



**City of Sweetwater, Texas
Comprehensive
Annual Financial
Report
FY 2016-2017
Ended September 30, 2017**

City of *Sweetwater*, Texas
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2017

Prepared by:
Finance Department

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



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CITY OF SWEETWATER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2017

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INTRODUCTORY SECTION

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

February 20, 2018

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, 2017.

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, 2017. 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.

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.

The previous years' rains 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, 2017, both real and personal in the City is \$462,484,162, which is a decrease of \$2.7 million, or .6% from September 30, 2016. This relatively small decrease 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 2017, Oak Creek Lake was at 51.5 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.

Major initiatives

In fiscal year 2017, the City of Sweetwater 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 was presented to and approved by the Commission in the summer of 2017.

In fiscal year 2016, the City received a 5 million dollar Texas Water Development Board Drinking Water SRF low interest loan to 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. The majority of the construction has been completed. Expending of the remaining funds and completion of the project is expected to be in fiscal year 2018

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 the 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, 2016. This was the thirty eighth 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, 2017. 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



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, 2016

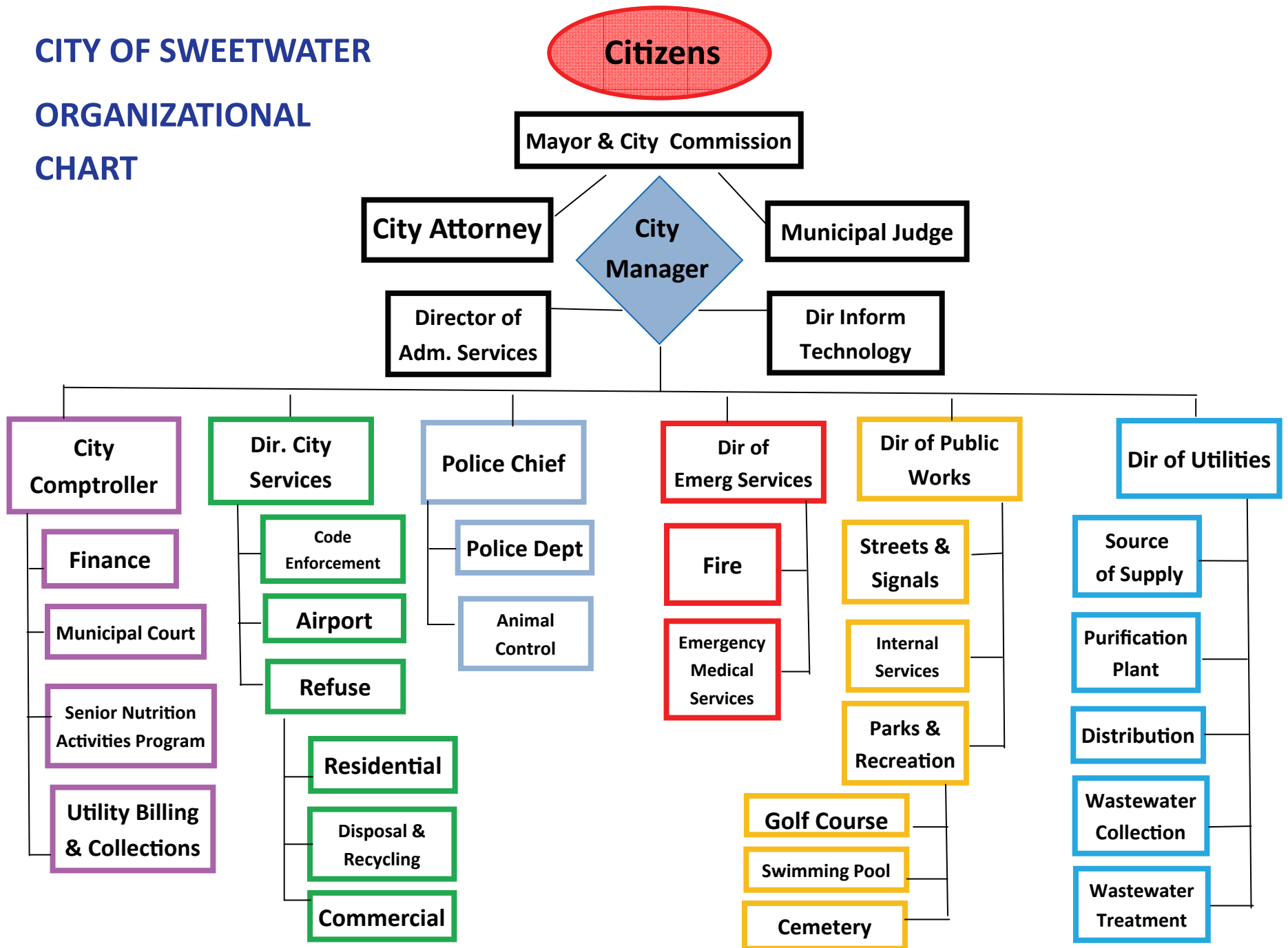
Christopher P. Morrell

Executive Director/CEO

CITY OF SWEETWATER

ORGANIZATIONAL

CHART



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

**PRINCIPAL OFFICIALS
September 30, 2017**

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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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, 2017, 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, 2017, 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the City of Sweetwater, Texas.

The combining and individual nonmajor fund financial statements and schedules, and other schedules, and the schedule of expenditures of federal awards 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, other schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 2, 2018, 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.

Cathrine Wilks

Sweetwater, Texas
February 2, 2018

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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-5 of this report. All amounts, unless otherwise indicated, are expressed in **thousands** of dollars.

Financial Highlights

- The assets of the City of Sweetwater exceeded its liabilities at the close of the most recent fiscal year by \$29,566 (*net position*). Of this amount, \$8,893 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$630.
- As of the close of the current fiscal year, the City of Sweetwater's governmental funds reported combined ending fund balances of \$5,224; of this amount, \$3,808 is *available for spending* at the government's discretion (*unassigned fund balance*), \$181 is restricted and \$1,235 is nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,808 or 39 percent of total general fund expenditures.
- On a budgetary-basis the City's General Fund revenues were below budget by \$865 thousand or 9% and total expenditures were below budgeted by \$463 thousand or 5%

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, 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.

CITY OF SWEETWATER, TEXAS

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.

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.

CITY OF SWEETWATER, TEXAS

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 \$29,566 at the close of the most recent fiscal year.

City of Sweetwater's Net position

	Governmental Activities		Business Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current & other assets	\$ 7,474	\$ 7,312	\$ 14,426	\$ 12,975	\$21,900	\$20,287
Capital assets	9,047	8,785	27,880	29,272	36,927	38,057
Total assets	16,521	16,097	42,306	42,247	58,827	58,344
Deferred outflows of resources	2,127	1,877	1,249	1,121	3,376	2,998
Long-term liabilities outstanding	7,357	7,551	21,856	20,321	29,213	27,872
Other liabilities	296	694	2,381	2,556	2,677	3,250
Total liabilities	7,653	8,245	24,237	22,877	31,890	31,122
Deferred inflows of resources	79	366	38	288	117	654
Net position:						
Net investment in capital assets	9,047	8,495	13,744	9,931	22,791	18,426
Restricted	1,432	1,416	821	831	2,253	2,247
Unrestricted	437	(548)	4,715	9,441	5,152	8,893
Total net position	\$10,916	\$9,363	\$19,280	\$20,203	\$30,196	\$29,566

A significant portion of the City of Sweetwater's net position (62 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 (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$8,893) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's ending net positions decreased from the previous year by \$630. As a result there is a decrease of \$1,553 in the ending net position of governmental activities and an increase of \$923 in the ending net position of business-type activities.

At the end of the current fiscal year, the City of Sweetwater can report a government wide positive balance of \$29,566 in ending net position; however, the governmental activities had a negative unrestricted net position of \$548. This deficit was a decrease of \$986 from the previous fiscal year. Details of this swing are discussed further below under the Governmental activities key elements. The government's separate governmental and business-type activities had positive ending fund balances or

CITY OF SWEETWATER, TEXAS

net position, except for the ambulance activity which had a deficit net position due to the implementation of GASB 68 in a prior fiscal year. Previous to the implementation, the entity reported all positive balances net position.

City of Sweetwater's Changes in Net position

	Governmental activities		Business type activities		Total	
	2016	2017	2016	2017	2016	2017
Revenues:						
Program Revenues:						
Charges for Services	\$1,914	\$1,903	\$10,655	\$10,633	\$12,569	\$12,536
Operating Grants and Contributions	308	246	1	12	309	258
Capital Grants and Contributions	38	32	-	-	38	32
General Revenues:						
Property Taxes	2,236	2,215	-	-	2,236	2,215
Sales Taxes	3,378	2,780	-	-	3,378	2,780
Other Taxes	1,800	1,683	-	-	1,800	1,683
Other	726	885	88	159	814	1,044
Total Revenues	10,400	9,744	10,744	10,804	21,144	20,548
Expenses:						
General Government	1,643	1,815	-	-	1,643	1,815
Public Safety	5,010	5,448	-	-	5,010	5,448
Public Works	1,096	984	-	-	1,096	984
Culture and Recreation	1,465	1,423	-	-	1,465	1,423
Community Services	533	545	-	-	533	545
Airport	444	412	-	-	444	412
Water and Sewer	-	-	6,345	6,163	6,345	6,163
Emergency Medical Services	-	-	2,245	2,204	2,245	2,204
Solid Waste	-	-	1,914	2,184	1,914	2,184
Total Expenses	10,191	10,627	10,504	10,551	20,695	21,178
Increase in Net position Before Transfers	209	(883)	240	253	449	(630)
Transfers	(364)	(670)	364	670	-	-
Increase in net position	(155)	(1553)	604	923	449	(630)
Net position - beginning	11,071	10,916	18,676	19,280	29,747	30,196
Net position	\$10,916	\$9,363	\$19,280	\$20,203	\$30,196	\$29,566

Governmental activities. Governmental activities decreased the City of Sweetwater's net position by \$1553. Key elements of this decrease are as follows:

