357
Payments to employees	834,216	-	834,216
Net cash provided by operating activities	<u>250,364</u>	<u>194,062</u>	<u>444,426</u>
Cash Flows From Noncapital Financing Activities			
Transfers between funds	135,458	-	135,458
Net cash provided (used) by noncapital financing activities	<u>135,458</u>	<u>-</u>	<u>135,458</u>
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(369,041)	-	(369,041)
Disposition of equipment	-	-	-
Net cash used by capital and related financing activities	<u>(369,041)</u>	<u>-</u>	<u>(369,041)</u>
Cash Flows From Investing Activities			
Interest and dividends received	1,852	774	2,626
Net cash provided (used) by investing activities	<u>1,852</u>	<u>774</u>	<u>2,626</u>
Net increase (decrease) in cash and cash equivalents	18,634	194,837	213,471
Cash and cash equivalents at beginning of year	578,987	168,561	747,548
Cash and cash equivalents at end of year	<u>\$ 597,621</u>	<u>\$ 363,398</u>	<u>\$ 961,019</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	<u>(23,066)</u>	<u>212,088</u>	<u>189,022</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	327,007	-	327,007
(Increase) decrease in other receivables	-	-	-
(Increase) decrease in due from other funds	6,063	-	6,063
(Increase) in due from other governments	(49)	-	(49)
(Increase) decrease in inventories	16,378	-	16,378
(increase) decrease in deferred outflows of resources	(123,671)	-	(123,671)
Increase (decrease) in accounts payable	(76,018)	(18,025)	(94,043)
Increase (decrease) in net pension liability	138,054	-	138,054
Increase (decrease) in compensated absences	534	-	534
Increase (decrease) in deferred inflows of resources	(14,867)	-	(14,867)
Total adjustments	<u>273,430</u>	<u>(18,025)</u>	<u>255,405</u>
Net cash provided by operating activities	<u>\$ 250,364</u>	<u>\$ 194,062</u>	<u>\$ 444,426</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, 2016 and 2015

	2016	2015
General fixed assets:		
Land	\$ 178,332	\$ 178,332
Construction in-progress	-	-
Buildings	7,571,026	7,571,026
Improvements other than buildings	6,997,387	6,965,609
Machinery and equipment	1,655,467	1,507,575
 Total governmental funds capital assets	 \$ 16,402,211	 \$ 16,222,542
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	7,074,340	6,932,831
From special assessments	190,350	190,350
From capital donations	416,712	416,712
From federal and other government grants (including federal revenue sharing)	4,151,568	4,113,408
From water and wastewater fund-transfer of swimming pool	486,881	486,881
From special revenue fund	2,718,492	2,718,492
 Total governmental funds capital assets	 \$ 16,402,211	 \$ 16,222,542

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, 2016

	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	554,841	9,000	-	280,755	142,159	122,927
Total general government	621,469	9,000	-	280,755	181,159	150,555
Public safety:						
Police protection	5,831,943	20,472	-	4,525,643	488,522	797,306
Fire protection	1,569,270	81,451	-	1,025,710	83,512	378,597
Civil defense	107,299	-	-	-	63,824	43,475
Total public safety	7,508,512	101,923	-	5,551,353	635,858	1,219,378
Public works:						
Streets and highways	1,901,334	800	-	-	1,847,759	52,775
Recycling center	35,113	-	-	-	24,219	10,894
Animal control	26,509	-	-	26,509	-	-
Total Public works	1,962,956	800	-	26,509	1,871,978	63,669
Culture and recreation:						
Parks and cemetery	1,051,454	24,870	-	61,795	923,859	40,930
Golf course	264,280	-	-	59,522	167,249	37,509
Swimming pool	536,437	-	-	-	531,960	4,477
Total culture and recreation	1,852,171	24,870	-	121,317	1,623,068	82,916
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	3,608,241	37,239	-	864,208	2,666,599	40,195
Total governmental funds capital assets	\$ 16,402,211	\$ 178,332	\$ -	\$ 7,571,026	\$ 6,997,387	\$ 1,655,467