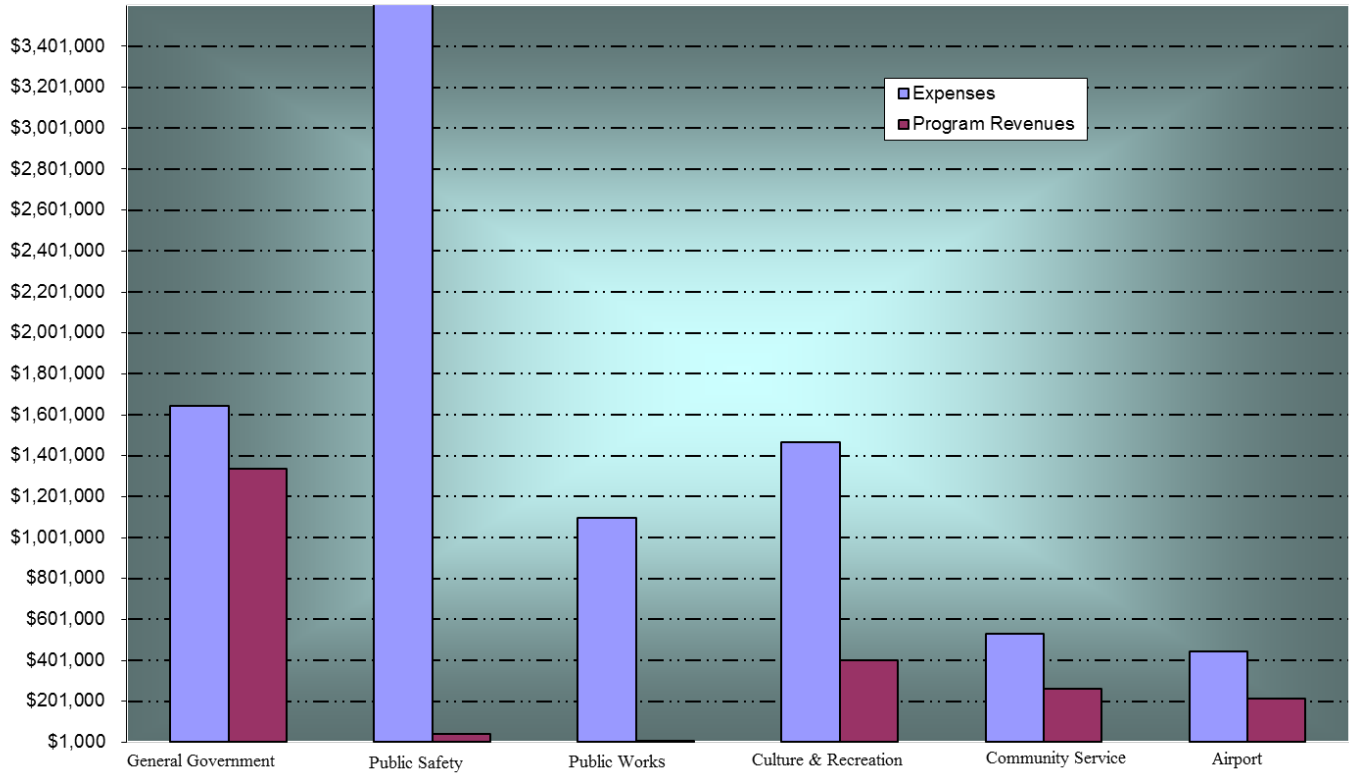
- Property tax revenues decreased by \$21.
- Sales tax revenue decreased \$598.
- Overall, governmental activities expenditures increased by 4.3%.
- Transfers out of the governmental activities general fund to the EMS fund in the proprietary funds increased by \$215 (47%) due to decreased ambulance calls for services resulting in a decrease in EMS charges for services.

The \$986 decrease in the unrestricted fund balance in governmental activities was due to the following:

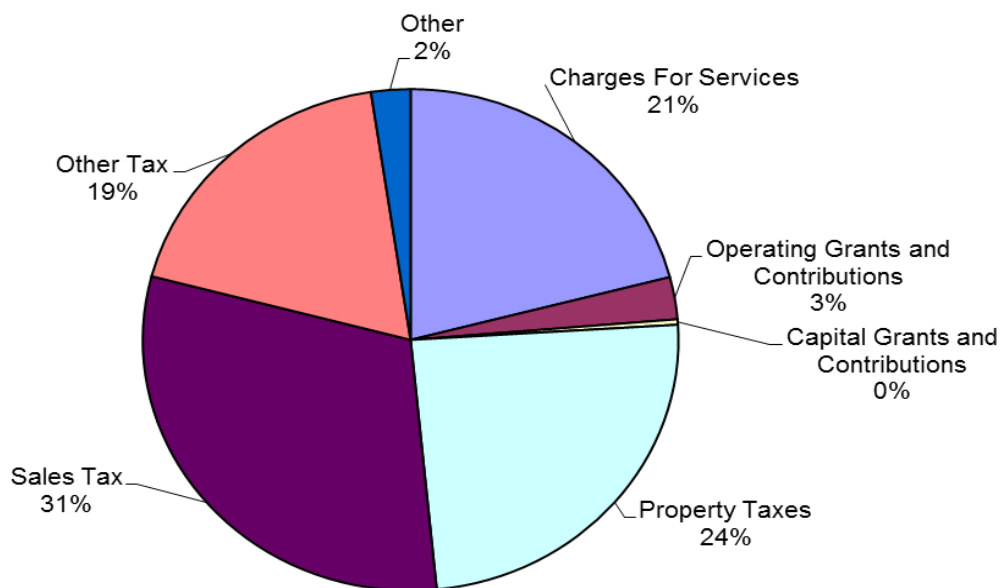
- Total governmental activities' assets decreased \$424 thousand dollars.
- Pension related inflows and outflows resulted in a net decrease of \$538 thousand
- Accounts payable increased \$315 thousand mostly due to the \$337 Police cars purchase
- Long-term liabilities increased \$270 thousand due to Police car note and accrued compensated absences.
- Net investment in capital assets decreased \$552 thousand due to capital asset additions of \$727 thousand less depreciation increases of \$990 thousand and related debt increase of \$290.

CITY OF SWEETWATER, TEXAS

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities

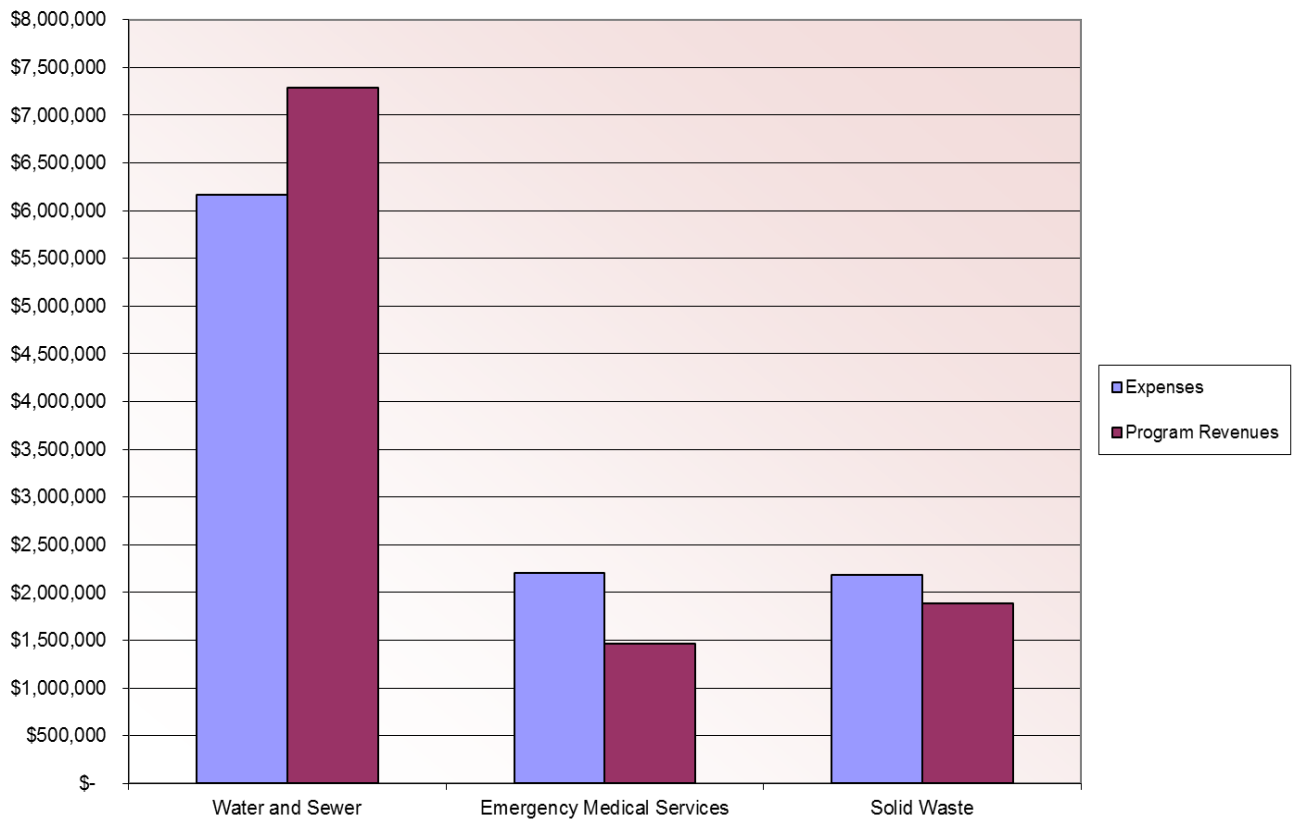


CITY OF SWEETWATER, TEXAS

Business-type activities. Business-type activities increased the City of Sweetwater's ending net position by \$923. Key elements of this increase are as follows.

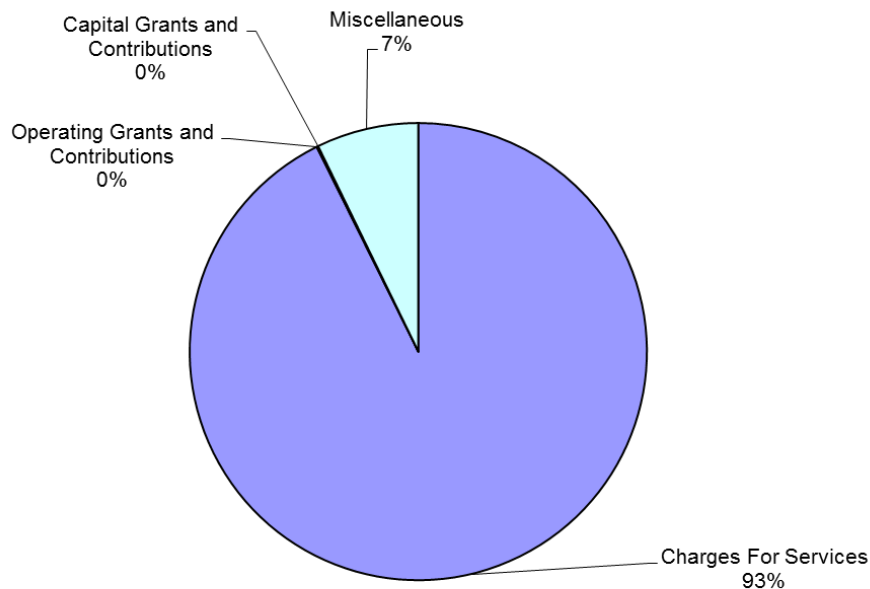
- Charges for services decreased by \$22 (.2%) for business-type activities primarily because of a decrease in Ambulance charges.
- Transfers from the general fund increased by \$215 (47%) due to a decrease in revenues in the EMS department.
- Business type total revenues increased by .6% and expenditures increased by .45%.

Expenses and Program Revenues - Business-type Activities



CITY OF SWEETWATER, TEXAS

Revenues by Source - Business-type Activities



Individual Fund Reporting

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Sweetwater's governmental funds reported combined ending fund balances of \$5,224. The combined ending fund balances consist of \$3,808 in unassigned fund balance, which is available for spending at the government's discretion and \$1,416 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 \$3,930 of which \$3,808 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 45 percent of total general fund expenditures.

The fund balance of the City of Sweetwater's general fund decreased by \$800 during the current fiscal year. The key factors in this increase are as follows:

- General fund expenditures increased \$388 from fiscal year 2016 primarily due to an increase in public safety expenditures.
- Transfers out of the general fund increased from \$720 in 2016 to \$878 in 2017.
- General Revenues decreased by \$394 mostly due to a \$667 decrease in all tax collections and an increase in miscellaneous/oil and gas royalty revenues of \$299.

CITY OF SWEETWATER, TEXAS

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 \$10,972. The total increase in net position for this Fund was \$5,053. The Solid Waste Management Fund had a decrease in net position of \$267. The Ambulance Fund had a decrease in net position of \$61 which includes \$670 transfers from the General Fund.

General Fund Budgetary Highlights

The City prepares its annual operating budget on a basis which differs from U.S. generally accepted accounting principles (GAAP basis). See Note 2 of the notes to financial statements for further explanation of the differences in methods. There was one amendment to the budget passed during the year which had the effect of increasing the general fund's revenues by \$651 and increased its expenditures by \$523. Following are the main components of the amendments:

- Increase in miscellaneous revenues from insurance recoveries and oil lease bonus
- Increase in loan proceeds to purchase equipment
- Increase in capital outlay for police car equipment and the commission's video and audio broadcasting equipment.
- Increase in personnel expenses in police department due to school resource officer expenses.
- Increase in transfers out.

The General Fund's actual budget basis revenues, expenditures, and other financing sources (uses) for 2017 resulted in a negative decrease in fund balance of \$800. The budget basis total revenues were \$8.8 million while budgeted total revenues were \$9.7 million. The negative variance of \$0.9 million was primarily due to property tax, sales tax, franchise tax, and oil and gas royalties exceeding expectations. Also negative, airport grant revenues were not received or expended due to a delay in TxDOT project.

General Fund's actual budget basis expenditures before other financing sources (uses) were \$8.7 million while budgeted expenditures were \$9.2 million. The positive variance of \$463 thousand was due to savings from personnel vacancies, the above mentioned delay in airport TxDOT project, and continued conservative spending.

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, 2017 amounts to \$38,057 (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	
	2016	2017	2016	2017	2016	2017
Land	\$ 178	\$ 178	\$ 2,416	\$ 2,416	\$ 2,594	\$ 2,594
Buildings	4,805	4,535	6,693	6,314	11,498	10,849
Improvement other than buildings	2,057	1,868	18,003	17,057	20,061	18,925
Machinery and equipment	2,007	2,204	609	547	2,616	2,751
Construction in progress	-	-	159	2,938	159	2,938
Total	\$ 9,047	\$ 8,785	\$ 27,880	\$ 29,272	\$ 36,928	\$ 38,057

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 \$29,584 of long-term obligations, a decrease of \$1,504 thousand. Included in the long-term obligations is bonded debt outstanding of \$16,290, which represents bonds secured by revenue and tax sources.

City of Sweetwater's Long-Term Obligations

	Governmental activities		Business-type activities		Total	
	2016	2017	2016	2017	2016	2017
Net Pension Obligation	\$ 6,879	\$ 6,793	\$ 4,398	\$ 4,278	\$ 11,277	\$ 11,071
Note Payable	-	290	-	-	-	290
Compensated Absences	531	597	225	239	756	836
General Obligation Bonds	-	-	11,260	9,885	11,260	9,885
Certificates of Obligation	-	-	6,745	6,405	6,745	6,405
Bond premium	-	-	937	812	937	812
Landfill Post-Closure	-	-	113	285	113	285
Total	\$ 7,410	\$ 7,680	\$ 23,678	\$ 21,904	\$ 31,088	\$ 29,584

The City of Sweetwater's total long-term obligations decreased by \$1,504 (5 percent) during the current fiscal year. The only new debt was a \$290 note payable for equipment in the Internal Services fund but its primary use will be in the governmental fund.

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 3.4 percent, a decrease from the 5.3 rate a year ago. This compares favorably to the state's average unemployment rate for the same period of 3.7 percent. The decrease in unemployment rate is primarily due to the stabilization of the area's oil and gas production services.
- 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 2018 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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current cash and cash equivalents	\$ 6,535,397	\$ 8,267,581	\$ 14,802,978	\$ 7,024,781
Receivables (net of allowance for uncollectibles)	531,474	1,412,648	1,944,122	52,148
Internal balances	75,977	(75,977)	-	-
Due from other governments	16,466	207,108	223,574	-
Inventories	30,927	93,588	124,515	-
Restricted assets:				
Cash and cash equivalents	121,737	3,070,032	3,191,769	-
Capital assets (net of accumulated depreciation):				
Land	178,332	2,415,757	2,594,089	304,818
Construction in-progress	-	2,938,250	2,938,250	-
Buildings	4,535,116	6,313,450	10,848,566	-
Improvements other than buildings	1,867,745	17,057,446	18,925,191	-
Machinery and equipment	2,203,703	546,806	2,750,509	538,633
Total assets	<u>16,096,874</u>	<u>42,246,690</u>	<u>58,343,564</u>	<u>7,920,380</u>
Deferred Outflows of Resources				
Deferred pension outflow	<u>1,877,089</u>	<u>1,121,436</u>	<u>2,998,525</u>	<u>-</u>
Liabilities				
Accounts payable	459,352	551,261	1,010,613	-
Customer security deposits	-	363,094	363,094	-
Accrued liabilities	-	58,465	58,465	-
Due to other governments	105,479	-	105,479	-
Long-term liabilities:				
Due within one year	129,187	1,584,031	1,713,218	-
Due in more than one year	<u>7,550,931</u>	<u>20,320,584</u>	<u>27,871,515</u>	<u>-</u>
Total liabilities	<u>8,244,949</u>	<u>22,877,435</u>	<u>31,122,384</u>	<u>-</u>
Deferred Inflows of Resources				
Pension Plan	<u>366,315</u>	<u>287,819</u>	<u>654,134</u>	<u>-</u>
Net Position				
Net investment in capital assets	8,494,897	9,931,071	18,425,968	843,451
Restricted for:				
Perpetual cemetery care	1,234,690	-	1,234,690	-
Community services	50,148	-	50,148	-
Drug enforcement	9,545	-	9,545	-
PEG capital costs	86,322	-	86,322	-
Public safety	35,415	-	35,415	-
Debt service	-	831,373	831,373	-
Economic development	-	-	-	828,000
Unrestricted	<u>(548,318)</u>	<u>9,440,428</u>	<u>8,892,110</u>	<u>6,248,929</u>
Total Net Position	<u>\$ 9,362,699</u>	<u>\$ 20,202,872</u>	<u>\$ 29,565,571</u>	<u>\$ 7,920,380</u>

CITY OF SWEETWATER, TEXAS

Statement of Activities
For the Year Ended September 30, 2017

Function/Program Activities	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities								
General government	\$ 1,814,626	\$ 1,358,629	\$ -	\$ -	\$ (455,997)	\$ -	\$ (455,997)	\$ -
Public safety	5,448,126	-	2,316	32,000	(5,413,810)	-	(5,413,810)	-
Public works	984,321	2,770	-	-	(981,551)	-	(981,551)	-
Culture and recreation	1,423,072	377,361	-	-	(1,045,711)	-	(1,045,711)	-
Community services	545,305	-	226,515	-	(318,790)	-	(318,790)	-
Airport	411,918	164,188	17,555	-	(230,175)	-	(230,175)	-
Total governmental activities	10,627,368	1,902,948	246,386	32,000	(8,446,034)	-	(8,446,034)	-
Business-type Activities:								
Water and sewer	6,163,135	7,291,239	-	-	-	1,128,104	1,128,104	-
Ambulance	2,204,031	1,454,635	12,260	-	-	(737,136)	(737,136)	-
Solid waste management	2,183,736	1,886,909	-	-	-	(296,827)	(296,827)	-
Total business-type activities	10,550,902	10,632,783	12,260	-	-	94,141	94,141	-
Total Primary Government	\$ 21,178,270	\$ 12,535,731	\$ 258,646	\$ 32,000	\$ (8,446,034)	\$ 94,141	\$ (8,351,893)	\$ -
Component Unit:								
Sweetwater Enterprise for Economic Development	416,621	-	-	-	-	-	-	(416,621)
Total component unit	\$ 416,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (416,621)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					2,214,540	-	2,214,540	-
Sales tax					2,779,816	-	2,779,816	926,605
Franchise tax					1,060,142	-	1,060,142	-
Occupancy tax					613,373	-	613,373	-
Alcohol beverage					9,673	-	9,673	-
Investment earnings					37,532	64,240	101,772	40,836
Other					693,332	94,561	787,893	333
Special Item - Oil lease bonus					154,110	-	154,110	-
Transfers					(670,072)	670,072	-	-
Total general revenues, special item and transfers					6,892,446	828,873	7,721,319	967,773
Change in net position					(1,553,588)	923,014	(630,574)	551,151
Net position - beginning					10,916,287	19,279,858	30,196,145	7,369,229
Net position - ending					\$ 9,362,699	\$ 20,202,872	\$ 29,565,571	\$ 7,920,380