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, 2016

	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	10/01/15	Additions	Deductions	09/30/16
General government:				
Administration	\$ 66,628	\$ -	\$ -	\$ 66,628
General government buildings	532,872	21,969	-	554,841
Total general government	599,500	21,969	-	621,469
Public safety:				
Police protection	5,767,885	64,059	-	5,831,943
Fire protection	1,528,215	41,055	-	1,569,270
Civil defense	107,299	-	-	107,299
Total public safety	7,403,399	105,114	-	7,508,512
Public works:				
Streets and highways	1,885,056	16,278	-	1,901,334
Recycling center	35,113	-	-	35,113
Animal control	26,509	-	-	26,509
Total public works	1,946,678	16,278	-	1,962,956
Culture and recreation:				
Parks and cemetery	1,031,635	19,819	-	1,051,454
Golf course	259,748	4,532	-	264,280
Swimming pool	536,437	-	-	536,437
Total culture and recreation	1,827,820	24,351	-	1,852,171
Community Services:				
Municipal auditorium	38,850	-	-	38,850
Health department	43,719	-	-	43,719
Museum	164,457	-	-	164,457
SNAP	601,838	-	-	601,838
Total community services	848,864	-	-	848,864
Airport	3,596,282	11,959	-	3,608,241
Total governmental funds capital assets	\$ 16,222,542	\$ 179,669	\$ -	\$ 16,402,211

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.

**“We lead with trust and respect to provide a vibrant,
secure community for all”**



PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK

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.	80-86
Revenue Capacity These schedules contain information to help readers assess the City's most significant local revenue source-its property tax.	87-92
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.	93-97
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.	98-99
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.	100-102

CITY OF SWEETWATER, TEXAS

Net Position by Component
Last Ten Fiscal Years

(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets, net of related debt	\$ 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	\$ 9,047,241
Restricted	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	1,431,643
Unrestricted	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	437,403
Total governmental activities net position	\$ 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	\$ 10,916,287
Business-type activities										
Invested in capital assets, net of related debt	\$ 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	\$ 13,743,436
Restricted	845,137	92,991	677,857	686,668	709,175	712,235	715,354	759,967	817,153	821,408
Unrestricted	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	4,715,014
Total business-type activities net position	\$ 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	\$ 19,279,858
Primary government										
Net investment in capital assets	\$ 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	\$ 22,790,677
Restricted	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	2,253,051
Unrestricted	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	5,152,417
Total primary government net position	\$ 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	\$ 30,196,145

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,642,864
Public safety	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	5,010,521
Public works	851,027	802,182	940,334	975,452	1,101,889	1,007,398	1,072,818	1,056,515	1,057,291	1,095,851
Culture and recreation	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	1,464,758
Community services	398,673	418,674	448,606	486,967	530,442	491,645	502,840	555,465	544,645	533,096
Airport	143,550	143,388	159,763	168,676	230,145	322,991	452,828	413,656	376,425	443,799
Total governmental activities expenses	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	10,190,889
Business-type activities:										
Water and sewer	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	6,344,981
Ambulance	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	2,244,762
Solid waste management	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	1,914,193
Total business-type activities expenses	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	10,503,937
Total primary government expenses	\$ 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	\$ 20,694,826

CITY OF SWEETWATER, TEXAS

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

(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 1,338,490
Public works	1,731	596	538	430	24,419	16,560	21,673	3,363	3,495	3,747
Culture and recreation	249,599	385,645	371,134	371,340	375,378	360,077	365,182	364,659	375,659	377,382
Community services	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	194,555
Operating grants and contributions	249,236	283,225	412,667	297,460	329,867	267,093	392,616	367,386	287,101	308,172
Capital grants and contributions	-	-	482,996	21,680	170,168	690,376	472,375	-	-	38,160
Total governmental activities program revenues	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	2,260,505
Business-type activities:										
Charges for services:										
Water and sewer	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	7,202,525
Ambulance	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	1,561,508
Solid waste management	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	1,891,078
Operating grants and contributions	148,006	-	20,491	21,787	2,800	10,832	20,454	9,979	18,069	1,600
Capital grants and contributions	2,186	20,000	-	23,000	-	252,083	-	-	-	-
Total business-type activities program revenues	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	10,656,711
Total primary government program revenues	\$ 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	\$ 12,917,216
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (7,930,383)
Business-type activities	(87,807)	571,275	279,508	256,580	1,389,740	1,131,946	1,368,359	264,640	(482,147)	152,776
Total primary government net expense	\$ (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)	\$ (7,777,607)

CITY OF SWEETWATER, TEXAS

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

(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Continued										
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$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	\$2,236,094
Sales taxes	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	3,377,448
Franchise taxes	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	1,064,016
Other taxes	467,204	475,269	459,250	352,334	433,575	505,979	572,910	620,562	723,538	735,637
Investment earnings	209,336	144,081	36,990	29,264	29,041	22,017	24,761	25,297	19,517	20,561
Miscellaneous	447,490	706,026	560,679	757,485	914,358	1,314,414	861,174	1,006,410	732,713	589,044
Special item	-	-	-	-	-	531,339	4,521	-	-	116,204
Transfers	(185,000)	(150,000)	(267,500)	(220,000)	(318,000)	(401,000)	(365,500)	(410,000)	(433,000)	(363,473)
Total governmental activities	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	\$7,775,531
Business-type activities:										
Investment earnings	217,915	251,663	47,109	19,266	27,538	22,459	23,304	20,667	19,463	26,111
Miscellaneous	51,230	120,997	162,242	100,312	363,534	89,737	77,793	86,433	166,118	61,637
Special item	-	(1,332,927)	-	-	-	-	-	-	-	-
Transfers	185,000	150,000	267,500	220,000	318,000	401,000	365,500	410,000	433,000	363,473
Total business-type activities	454,145	(810,268)	476,852	339,578	709,072	513,196	466,597	517,100	618,581	451,222
Total primary government	\$ 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	\$ 8,226,754
Change in Net Position										
Governmental activities	\$ 474,284	\$ 992,671	\$ 407,647	\$ 161,242	\$ 839,012	\$ 2,288,920	\$ 674,380	\$ 446,387	\$ (233,877)	\$ (154,852)
Business-type activities	366,338	(238,993)	756,360	596,158	2,098,811	1,645,141	1,834,958	781,740	136,434	603,998
Total primary government	\$ 840,620	\$ 753,678	\$ 1,164,007	\$ 757,400	\$ 2,937,823	\$ 3,934,062	\$ 2,509,338	\$ 1,228,127	\$ (97,443)	\$ 449,146

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	
	2016	Fiscal Year 2015
Governmental Activities		
General Government	\$1,338,490	\$1,277,724
Public Safety	42,022	19,755
Public Works	3,747	3,495
Culture and Recreation	402,382	375,659
Community Services	261,167	262,470
Airport	212,698	165,778
Subtotal Governmental Activities	2,260,505	2,104,881
Business-type Activities		
Water and Sewer	7,202,525	6,558,087
Ambulance	1,563,108	1,600,473
Solid Waste Management	1,891,078	1,895,226
Subtotal Business-type Activities	10,656,711	10,053,786
Total Primary Government	\$12,917,216	\$12,158,667

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Unreserved	3,063,525	4,134,064	4,435,088	4,930,607	-	-	-	-	-	-
Restricted	-	-	-	-	-	35,854	61,082	87,134	113,147	163,339
Unassigned	-	-	-	-	6,331,590	8,196,184	8,086,154	5,877,126	4,360,460	4,566,380
Total general fund	\$ 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	\$ 4,729,719
All Other Governmental Funds										
Reserved	\$ 1,015,879	\$ 1,038,267	\$ 1,039,844	\$ 1,079,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	14,874	23,540	84,547	74,632	-	-	-	-	-	-
Nonspendable	-	-	-	-	1,105,496	1,126,190	1,151,193	1,177,458	1,199,074	1,217,604
Restricted	-	-	-	-	10,280	7,682	6,950	7,190	5,055	75,700
Assigned	-	-	-	-	26,929	13,444	11,690	11,007	18,853	-
Total all other governmental funds	\$ 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	\$ 1,293,304