CITY OF SWEETWATER, TEXAS

Balance Sheet Governmental Funds September 30, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Current cash and cash equivalents	\$ 3,653,305	\$ 1,389,669	\$ 5,042,974
Receivables, net of allowance for uncollectibles	531,474	-	531,474
Due from other funds	-	2,434	2,434
Due from other governments	-	16,317	16,317
Restricted cash and cash equivalents	121,737	-	121,737
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 4,306,516</u>	<u>\$ 1,408,420</u>	<u>\$ 5,714,936</u>
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Accounts payable	53,112	7,348	60,460
Due to other funds	88,617	1,211	89,828
Due to other governments	-	105,478	105,478
Total liabilities	<u>141,729</u>	<u>114,037</u>	<u>255,766</u>
Deferred inflow of resources:			
Unavailable revenue - property taxes	<u>234,880</u>	<u>-</u>	<u>234,880</u>
Fund balances:			
Nonspendable	-	1,234,690	1,234,690
Restricted	121,737	59,693	181,430
Unassigned	3,808,170	-	3,808,170
Total fund balances	<u>3,929,907</u>	<u>1,294,383</u>	<u>5,224,290</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 4,306,516</u>	<u>\$ 1,408,420</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,956,212
Deferred outflows of resources are not reported in the governmental funds.	1,691,848
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,729,454)
Deferred inflows of resources are not reported in the governmental funds.	(366,315)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	234,880
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.	<u>2,351,237</u>
Net position of governmental activities	<u>\$ 9,362,699</u>

CITY OF SWEETWATER, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended September 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 2,153,504	\$ -	\$ 2,153,504
Sales	2,779,815	-	2,779,815
Occupancy	-	613,373	613,373
Alcoholic beverage	9,673	-	9,673
Franchise Fees	1,060,142	-	1,060,142
Intergovernmental	51,471	191,564	243,035
Charges for services	1,429,532	4,600	1,434,132
Rents and royalties	718,824	-	718,824
Contributions and donations	400	34,951	35,351
Licenses and permits	34,907	-	34,907
Investment income	31,242	6,290	37,532
Fines and forfeitures	54,743	-	54,743
Miscellaneous	487,334	20,450	507,784
Total revenues	<u>8,811,587</u>	<u>871,228</u>	<u>9,682,816</u>
Expenditures			
Current:			
General government	1,742,582	-	1,742,582
Public safety	4,764,059	16,925	4,780,984
Public works	941,312	-	941,312
Culture and recreation	761,897	613,373	1,375,270
Community services	66,319	447,368	513,687
Airport	239,207	-	239,207
Capital outlay:			
General government	74,909	-	74,909
Public safety	94,218	-	94,218
Airport	49,307	-	49,307
Total expenditures	<u>8,733,810</u>	<u>1,077,666</u>	<u>9,811,476</u>
Excess (deficiency) of revenues over (under) expenditures	<u>77,777</u>	<u>(206,438)</u>	<u>(128,660)</u>
Other financing sources (uses)			
Transfers in	-	207,517	207,517
Transfers out	(877,589)	-	(877,589)
Total other financing sources and uses	<u>(877,589)</u>	<u>207,517</u>	<u>(670,072)</u>
Net change in fund balances	<u>(799,812)</u>	<u>1,079</u>	<u>(798,733)</u>
Fund balances - beginning	4,729,719	1,293,304	6,023,023
Fund balances - ending	<u><u>\$ 3,929,907</u></u>	<u><u>\$ 1,294,383</u></u>	<u><u>\$ 5,224,290</u></u>

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, 2017

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)	\$ (798,733)
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 (\$660,020) exceeded capital outlays of \$218,434 in the current year.	(441,586)
Governmental funds report principal payments on debt as expenditures. These payments are reclassified to reduce the long-term liability on the statement of activities.	(58,348)
Included in the items related to debt is the recognition of deferred outflows of resources of (\$228,339), deferred inflows of resources of (\$295,069) and net pension liability of \$106,353 associated with pension plans.	(417,055)
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.	61,039
The net gain of certain activities of internal service funds is reported with governmental activities.	<u>101,095</u>
Change in net position of governmental activities (page 25)	<u><u>\$ (1,553,588)</u></u>

CITY OF SWEETWATER, TEXAS

General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 2,183,399	\$ 2,183,399	\$ 2,153,504	\$ (29,895)
Sales	2,850,000	2,850,000	2,779,815	(70,185)
Alcoholic beverage	8,000	8,000	9,673	1,673
Franchise tax	1,158,894	1,158,894	1,060,142	(98,752)
Intergovernmental	272,500	272,500	51,471	(221,029)
Charges for services	1,423,680	1,423,680	1,429,532	5,852
Rents and royalties	916,400	1,071,400	718,824	(352,576)
Contributions and donations	7,000	7,000	400	(6,600)
Licenses and permits	40,500	40,500	34,907	(5,593)
Investment income	20,000	20,000	31,242	11,242
Fines and forfeitures	63,300	63,300	54,743	(8,557)
Miscellaneous	371,981	577,781	487,334	(90,447)
Total revenues	<u>9,315,654</u>	<u>9,676,454</u>	<u>8,811,587</u>	<u>(864,867)</u>
Expenditures				
Current:				
General government:				
Mayor and commission	35,369	99,967	98,814	1,153
City administration	419,966	442,166	438,320	3,846
City finance	340,312	340,312	338,614	1,698
Municipal court	124,635	124,635	126,025	(1,390)
Code enforcement	250,790	250,790	239,702	11,088
Non-departmental	493,597	493,597	576,016	(82,419)
Public safety:				
Police department	2,930,502	3,331,231	3,288,985	42,246
Fire department	1,617,509	1,617,509	1,569,291	48,218
Public works:				
Streets and signals	977,069	977,069	824,317	152,752
Animal control	149,171	149,171	116,995	32,176
Culture and recreation:				
Parks and cemetery	519,159	554,159	539,996	14,163
Golf course	80,343	80,343	83,371	(3,028)
Swimming pool	147,158	147,158	138,529	8,629
Community services	65,400	65,400	66,319	(919)
Airport	522,971	522,971	288,514	234,457
Total expenditures	<u>8,673,951</u>	<u>9,196,478</u>	<u>8,733,810</u>	<u>462,669</u>
Excess (deficiency) of revenues over (under) expenditures	<u>641,703</u>	<u>479,976</u>	<u>77,777</u>	<u>(402,198)</u>
Other financing sources (uses)				
Debt Advances	-	290,000	-	(290,000)
Transfers out	(635,511)	(635,511)	(877,589)	(242,078)
Total other financing sources and uses	<u>(635,511)</u>	<u>(345,511)</u>	<u>(877,589)</u>	<u>(532,078)</u>
Net change in fund balances	6,192	134,465	(799,812)	(934,276)
Fund balances - beginning	4,729,719	4,729,719	4,729,719	-
Fund balances - ending	<u>\$ 4,735,911</u>	<u>\$ 4,864,184</u>	<u>\$ 3,929,907</u>	<u>\$ (934,276)</u>

CITY OF SWEETWATER, TEXAS

Statement of Net Position Proprietary Funds September 30, 2017

	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	\$ 7,500,768	\$ 758,709	\$ 8,104	\$ 8,267,581	\$ 1,492,423
Investments	-	-	-	-	-
Due from other funds	-	-	-	-	163,370
Due from other governments	-	-	207,108	207,108	149
Accounts receivable (net of allowance for uncollectibles)	1,007,035	267,654	137,959	1,412,648	-
Inventories	93,588	-	-	93,588	30,927
Restricted assets:					
Cash and cash equivalents	3,070,032	-	-	3,070,032	-
Total current assets	<u>11,671,423</u>	<u>1,026,363</u>	<u>353,171</u>	<u>13,050,957</u>	<u>1,686,868</u>
Noncurrent assets:					
Capital assets:					
Land	2,097,901	317,856	-	2,415,757	-
Construction in-progress	2,938,250	-	-	2,938,250	-
Buildings	13,528,430	96,342	-	13,624,772	145,573
Improvements other than buildings	33,528,571	23,554	-	33,552,125	37,361
Machinery and equipment	4,324,238	663,699	297,795	5,285,732	6,759,519
Less accumulated depreciation	(27,601,857)	(726,739)	(216,331)	(28,544,927)	(5,113,768)
Total capital assets (net of accumulated depreciation)	<u>28,815,533</u>	<u>374,712</u>	<u>81,464</u>	<u>29,271,709</u>	<u>1,828,685</u>
Total assets	<u>40,486,957</u>	<u>1,401,075</u>	<u>434,635</u>	<u>42,322,667</u>	<u>3,515,553</u>
Deferred Outflows of Resources					
Pension Plan	<u>375,178</u>	<u>129,218</u>	<u>617,040</u>	<u>1,121,436</u>	<u>185,241</u>
Liabilities					
Current Liabilities:					
Accounts payable	494,674	48,592	7,995	551,261	398,893
Customer security deposits	363,094	-	-	363,094	-
Due to other funds	29,577	38,489	7,911	75,977	-
Accrued interest payable	58,465	-	-	58,465	2,324
Compensated absences-Current	5,346	2,046	16,545	23,937	-
Note payable	-	-	-	-	69,447
Bond obligations-Current	1,560,094	-	-	1,560,094	-
Total current liabilities	<u>2,511,250</u>	<u>89,127</u>	<u>32,451</u>	<u>2,632,828</u>	<u>470,664</u>
Noncurrent liabilities:					
Compensated absences	48,109	18,414	148,910	215,433	20,911
Net pension liability	1,482,294	509,969	2,285,732	4,277,995	637,429
Landfill post-closure	-	285,272	-	285,272	-
Note payable	-	-	-	-	220,553
Bond obligations	15,541,884	-	-	15,541,884	-
Total noncurrent liabilities	<u>17,072,287</u>	<u>813,655</u>	<u>2,434,642</u>	<u>20,320,584</u>	<u>878,893</u>
Total liabilities	<u>19,583,537</u>	<u>902,782</u>	<u>2,467,093</u>	<u>22,953,412</u>	<u>1,349,557</u>
Deferred Inflows of Resources					
Pension Plan	<u>-</u>	<u>-</u>	<u>287,819</u>	<u>287,819</u>	<u>-</u>
Net Position					
Net investment in capital assets	9,474,895	374,712	81,464	9,931,071	1,538,685
Restricted for debt service (expendable)	831,373	-	-	831,373	-
Unrestricted	10,972,330	252,799	(1,784,701)	9,440,428	812,552
Total net position	<u>\$ 21,278,598</u>	<u>\$ 627,511</u>	<u>\$ (1,703,237)</u>	<u>\$ 20,202,872</u>	<u>\$ 2,351,237</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, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater	Solid Waste Management	Ambulance	Totals	
Operating revenues:					
Charges for sales and services:					
Water sales	\$ 4,740,415	\$ -	\$ -	\$ 4,740,415	\$ -
Sewer charges	2,412,925	-	-	2,412,925	-
Delinquent penalties	36,068	-	-	36,068	-
Water and sewer taps	25,250	-	-	25,250	-
Other charges for services	76,580	1,886,909	1,454,635	3,418,124	3,191,426
Miscellaneous income	59,564	17,760	17,237	94,561	57,090
Total operating income	<u>7,350,802</u>	<u>1,904,669</u>	<u>1,471,872</u>	<u>10,727,344</u>	<u>3,248,516</u>
Operating expenses:					
Personal services	1,791,942	691,342	1,221,224	3,704,508	842,310
Supplies	434,713	174,413	524,664	1,133,790	42,255
Other services and charges	2,157,777	1,303,051	446,029	3,906,857	1,940,136
Depreciation	1,500,105	14,930	12,114	1,527,149	329,484
Total operating expenses	<u>5,884,537</u>	<u>2,183,736</u>	<u>2,204,031</u>	<u>10,272,304</u>	<u>3,154,185</u>
Operating income (loss)	<u>1,466,265</u>	<u>(279,067)</u>	<u>(732,159)</u>	<u>455,040</u>	<u>94,331</u>
Nonoperating revenues (expenses):					
Interest income	56,925	5,925	1,390	64,240	6,764
Intergovernmental	-	-	12,260	12,260	-
Interest expense	(278,598)	-	-	(278,598)	-
Total nonoperating revenue (expense)	<u>(221,673)</u>	<u>5,925</u>	<u>13,650</u>	<u>(202,099)</u>	<u>6,764</u>
Net income (loss) before transfers	1,244,593	(273,142)	(718,509)	252,942	101,095
Transfers in	-	-	670,072	670,072	-
Transfers out	-	-	-	-	-
Change in net position	<u>1,244,593</u>	<u>(273,142)</u>	<u>(48,437)</u>	<u>923,014</u>	<u>101,095</u>
Total net position - beginning	20,034,005	900,653	(1,654,800)	19,279,858	2,250,142
Total net position - ending	<u>\$ 21,278,598</u>	<u>\$ 627,511</u>	<u>\$ (1,703,237)</u>	<u>\$ 20,202,872</u>	<u>\$ 2,351,237</u>

CITY OF SWEETWATER, TEXAS

Statement of Cash Flows Proprietary Funds For the Year Ended September 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water and Wastewater	Solid Waste Management	Ambulance	Totals	
Cash Flows From Operating Activities					
Receipts from customers and users	\$ 7,327,798	\$ 1,888,777	\$ 1,336,756	\$ 10,553,331	\$ -
Receipts from interfund services provided	-	-	-	-	3,229,702
Payments to suppliers	2,272,216	1,306,003	972,308	4,550,527	424,057
Payments for claims	-	-	-	-	1,261,790
Payments to employees	1,726,132	666,474	1,040,974	3,433,580	800,492
Net cash provided by operating activities	3,329,450	(83,700)	(676,526)	2,569,224	743,363
Cash Flows From Noncapital Financing Activities					
Transfers between funds	-	-	670,072	670,072	-
Intergovernmental grants	-	-	12,260	12,260	-
Net cash provided (used) by noncapital financing activities	-	-	682,332	682,332	-
Cash Flows From Capital and Related Financing Activities					
Debt issuance	-	-	-	-	290,000
Acquisition and construction of capital assets	(2,885,123)	(8,402)	(25,033)	(2,918,558)	(508,725)
Principal paid on contractual obligations	(1,840,094)	-	-	(1,840,094)	-
Interest and paying agent fees	(278,598)	-	-	(278,598)	-
Net cash provided (used) by capital and related financing activities	(5,003,816)	(8,402)	(25,033)	(5,037,251)	(218,725)
Cash Flows From Investing Activities					
Interest and dividends received	56,925	5,925	1,390	64,240	6,764
Net cash provided (used) by investing activities	56,925	5,925	1,390	64,240	6,764
Net increase in cash and cash equivalents	(1,617,440)	(86,176)	(17,837)	(1,721,453)	531,404
Cash and cash equivalents at beginning of year	12,188,240	844,885	25,941	13,059,066	961,019
Cash and cash equivalents at end of year	\$ 10,570,800	\$ 758,709	\$ 8,104	\$ 11,337,613	\$ 1,492,423
As reported on balance sheet:					
Cash	\$ 7,500,768	\$ 758,709	\$ 8,104	\$ 8,267,581	\$ 1,492,423
Restricted Cash	3,070,032	-	-	3,070,032	-
Total cash and cash equivalents at end of year	\$ 10,570,800	\$ 758,709	\$ 8,104	\$ 11,337,613	\$ 1,492,423
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	1,466,265	(279,067)	(732,159)	455,039	94,331
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,500,105	14,930	12,114	1,527,149	329,484
(Increase) decrease in accounts receivable	(32,289)	(15,892)	(9,535)	(57,716)	-
(Increase) in due from other governments	-	-	(125,581)	(125,581)	(55)
(Increase) in due from other funds	-	-	-	-	(18,759)
(Increase) decrease in inventories	(93,588)	-	-	(93,588)	(7,094)
(Increase) decrease in deferred outflows of resources	35,653	14,055	77,583	127,291	22,108
Increase (decrease) in accounts payable	402,091	(3,042)	(2,201)	396,848	303,639
Increase (decrease) in customer deposits	9,285	-	-	9,285	-
Increase (decrease) in compensated absences	11,533	4,888	(2,033)	14,388	7,331
Increase (decrease) in net pension liability	45,591	15,162	(181,387)	(120,634)	20,356
Increase (decrease) in landfill post-closure	-	172,466	-	172,466	-
Increase (decrease) in due to other funds	3,317	2,037	586	5,940	-
Increase (decrease) in accrued interest payable	8,454	-	-	8,454	-
Increase (decrease) in deferred inflows of resources	(26,966)	(9,236)	286,088	249,886	(7,976)
Total adjustments	1,863,185	195,367	55,633	2,114,187	649,033
Net cash provided by operating activities	\$ 3,329,450	\$ (83,700)	\$ (676,526)	\$ 2,569,226	\$ 743,363

(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.

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, information technology services performed for other departments, 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.

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 \$650,800 and increased expenditures by \$522,527 in the general fund. The revenue account change was due to the receipt of an oil lease bonus, loan proceeds, and insurance recoveries due to hail storms. The most significant expense account amended in any one department was in the police department. The City added \$400,729 to their budget mainly to cover additional equipment costs. The remaining amendments to the general fund expenditures were to the general government for \$86,598, and the parks department for \$35,000. The City began work on a parks master plan during the year. These amendments were for additional capital outlay and contracted services.

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.

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	\$ 121,737
Water and Wastewater Fund	\$ 3,070,032

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 \$86,322 at year-end. The City also has \$35,415 restricted for debt repayment. 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 \$831,373 at year-end. Also, the City has funds restricted for construction from their 2016 bond issue in the amount of \$2,238,659. 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 historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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. 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.

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, 2017, fund balances are composed of the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Cemetery care	\$ -	\$ 1,234,690	\$ 1,234,690
Restricted:			
PEG capital costs	86,323	-	86,323
Public safety	35,414	-	35,414
Drug enforcement	-	9,545	9,545
Senior nutrition program	-	50,148	50,148
Unassigned Fund Balances	3,808,170	-	3,808,170
Total Fund Balances	<u>\$ 3,929,907</u>	<u>\$ 1,294,383</u>	<u>\$ 5,224,290</u>

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

R. Minimum Fund Balance Policy

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

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 \$2,247,493, of which \$95,867 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, 2017, 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 \$17,994,747 and its component unit's (SEED) carrying amount of deposits totaled \$7,024,781. The respective bank balances totaled \$18,285,456 and \$7,025,436. 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 \$20,762,506 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 Frost National Bank.

Investments:

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

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

The City did not have any investments at September 30, 2017.