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)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 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	\$ 7,396,359
Intergovernmental	5,116	234,119	743,368	267,974	417,997	663,485	819,231	248,798	237,826	305,712
Charges for services	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	1,436,923
Licenses and permits	14,013	16,019	25,007	20,079	26,887	31,026	26,919	37,211	35,805	32,089
Investment income	209,336	144,081	36,990	24,826	31,605	23,891	24,761	25,297	19,517	20,561
Fines and forfeitures	23,978	28,402	37,376	40,567	39,632	50,788	59,405	43,772	50,270	59,314
Miscellaneous	691,608	755,133	712,974	808,653	1,055,012	2,019,907	1,345,905	1,508,869	1,162,993	1,015,513
Total revenues	7,180,361	8,072,294	8,006,925	7,586,716	9,149,463	10,173,236	9,704,678	9,892,061	9,609,961	10,266,471
Expenditures										
General government	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	1,637,268
Public safety	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	4,441,559
Public works	862,520	775,676	806,877	876,497	958,960	956,175	1,008,327	1,030,142	1,047,268	1,074,272
Culture and recreation	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	1,436,460
Community services	395,321	413,796	446,363	473,400	463,120	480,162	490,629	531,270	531,104	510,793
Airport	64,816	64,521	65,267	58,476	119,606	214,915	311,461	250,578	212,791	277,288
Capital outlay	88,301	215,984	547,977	171,268	211,803	625,523	1,337,961	3,029,805	1,564,499	179,669
Total expenditures	6,475,586	6,820,701	7,375,817	6,841,699	7,441,661	8,122,927	9,405,984	11,639,214	10,640,287	9,557,309
Excess of revenues over (under) expenditures	704,775	1,251,593	631,108	745,017	1,707,802	2,050,309	298,694	(1,747,153)	(1,030,326)	709,162
Other Financing Sources (Uses)										
Transfers in	58,500	66,000	64,000	151,636	86,066	146,613	163,636	192,210	210,849	221,244
Transfers out	(243,500)	(216,000)	(331,500)	(371,636)	(404,066)	(547,613)	(529,136)	(602,210)	(643,849)	(720,175)
Proceeds from sale of assets	-	-	-	-	-	255,750	4,521	-	-	116,204
Total other financing sources (uses)	(185,000)	(150,000)	(267,500)	(220,000)	(318,000)	(145,250)	(360,979)	(410,000)	(433,000)	(382,727)
Net change in fund balances	\$ 519,775	\$ 1,101,593	\$ 363,608	\$ 525,017	\$ 1,389,802	\$ 1,905,059	\$ (62,285)	\$(2,157,153)	\$(1,463,326)	\$ 326,434
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
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
2016	2,219	3,377	1,064	726	9	7,395
Change:						
2007-2016	74%	76%	-6%	58%	13%	54%

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 76% 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*					
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%
2016	220,863	133,319	110,888	12,440	12,317	465,193	0.4800	465,193	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												Total Direct & Overlapping Rates	
	City of Sweetwater			Sweetwater Independent			Nolan County			Nolan County Hospital				
	Operating	Debt	Total	Operating	Debt	Total	Operating	Debt	Total	Operating	Debt	Total		
2007	0.4800	-	0.4800	1.3700	0.0834	1.4534	0.5119	-	0.5119	0.1734	0.0321	0.2055	0.2055	2.6508
2008	0.4800	-	0.4800	1.0400	0.0834	1.1234	0.4053	-	0.4053	0.1117	0.0297	0.1414	0.1414	2.1501
2009	0.4800	-	0.4800	1.0400	0.1900	1.2300	0.3575	-	0.3575	0.1723	0.0358	0.2081	0.2081	2.2756
2010	0.4800	-	0.4800	1.0400	0.1900	1.2300	0.3492	-	0.3492	0.1961	0.0581	0.2542	0.2542	2.3134
2011	0.4800	-	0.4800	1.0600	0.1650	1.2250	0.3754	-	0.3754	0.2020	0.0504	0.2524	0.2524	2.3328
2012	0.4800	-	0.4800	1.0600	0.1650	1.2250	0.4230	-	0.4230	0.2042	0.0482	0.2524	0.2524	2.3804
2013	0.4630	-	0.4630	1.0950	0.1200	1.2150	0.3946	-	0.3946	0.2021	0.0197	0.2218	0.2218	2.2944
2014	0.4800	-	0.4800	1.0950	0.1200	1.2150	0.4431	0.0645	0.5076	0.2287	0.0236	0.2524	0.2524	2.4549
2015	0.4800	-	0.4800	1.0950	0.1200	1.2150	0.4448	0.0639	0.5087	0.2459	0.1580	0.4040	0.4040	2.6077
2016	0.4800	-	0.4800	1.0950	0.1180	1.2130	0.4758	0.0641	0.5399	0.2479	0.1560	0.4039	0.4039	2.6368

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 2015			Tax Year 2006		
	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	20,065,930	1	4.31%	11,284,843	1	4.36%
Crest Pumping Technologies LLC	12,887,290	2	2.77%			
CSI Acquisition Co.	7,459,130	3	1.60%			
Cholla Petroleum Inc	5,870,530	4	1.26%			
TST INC - dba Timco	5,741,970	5	1.23%	5,302,720	2	2.05%
Pipeco Services	5,350,170	6	1.15%			
TXHP Sweetwater LLC	5,113,490	7	1.10%			
Oncor Electric Delivery/TU	5,000,450	8	1.07%			
Select Well Testing PP	4,980,780	9	1.07%			
Wal-Mart Stores Texas LP	4,831,880	10	1.04%	4,760,645	4	1.84%
TXU Electric Delivery				4,766,480	3	1.84%
Wal-Mart Stores LP				3,934,577	5	1.52%
Sweet K Associates				2,881,597	6	1.11%
Southwestern Bell Telephone				2,813,570	7	1.09%
Cristina Enterprises, Inc.				2,481,063	8	0.96%
First National Bank				2,019,962	9	0.78%
Union Pacific Railroad				1,553,200	10	0.60%
Total	77,301,620		16.62%	41,798,657		16.15%

Source: Central Appraisal District of Nolan County

CITY OF SWEETWATER, TEXAS

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	1,246,419	1,198,389	96%	46,895	1,245,284	100%
2008	1,292,401	1,252,295	97%	35,741	1,288,036	100%
2009	1,469,773	1,366,024	93%	97,925	1,463,949	100%
2010	1,561,808	1,441,740	92%	109,449	1,551,189	99%
2011	1,586,856	1,518,494	96%	58,612	1,577,106	99%
2012	1,627,454	1,556,652	96%	63,664	1,620,316	100%
2013	1,947,460	1,892,650	97%	47,581	1,940,231	100%
2014	1,909,117	1,855,387	97%	38,912	1,894,299	99%
2015	2,053,829	1,987,413	97%	34,489	2,021,902	98%
2016	2,232,971	2,159,055	97%	-	2,159,055	97%

Source: Central Appraisal District of Nolan County

CITY OF SWEETWATER

**Principal Water Sales
Current Year and Ten Years Ago
Fiscal Year**

Water Customer	2016				2007			
	Water Rate	Water Sales	Rank	Percentage of Total Water Sales	Water Rate	Water Sales	Rank	Percentage of Total Water Sales
UNITED STATES GYPSUM CO	\$ 7.26	\$ 626,374.83	1	13.42%	\$ 4.99	\$ 519,782.40	1	12.50%
GEORGIA PACIFIC	\$ 7.26	\$ 350,826.30	2	7.52%	\$ 4.99	\$ 235,806.83	2	5.67%
HOUSING AUTHORITY	\$ 7.69	\$ 291,223.63	3	6.24%	\$ 5.29	\$ 215,730.29	3	5.19%
CITY OF ROBY	\$ 6.53	\$ 260,815.42	4	5.59%	\$ 4.49	\$ 165,797.66	4	3.99%
SWEETWATER ISD	\$ 7.26	\$ 206,991.16	5	4.44%	\$ 4.99	\$ 96,616.37	6	2.32%
CITY OF TRENT	\$ 6.53	\$ 162,874.81	6	3.49%	\$ 4.49	\$ 122,353.13	5	2.94%
APPLE CREEK APT	\$ 7.69	\$ 118,195.80	7	2.53%	\$ 5.29	\$ 92,047.00	7	2.21%
SWEETWATER MUSTANG HEIGHTS	\$ 7.69	\$ 86,917.66	8	1.86%	\$ 4.99	\$ 51,898.02	10	1.25%
LUDLUM MEASUREMENTS	\$ 7.26	\$ 83,055.14	9	1.78%	\$ 8.02	\$ 85,996.98	8	2.07%
HBSN INVESTMENT CO., L.L.C.	\$ 7.69	\$ 82,829.88	10	1.77%	\$ 4.99	\$ 53,404.84	9	1.28%
ROLLING PLAINS CAMPUS(TSTC)								
ROLLING PLAINS HOSPITAL								
		<u>\$ 2,270,104.63</u>		<u>48.65%</u>		<u>\$ 1,639,433.52</u>		<u>39.42%</u>

Source: City of Sweetwater Utility Department

CITY OF SWEETWATER, TEXAS

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

Business type Activities						
Fiscal Year	General Obligation Bonds(1)	Certificates of Obligation Bonds(1)	Refunding Bonds (1)	Total	Percentage of Personal Income(3)	Per Capita(4)
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
2016	-	6,745,000	12,197,072	18,942,072	0.1965%	1,736.85

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 5 million of new certificates of obligation to fund water system improvements.