(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	\$ 108,910	\$1,067,615	\$ 282,194	\$ 307,868	\$ 1,766,587
Taxes	434,926	-	-	-	434,926
Gross Receivables	543,836	1,067,615	282,194	307,868	2,201,513
Less: allowance for uncollectibles	(12,362)	(60,580)	(14,540)	(169,909)	(257,391)
Net total receivables	\$ 531,474	\$1,007,035	\$ 267,654	\$ 137,959	\$1,944,122

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, 2017 was as follows:

Primary Government	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 178,332	\$ -	\$ -	\$ 178,332
Construction in-progress	-	-	-	-
Total capital assets, not being depreciated:	178,332	-	-	178,332
Capital assets, being depreciated:				
Buildings	7,716,599	11,700	-	7,728,299
Improvements other than buildings	7,034,748	49,307	-	7,084,055
Machinery and equipment	7,906,261	666,152	-	8,572,413
Total capital assets being depreciated	22,657,608	727,159	-	23,384,766
Less accumulated depreciation for:				
Buildings	(2,911,380)	(281,803)	-	(3,193,183)
Improvements other than buildings	(4,977,442)	(238,869)	-	(5,216,310)
Machinery and equipment	(5,899,877)	(468,833)	-	(6,368,710)
Total accumulated depreciation	(13,788,698)	(989,504)	-	(14,778,203)
Total capital assets, being depreciated, net	8,868,909	(262,345)	-	8,606,564
Governmental activities capital assets, net	\$ 9,047,241	\$ (262,345)	\$ -	\$ 8,784,895

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	159,240	2,779,010	-	2,938,250
Total capital assets, not being depreciated	2,574,997	2,779,010	-	5,354,007
Capital assets, being depreciated:				
Buildings and system	13,624,772	-	-	13,624,772
Improvements other than buildings	33,485,975	66,150	-	33,552,125
Machinery and equipment	5,212,334	73,398	-	5,285,732
Total capital assets being depreciated	52,323,081	139,549	-	52,462,629
Less accumulated depreciation for:				
Buildings and system	(6,931,780)	(379,542)	-	(7,311,322)
Improvements other than buildings	(15,482,809)	(1,011,870)	-	(16,494,679)
Machinery and equipment	(4,603,192)	(135,735)	-	(4,738,926)
Total accumulated depreciation	(27,017,780)	(1,527,147)	-	(28,544,927)
Total capital assets, being depreciated, net	25,305,300	(1,387,598)	-	23,917,702
Business-type activities capital assets, net	\$ 27,880,297	\$ 1,391,412	\$ -	\$ 29,271,709

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

Governmental activities:	
General government	\$ 23,318
Public safety	363,005
Public works	33,519
Culture and recreation	41,737
Community services	26,548
Airport	171,892
Internal Service	329,484
Total depreciation expense – governmental activities	<u>\$989,504</u>
Business-type activities:	
Water and sewer	\$1,500,103
Solid waste management	14,930
Ambulance	12,114
Total depreciation expense – business-type activities	<u>\$1,527,147</u>

Discretely Presented Component Unit

Activity for SEED for the year ended September 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 274,979	\$ 29,840	\$ -	\$ 304,819
Total capital assets, not being depreciated	<u>274,979</u>	<u>29,840</u>	<u>-</u>	<u>304,819</u>
Capital assets, being depreciated:				
Machinery and equipment	572,000	-	-	572,000
Total capital assets being depreciated	<u>572,000</u>	<u>-</u>	<u>-</u>	<u>572,000</u>
Less accumulated depreciation for:				
Machinery and equipment	(4,767)	(28,600)	-	(33,367)
Total accumulated depreciation	<u>(4,767)</u>	<u>(28,600)</u>	<u>-</u>	<u>(33,367)</u>
Total capital assets, being depreciated, net	<u>567,233</u>	<u>(28,600)</u>	<u>-</u>	<u>538,633</u>
SEED capital assets, net	<u>\$ 842,212</u>	<u>\$ 1,240</u>	<u>\$ -</u>	<u>\$ 843,452</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, 2017, 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%.	\$ 2,255,000
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%.	1,650,000
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%.	7,630,000
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>4,755,000</u>
Total Bonds Payable	<u>\$ 16,290,000</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.

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, 2017.

Changes in Outstanding Debt

Transactions for the year ended September 30, 2017 are summarized as follows:

	Balance September 30, 2016	New Issue or Additions	Payments or Expenditures	Balance September 30, 2017	Due Within One Year
Governmental Activities					
Net pension liability	\$6,878,714	\$ 146,992	\$ 232,989	\$6,792,717	\$ -
Note payable	-	290,000	-	290,000	69,447
Compensated Absences	531,722	68,055	2,376	597,401	59,740
Total Governmental Activities	\$7,410,436	\$ 505,047	\$ 235,365	\$7,680,118	\$ 129,187
Business-type Activities					
General Obligation Bonds	11,260,000	-	1,375,000	9,885,000	1,095,000
Certificates of Obligation	6,745,000	-	340,000	6,405,000	340,000
Bond premium	937,072	-	125,094	811,978	125,095
Total bonds payable	18,942,072	-	1,840,094	17,101,978	1,560,095
Landfill post-closure	112,806	172,466	-	285,272	-
Net pension liability	4,398,629	62,428	183,062	4,277,995	-
Compensated Absences	224,982	16,421	2,033	239,370	23,937
Total Business-type Activities	\$23,678,489	\$ 251,315	\$2,025,189	\$21,904,615	\$ 1,584,031

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	\$ 58,465
Current Maturities of Bonds	772,908
Total Interest and Sinking Fund	<u>\$ 831,373</u>

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to September 30, 2017 are as follows:

Year Ending September 30	Enterprise Fund Debt		Total
	Principal	Interest	
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	1,590,000	229,169	1,819,169
2023 - 2027	5,750,000	483,256	6,233,256
2028 - 2032	1,815,000	120,723	1,935,723
2033 - 2036	1,155,000	23,192	1,178,192
	<u>\$16,290,000</u>	<u>\$ 2,126,492</u>	<u>\$18,416,492</u>

Direct Interest

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

(6) Net Investment in Capital Assets

Net investment in capital assets is composed of the following:

Business-Type Fund	Capital Assets - Net	Related Debt	Unspent Debt Proceeds	Total
Water and Sewer Fund	<u>\$ 28,815,533</u>	<u>\$ 17,101,978</u>	<u>\$ 2,238,660</u>	<u>\$ 9,474,895</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, 2017 were 95 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 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of

Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not 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 1% for a recurring COLA and .90% for a No Recurring COLA.

Employees covered by benefit terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	80
Inactive employees entitled to but not yet receiving benefits	38
Active employees	<u>112</u>
	230

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 18.15% and 17.78% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$973,791 and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 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 male's 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, 2016, valuation report 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100%	

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 12/31/2015	\$ 29,772,844	\$ 23,139,577	\$ 6,633,267
Changes for the year:			
Service cost	860,020	-	860,020
Interest	1,979,740	-	1,979,740
Difference between expected and actual experience	248,458	-	248,458
Changes in assumptions	-	-	-
Contributions – employer	-	962,349	(962,349)
Contributions – employee	-	371,155	(371,155)
Net investment income	-	1,563,907	(1,563,907)
Benefit payments, including refunds of employee contributions	(1,746,755)	(1,746,755)	-
Administrative expense	-	(17,661)	17,661
Other changes	-	(952)	952
Net changes	\$ 1,341,463	\$ 1,132,043	\$ 209,420
Balance at 12/31/2016	\$ 31,114,307	\$ 24,271,620	\$ 6,842,687

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%	\$ 10,982,247
Current discount rate	6.75%	\$ 6,842,687
1% increase	7.75%	\$ 3,424,196

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.tmr.com.

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

For the year ended September 30, 2017 the city recognized pension expense of \$1,252,541.

At September 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on Plan investments	\$ 1,061,187
Contributions subsequent to the measurement date	715,952
Total	<u>\$ 1,777,139</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$715,952 will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. 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:	
2017	\$ 327,244
2018	368,253
2019	366,088
2020	(398)
2021	-
Thereafter	-

Other Post-Employment Benefits

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit" or OPEB. The City offers supplemental death benefits to active employees as well as retirees for both plan years 2016 and 2017.

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 2017, 2016 and 2015 were \$3,955, \$4,049, and \$3,384 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 August 28, 2014. 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). Starting October 1, 2016, the member started contributing 17% and the City started contributing 18%

Effective October 1, 2016, fund members began contributing to the fund at a rate of 17.0% of pay. Employee contributions are "picked up" by the City, as permitted under Section 414(h)(2) of the Internal Revenue Code. For this reason, a member's contributions are excluded from taxable income when paid into the fund.

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

Retirement, death, disability, and termination benefits are calculated based upon a member's average monthly salary for the highest 3 years, of the 72 consecutive pay periods which will 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. 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. The application for continuing disability benefits must also be made in accordance with procedures adopted by the board of trustees.

Definition of Disability

For the first two and one-half years, the member need only be disabled to the extent of being unable to perform the duties of a position offered him in the fire department providing equal or greater pay. After two and one-half years, the member must be unable to perform the duties of any occupation for which he is reasonably suited by reason of education, training or experience.

A member must make an application for initial disability benefits in accordance with procedures adopted by the board of trustees. A member must also make an application for continuing disability benefits before the end of the first 2 1/2 year period of the member's disability. The application for continuing disability benefits must also be made in accordance with procedures adopted by the board of trustees.

Amount of Disability Benefit

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

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

A member's disability benefit will commence once his regular salary, including vacation and sick leave pay, has ceased. Disability benefits are payable in the same joint-and-survivor form as service retirement benefits. A member may elect at the time of his disability retirement to receive a modified monthly amount payable for as long as either he or his spouse is living.

If a disabled member receives workers' compensation benefits, Social Security benefits or a combination of these two benefits, the monthly disability benefit payable under the plan will be the lesser of (i) the disability benefit specified above or (ii) 100 percent of the member's average monthly compensation less the equivalent benefit received from workers' compensation and Social Security.

Death Benefits

If a member dies while in active service, after completing at least 10 years of credited service, his widow will receive an immediate monthly benefit, payable for as long as she is living. The amount of the benefit will be equal to the sum of (a) a standard benefit equal to 52.67% of his average salary; plus (b) two-thirds(2/3) of any additional service benefit the member had earned 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% of the fire fighter's average monthly salary. Orphan benefits continue until the child reaches age 18. However, benefits will continue until age 22 for a child who is a full-time student. Orphan benefits are continued for life to disabled children.

The total of all benefits paid as a result of the death of an active fund member may not exceed the disability or retirement benefit such member had earned as of the date of his death. The total of all benefits paid as a result of the death of a retired member may not exceed the retirement benefit the member was receiving as of the date of his death. Benefits are reduced pro rata, if necessary, in order to satisfy these limitations.

Termination Benefits

Members with at Least Ten Years of Service

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

Members with Less Than Ten Years of Service

A fund member who terminates employment prior to completing 10 years of service will be entitled to the return of the excess of his contributions to the fund over the amount of any benefits he has received from the fund. such refund will not include any interest on the member's contributions.

The DROP Program

A member is eligible to receive his benefit under the plan's DROP provision after he has both completed 23 years of service and attained age 53. The election to participate in the DROP may be made at the time the member elects to retire.

Amount of Monthly Retirement Income to DROP Program Participants

The monthly retirement income payable to a member who retires under the DROP will equal his service retirement benefit under the plan based on average monthly salary and years of service as of the member's DROP Eligibility Date. The member's benefit will be calculated, however, using the benefit formula in effect on the member's actual date of retirement.

A member's DROP Eligibility Date is the later of (a) the date the member meets the eligibility requirements for the DROP or (b) the date is three years prior to the member's actual retirement date.

Upon retirement, the member will receive - in addition to his monthly retirement benefit - a single payment equal to the total of the monthly retirement benefits the member would have received between his DROP Eligibility Date and the time he retired under the plan.

Amendment of the Plan

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

Employees covered by the plan

At December 31, 2016 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%	\$ 6,520,745
Current discount rate	8.0%	\$ 4,965,694
1% increase	9.0%	\$ 3,665,822

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income		
(a) Investment Grade	14.48%	3.00%
(b) High Yield	3.86%	5.00%
(c) International Fixed Income	2.77%	3.00%
(d) Short Dur High Yield Bonds	3.84%	5.00%
Equities, Real Estate, and Alternate Investments		
(a) All-cap	13.16%	6.50%
(b) Large-cap	10.52%	7.84%
(c) Smid-cap	2.66%	8.47%
(d) Smid-cap value	4.60%	8.47%
(e) Small-cap	2.73%	9.26%
(f) Emerging markets	5.53%	7.00%
(g) Global equity	13.84%	6.00%
(h) Real estate	2.96%	8.60%
(i) Income Opportunity Fund	10.09%	3.60%
(j) Master limited partnership	4.00%	9.50%
(k) Strategic global convertibles	<u>4.96%</u>	3.00%
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 12/31/2015	\$ 12,224,742	\$ 7,580,666	\$ 4,644,076
Changes for the year:			
Service cost	357,180	-	357,180
Interest	975,941	-	975,941
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions – employer	-	256,845	(256,845)
Contributions – employee	-	252,797	(252,797)
Net investment income	-	543,748	(543,748)
Benefit payments, including refunds of employee contributions	(765,290)	(765,290)	-
Administrative expense	-	(41,956)	41,956
Other changes	-	69	(69)
Net changes	\$ 567,831	\$ 246,213	\$ 321,618
Balance at 12/31/2016	\$ 12,792,573	\$ 7,826,879	\$ 4,965,694

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

For the year ended September 30, 2017 the city recognized pension expense of \$712,722.

At September 30, 2017, 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	\$ -	\$ 93,726
Changes of assumptions	-	560,408
Net difference between projected and actual earnings on Plan investments	1,010,852	-
Contributions subsequent to the measurement date	210,536	-
Total	\$1,221,388	\$ 654,134

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$210,536 will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. 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:

2017	\$ 185,063
2018	185,064
2019	139,676
2020	(18,610)
2021	(28,770)
Thereafter	(105,705)

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, 2017, 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	Municipal court	\$ 1,390
	Non-departmental	82,419
	Golf Course	3,028
	Community services	919

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

(10) Fund Balance Deficit

The Ambulance Enterprise Fund had a deficit fund balance at September 30, 2017 of \$1,703,237. 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, 2017, is as follows:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ -	\$ 88,617
Non-major governmental funds	2,434	1,211
Major enterprise funds:		
Water and wastewater fund	-	29,577
Solid waste management fund	-	38,489
Ambulance	-	7,911
Internal service funds	163,370	-
	<u>\$ 165,804</u>	<u>\$ 165,804</u>

The general fund owes the cemetery 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	\$ -	\$ 877,589
Non-major governmental funds	207,517	-
Major enterprise fund:		
Ambulance	670,072	-
	<u>\$ 877,589</u>	<u>\$ 877,589</u>

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

(12) Risk Management

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

In addition to the above insurance coverage, the City also has a self-funded employee benefit fund. This fund was established in the fiscal year 1994 for funding the City's employees' health claims and premiums. This plan is 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 \$1,222,707 in health claims and stop-loss premiums for the year ended September 30, 2017. The City contributed \$828,194 and City employees contributed \$319,723 to the health insurance program for the year ended September 30, 2017. 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 \$1,263,867.

Incurred but not reported estimated health claims have been accrued as a liability based on the claims submitted after September 30, 2017, and on the City's remaining exposure under the aggregate stop-loss insurance coverage. The estimated liability for health claims is \$38,870 at September 30, 2017.

	Balance at Beginning Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Balance At End of Fiscal Year
2014-2015	\$ 26,458	\$ 1,018,082	\$ 1,120,976	\$ 76,436
2015-2016	\$ 76,436	\$ 999,671	\$ 1,017,696	\$ 58,411
2016-2017	\$ 58,411	\$ 1,222,707	\$ 1,242,248	\$ 38,870

(13) Segment Information

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

(14) Contingent Liabilities

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

(15) Commitments

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	\$ 2,799,981	\$ 465,559

These commitments will be funded by the 2016 bond issue.

Lease Agreements

Commitments under operating lease agreements for equipment are immaterial; therefore, minimum annual rental payments are not presented.

(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 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. The current closure cost estimate for both facilities is \$231,356 and the post-closure cost estimate is \$53,916. The current landfill has an estimated useful life of less than two years and is estimated to have 94% of the capacity used.

(17) New Pronouncements

Implemented

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.

This statement did not require 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.

Management is currently evaluating the impact of the adoption of this statement 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 2016	Measurement Year 2015	Measurement Year 2014
Total pension liability			
Service Cost	\$ 860,020	\$ 792,135	\$ 671,107
Interest (on the Total Pension Liability)	1,979,740	1,976,956	1,911,569
Changes of benefit terms	-	-	-
Difference between expected and actual experience	248,458	(226,424)	(329,247)
Change of assumptions	-	72,076	-
Benefit payments, including refunds of employee contributions	<u>(1,746,755)</u>	<u>(1,376,124)</u>	<u>(1,383,552)</u>
Net Change in Total Pension Liability	1,341,463	1,238,619	869,877
Total Pension Liability - Beginning	<u>29,772,844</u>	<u>28,534,225</u>	<u>27,664,348</u>
Total Pension Liability - Ending (a)	<u><u>\$ 31,114,307</u></u>	<u><u>\$ 29,772,844</u></u>	<u><u>\$ 28,534,225</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 962,349	\$ 967,603	\$ 930,310
Contributions - Employee	371,155	352,957	326,100
Net Investment Income	1,563,907	34,208	1,262,036
Benefit payments, including refunds of employee contributions	(1,746,755)	(1,376,124)	(1,383,552)
Administrative Expense	(17,661)	(20,836)	(13,177)
Other	<u>(952)</u>	<u>(1,029)</u>	<u>(1,083)</u>
Net change in Plan Fiduciary Net Position	1,132,043	(43,222)	1,120,634
Plan Fiduciary Net Position - Beginning	<u>23,139,577</u>	<u>23,182,799</u>	<u>22,062,165</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 24,271,620</u></u>	<u><u>\$ 23,139,577</u></u>	<u><u>\$ 23,182,799</u></u>
Net Pension Liability - Ending (a) - (b)	\$ 6,842,687	\$ 6,633,267	\$ 5,351,426
Plan Fiduciary Net Position as a % of Total Pension Liability	78.01%	77.72%	81.25%
Covered Employee Payroll	\$ 5,302,221	\$ 5,042,236	\$ 4,658,574
Net Pension Liability as a % of Covered Employee Payroll	129.05%	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)

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Actuarially Determined Contribution	\$ 962,349	\$ 963,144	\$ 957,565
Contributions in relation to the actuarially determined contribution	<u>\$ 962,349</u>	<u>\$ 963,144</u>	<u>\$ 957,565</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 5,447,328	\$ 5,229,357	\$ 4,581,299
Contributions as a percentage of covered employee payroll	18%	18%	21%

Notes to Schedule of Contributions

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	29 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)

	Measurement Year <u>2016</u>	Measurement Year <u>2015</u>	Measurement Year <u>2014</u>
Total pension liability			
Service Cost	\$ 357,180	\$ 341,799	\$ 327,271
Interest (on the Total Pension Liability)	975,941	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>(765,290)</u>	<u>(911,057)</u>	<u>(686,376)</u>
Net Change in Total Pension Liability	567,831	370,022	1,007,983
Total Pension Liability - Beginning	<u>12,224,742</u>	<u>11,854,720</u>	<u>10,846,737</u>
Total Pension Liability - Ending (a)	<u><u>\$ 12,792,573</u></u>	<u><u>\$ 12,224,742</u></u>	<u><u>\$ 11,854,720</u></u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 256,845	\$ 236,832	\$ 221,847
Contributions - Employee	252,797	236,832	221,847
Net investment income	543,748	(216,775)	412,292
Benefit payments, including refunds of employee contributions	(765,290)	(911,057)	(686,376)
Administrative Expense	(41,956)	(29,349)	(34,337)
Other	<u>69</u>	<u>-</u>	<u>-</u>
Net change in Plan Fiduciary Net Position	246,213	(683,517)	135,273
Plan Fiduciary Net Position - Beginning	<u>7,580,666</u>	<u>8,264,183</u>	<u>8,128,910</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 7,826,879</u></u>	<u><u>\$ 7,580,666</u></u>	<u><u>\$ 8,264,183</u></u>
Net Pension Liability - Ending (a) - (b)	\$ 4,965,694	\$ 4,644,076	\$ 3,590,537
Plan Fiduciary Net Position as a % of Total Pension Liability	61.18%	62.01%	69.71%
Covered Employee Payroll (Estimated)	\$ 1,554,689	\$ 1,480,200	\$ 1,386,544
Net Pension Liability as a % of Covered Employee Payroll	31.30%	31.90%	38.60%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

CITY OF SWEETWATER, TEXAS

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

	9/30/2017	9/30/2016	9/30/2015
Actuarially Determined Contribution	\$ 283,387	\$ 247,893	\$ 231,566
Contributions in relation to the actuarially determined contribution	283,387	247,893	231,566
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered employee payroll	 \$ 1,574,371	 \$ 1,549,334	 \$ 1,447,285
Contributions as a percentage of covered employee payroll	18.00%	16.00%	16.00%

Notes to Schedule of Contributions

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown. Fiscal year refers to the plan year.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Valuation Date	December 31, 2014
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of pay, open
Remaining Amortization Period	32.8 years
Asset Valuation Method	5-year smoothed market value with a 20% of market value corridor
Inflation	3.00%
Projected Salary Increases	4.50%
Investment Rate of Return, Net of Expenses Compounded Annually	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.