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)
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
2016	-	6,745,000	12,197,072	18,942,072	821,408	18,120,664	3.90%	1,661.53

Notes:

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

General:

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

CITY OF SWEETWATER, TEXAS

**Direct and Overlapping Governmental Activities Debt,
As of September 30, 2016**

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Overlapping Debt(1)</u>
Debt repaid with property taxes			
Sweetwater Independent School District	\$ 9,813,011	58.1%	\$ 5,701,359
Nolan County	16,012,000	23.0%	3,687,564
Nolan County Hospital District	24,564,292	23.0%	5,657,156
Subtotal, Overlapping Debt			<u>15,046,079</u>
City of Sweetwater direct debt			<u>0</u>
Total direct and overlapping debt			<u><u>\$ 15,046,079</u></u>
Total direct and overlapping debt percent of assessed taxable value			3.2%
Total direct and overlapping debt per Capita			\$1,380

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

Notes:

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

CITY OF SWEETWATER, TEXAS

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

Legal Debt Margin Calculation for Fiscal Year 2016

Assessed value	\$465,192,840
Debt limit ¹ (\$2.50 per hundred dollar valuation)	11,629,821
Debt applicable to limit:	
Certificates of Obligation	1,723,477
Less: Amount set aside for repayment of certificate of obligation debt	(821,408)
Total net debt applicable to limit	<u>902,069</u>
Legal debt margin	<u>\$ 10,727,752</u>

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 6,470,124	\$ 6,710,135	\$ 7,641,042	\$ 8,121,047	\$ 8,264,999	\$ 8,477,492	\$ 10,505,242	\$ 9,941,110	\$ 10,697,024	\$ 11,629,821
Total net debt applicable to limit	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	902,069
Legal debt margin	\$ 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	\$ 10,727,752

Total net debt applicable to limit as a percentage of debt limit	14.9%	18.8%	16.7%	15.7%	15.5%	13.4%	10.4%	11.2%	16.7%	7.8%
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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>	
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
2016	7,250,798	4,373,949	2,876,849	1,440,000	283,477	1.67

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		Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
		Personal Income	Per Capita Personal Income				
2006	11,415	\$376,473,000	\$25,828	37.1	N/A	2,270	4.3%
2007	11,415	\$400,687,000	\$27,539	37.1	N/A	2,341	3.7%
2008	11,415	\$441,435,000	\$29,609	37.1	N/A	2,320	3.9%
2009	11,415	\$471,694,000	\$31,621	37.1	N/A	2,275	6.3%
2010	10,906	\$479,143,000	\$31,419	37.1	N/A	2,286	6.3%
2011	10,906	\$502,560,000	\$32,914	37.1	N/A	2,273	5.6%
2012	10,906	\$523,214,000	\$35,059	37.5	N/A	2,209	5.0%
2013	10,906	\$572,484,000	\$38,072	38.7	N/A	2,196	4.6%
2014	10,906	\$550,910,000	\$36,501	37.6	N/A	2,169	3.5%
2015	10,906	\$562,315,000	\$37,222	37.4	N/A	2,126	4.3%

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 Corporation. 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 in our City.

CITY OF SWEETWATER, TEXAS

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

	2016			2007		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Ludlum Measurements	425	1	7.1%	355	2	7.2%
Sweetwater ISD	385	2	6.4%	400	1	8.1%
Rolling Plains Hospital	329	3	5.5%	260	3	5.3%
United States Gypsum	240	4	4.0%	248	4	5.0%
Wal-Mart	190	5	3.2%	200	5	4.1%
City of Sweetwater	140	6	2.3%	157	7	3.2%
Nolan County	113	7	1.9%	96	10	2.0%
Buzzi Unicem/Lone Star Cement	105	8	1.8%	117	8	2.4%
Texas State Technical College	104	9	1.7%	172	6	3.5%
MHMR	100	10	1.7%	N/A	N/A	N/A
TA Travel Stop	97	11	1.6%	97	9	2.0%
Total	2,228		37.2%	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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	3.00
Code and Legal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Code Enforcement	2.75	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	15.50	14.50	14.00	14.00	14.00	14.00	14.00	15.00	16.00
Civilians	0.50	-	-	-	-	-	-	-	-	-
Street and Signals	6.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Animal Control	1.00	1.00	1.25	1.25	1.25	2.00	2.00	2.00	2.00	2.00
Parks and Recreation	4.25	5.00	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	4.25	7.00	6.75	5.75	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	5.00	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Water										
Billing and Collections	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.70	2.50
Source of Supply	3.45	3.45	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Water Purification	3.20	3.70	4.20	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	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
Wastewater Treatment	3.45	2.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Emergency Medical Services										
Paramedic/Firefighters/Officers	8.00	8.50	9.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Civilians	0.50	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.20	1.00
Refuse										
Refuse Collection -Residential	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.85	5.75
Refuse Disposal	5.00	3.25	3.25	3.25	3.50	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	3.10	3.00
Central Garage and Stores	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.20	13.00
Cemetery	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

Source: City Human Resource Department

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

Function Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Code Enforcement										
Building permits issued	164	162	149	134	143	107	142	190	168	159
Violation notices mailed										
Weeds	264	529	281	261	204	88	249	432	312	392
Junk	58	348	99	99	52	63	51	56	53	37
Other	142	60	245	128	127	99	77	131	121	126
Number of substandard structures identified	41	121	85	30	36	33	30	19	41	8
Police										
Crimes against person	526	512	537	538	536	558	530	700	612	533
Crimes against property	897	774	904	791	799	846	815	1,200	1,056	1,137
Traffic citations	1,843	1,578	1,856	1,574	1,440	1,637	1,600	1,500	569	594
Request for service	13,946	19,261	23,234	22,572	22,642	23,298	22,500	24,000	21,928	23,453
Persons arrested	1,417	1,298	1,141	1,315	1,383	1,309	1,350	1,200	923	977
Fire										
Fire calls in city	317	304	326	360	378	486	444	368	352	345
Fire calls out of city	202	155	301	250	182	344	328	215	247	409
Animal Control										
Dogs and cats impounded	667	816	682	658	692	681	675	534	687	668
Citizen calls	2,492	2,449	1,598	1,861	1,831	1,033	1,750	2,567	3,170	4,159
Golf Course										
Number of rounds played	5,184	1,007	3,446	4,548	4,927	1,934	4,386	3,104	3,956	3,336
Number of memberships	114	114	197	68	57	150	52	57	60	56
Swimming Pool										
Number of daily admissions	7,259	7,922	8,910	9,584	9,045	9,305	8,742	6,505	6,569	7,510
Water										
Gallons pumped	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	806,717,009
Gallons treated	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	713,665,836
Average daily consumption	2.60MGD	2.29MGD	2.32MGD	2.20MGD	1.9MGD	2.4MGD	2.3MGD	2.3MGD	2.1MGD	1.9MGD
Peak Consumption	4.56MGD	3.58MGD	3.5MGD	2.88MGD	3.3MGD	3.6MGD	3.8MGD	3.5MGD	3.1MGD	2.8MGD
Average daily sewage treatment	1.03MGD	1.0MGD	1.0MGD	1.0MGD	1.1MGD	1.0MGD	1.0MGD	1.0MGD	1.0MGD	1.0MGD
Emergency Medical Service										
Ambulance calls within city	782	829	948	874	987	996	890	885	1,146	1,123
Ambulance calls total	1,862	2,064	2,227	2,031	2,348	2,109	2,057	2,316	2,244	2,218
Refuse										
Residential tons collected	5,555	5,863	6,349	6,338	6,048	5,348	6,058	5,583	5,933	5,825
Commercial ton collected	3,383	3,716	3,816	3,387	3,754	3,607	3,634	3,724	3,807	4,016

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	21	21	21	21	21	21	21	21	22	22
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Trucks	6	6	6	6	6	6	6	6	8	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	816	816	817	808
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)	179	179	179	179	179	179	191	191	194	198
Fire hydrants	416	416	416	416	416	416	443	443	460	461
Storage capacity (million gallons)	3.4	3.4	3.4	3.4	3.4	3.4	6.5	6.5	6.5	6.5
Sewage										
Sanitary sewers (miles)	116	116	116	116	116	116	123	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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated January 9, 2017.

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.

Catherine Wilks

Sweetwater, Texas
January 9, 2017

CITY OF SWEETWATER, TEXAS

Schedule of Findings and Responses
For the Year Ended September 30, 2016

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, 2016

There were no prior audit findings.