Significant Factors Affecting Trends in Actuarial Information

There were not any significant changes in plan provisions and actuarial assumptions from the prior year that significantly affect the identification of trends in the amounts reported in the required schedules.

- 1) The cost-of-living adjustment did not change from prior valuation.
- 2) The employer contribution rate increased from 16% to 18% starting October 1.

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, 2017

	Senior Nutrition Activities Project	Hotel and Motel Fund	Cemetery Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
Assets					
Current cash and cash equivalents	\$ 42,327	\$ 105,479	\$ 1,232,319	\$ 9,545	\$ 1,389,670
Due from other funds	-	-	2,434	-	2,434
Due from other governments	16,317	-	-	-	16,317
Total assets	<u>\$ 58,644</u>	<u>\$ 105,479</u>	<u>\$ 1,234,753</u>	<u>\$ 9,545</u>	<u>\$ 1,408,421</u>
Liabilities					
Accounts payable	7,348	-	-	-	7,348
Due to other funds	1,148	-	63	-	1,211
Due to other governments	-	105,479	-	-	105,479
Total liabilities	<u>8,496</u>	<u>105,479</u>	<u>63</u>	<u>-</u>	<u>114,038</u>
Fund Balances					
Nonspendable - Perpetual Cemetery Care	-	-	1,234,690	-	1,234,690
Restricted for drug enforcement	-	-	-	9,545	9,545
Restricted for senior nutrition program	50,148	-	-	-	50,148
Total fund balances	<u>50,148</u>	<u>-</u>	<u>1,234,690</u>	<u>9,545</u>	<u>1,294,383</u>
Total liabilities and fund balances	<u>\$ 58,644</u>	<u>\$ 105,479</u>	<u>\$ 1,234,753</u>	<u>\$ 9,545</u>	<u>\$ 1,408,421</u>

CITY OF SWEETWATER, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended September 30, 2017

	Senior Nutrition Activities Project	Hotel and Motel Fund	Cemetery Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
Revenues					
Occupancy tax	\$ -	\$ 613,373	\$ -	\$ -	\$ 613,373
Intergovernmental	191,564	-	-	-	191,564
Charges for services	-	-	4,600	-	4,600
Investment income	-	-	6,241	49	6,290
Contributions and donations	34,501	-	-	-	34,501
Miscellaneous	450	-	11,550	8,900	20,900
Total revenues	<u>226,515</u>	<u>613,373</u>	<u>22,391</u>	<u>8,949</u>	<u>871,228</u>
Expenditures					
Current:					
Public safety	-	-	-	16,925	16,925
Culture and recreation	-	613,373	-	-	613,373
Community services	<u>406,542</u>	<u>-</u>	<u>40,826</u>	<u>-</u>	<u>447,368</u>
Total expenditures	<u>406,542</u>	<u>613,373</u>	<u>40,826</u>	<u>16,925</u>	<u>1,077,666</u>
Excess (deficiency) of revenues over (under) expenditures	(180,027)	-	(18,435)	(7,976)	(206,438)
Other Financing Sources (Uses):					
Transfers in	171,996	-	35,521	-	207,517
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(8,031)	-	17,086	(7,976)	1,079
Fund balances - beginning	<u>58,179</u>	<u>-</u>	<u>1,217,604</u>	<u>17,521</u>	<u>1,293,304</u>
Fund balances - ending	<u>\$ 50,148</u>	<u>\$ -</u>	<u>\$ 1,234,690</u>	<u>\$ 9,545</u>	<u>\$ 1,294,383</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 223,280	\$ 223,280	\$ 191,564	\$ (31,716)
Contributions and donations	47,000	47,000	34,501	(12,499)
Miscellaneous	8,000	8,000	450	(7,550)
Total revenues	<u>278,280</u>	<u>278,280</u>	<u>226,515</u>	<u>(51,765)</u>
Expenditures				
Current:				
Community services	<u>449,406</u>	<u>449,406</u>	<u>406,542</u>	<u>42,864</u>
Total expenditures	<u>449,406</u>	<u>449,406</u>	<u>406,542</u>	<u>42,864</u>
Excess (deficiency) of revenues over (under) expenditures	(171,126)	(171,126)	(180,027)	(8,901)
Other Financing Sources (Uses):				
Transfers in	<u>172,000</u>	<u>172,000</u>	<u>171,996</u>	<u>(4)</u>
Net change in fund balances	874	874	(8,031)	(8,905)
Fund balances - beginning	<u>58,179</u>	<u>58,179</u>	<u>58,179</u>	<u>-</u>
Fund balances - ending	<u>\$ 59,053</u>	<u>\$ 59,053</u>	<u>\$ 50,148</u>	<u>\$ (8,905)</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final budget- Positive (Negative)
Revenues				
Occupancy tax	\$ 750,000	\$ 750,000	\$ 613,373	\$ (136,627)
Total revenues	<u>750,000</u>	<u>750,000</u>	<u>613,373</u>	<u>(136,627)</u>
Expenditures				
Current:				
Culture and recreation	750,000	750,000	613,373	136,627
Total expenditures	<u>750,000</u>	<u>750,000</u>	<u>613,373</u>	<u>136,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 7,500	\$ 7,500	\$ 4,600	\$ (2,900)
Miscellaneous	19,000	19,000	11,550	(7,450)
Investment income	3,000	3,000	6,241	3,241
Total revenues	<u>29,500</u>	<u>29,500</u>	<u>22,391</u>	<u>(7,109)</u>
Expenditures				
Current:				
Community services	<u>50,258</u>	<u>50,258</u>	<u>40,826</u>	<u>9,432</u>
Total expenditures	<u>50,258</u>	<u>50,258</u>	<u>40,826</u>	<u>9,432</u>
Excess (deficiency) of revenues over (under) expenditures	(20,758)	(20,758)	(18,435)	2,323
Other Financing Sources (Uses):				
Transfers in	<u>47,900</u>	<u>47,900</u>	<u>35,521</u>	<u>(12,379)</u>
Net change in fund balances	27,142	27,142	17,086	(10,056)
Fund balances - beginning	<u>1,217,604</u>	<u>1,217,604</u>	<u>1,217,604</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,244,746</u>	<u>\$ 1,244,746</u>	<u>\$ 1,234,690</u>	<u>\$ (10,056)</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, supplies, and information technology services performed 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, 2017

	Central Garage and Stores	Employee Benefit Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,073,339	\$ 419,084	\$ 1,492,423
Due from other funds	163,370	-	163,370
Due from other governments	149	-	149
Inventory	30,927	-	30,927
Total current assets	<u>1,267,784</u>	<u>419,084</u>	<u>1,686,868</u>
Capital assets:			
Buildings	145,573	-	145,573
Improvements other than buildings	37,361	-	37,361
Machinery and equipment	6,759,519	-	6,759,519
Less accumulated depreciation	(5,113,768)	-	(5,113,768)
Total capital assets (net of accumulated depreciation)	<u>1,828,685</u>	<u>-</u>	<u>1,828,685</u>
Total assets	<u>3,096,469</u>	<u>419,084</u>	<u>3,515,553</u>
Deferred Outflows of Resources			
Pension Plan	<u>185,241</u>	<u>-</u>	<u>185,241</u>
Liabilities			
Current Liabilities:			
Accounts payable	360,023	38,870	398,893
Accrued compensated absences	2,324	-	2,324
Note payable	69,447	-	69,447
Total current liabilities	<u>431,794</u>	<u>38,870</u>	<u>470,664</u>
Noncurrent liabilities:			
Accrued compensated absences	20,911	-	20,911
Note payable	220,553	-	220,553
Net pension liability	637,429	-	637,429
Total noncurrent liabilities	<u>878,893</u>	<u>-</u>	<u>878,893</u>
Total liabilities	<u>1,310,687</u>	<u>38,870</u>	<u>1,349,557</u>
Deferred Inflows of Resources			
Pension Plan	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets			
Net investment in capital assets	1,538,685	-	1,538,685
Unrestricted	432,338	380,214	812,552
Total net position	<u>\$ 1,971,023</u>	<u>\$ 380,214</u>	<u>\$ 2,351,237</u>

CITY OF SWEETWATER, TEXAS

Internal Service Funds Combining Statement of Revenues, Expenses, and Changes in Fund Net Position For the Year Ended September 30, 2017

	Central Garage and Stores	Employee Benefit Fund	Total
Operating revenues:			
Charges for services	\$ 1,432,724	\$ 1,758,702	\$ 3,191,426
Miscellaneous	57,090	-	57,090
	<u>1,489,814</u>	<u>1,758,702</u>	<u>3,248,516</u>
Total operating income			
Operating expenses:			
Personal services	842,310	-	842,310
Supplies	42,255	-	42,255
Other services and charges	254,534	1,685,602	1,940,136
Depreciation	329,484	-	329,484
	<u>1,468,583</u>	<u>1,685,602</u>	<u>3,154,185</u>
Total operating expenses			
Operating income	<u>21,231</u>	<u>73,100</u>	<u>94,331</u>
Nonoperating revenues (expenses):			
Interest income	4,637	2,127	6,764
	<u>25,868</u>	<u>75,227</u>	<u>101,095</u>
Income before transfers			
Transfers in	-	-	-
	<u>25,868</u>	<u>75,227</u>	<u>101,095</u>
Change in net position			
Total net position - beginning	1,945,155	304,987	2,250,142
Total net position - ending	<u>\$ 1,971,023</u>	<u>\$ 380,214</u>	<u>\$ 2,351,237</u>

CITY OF SWEETWATER, TEXAS

Internal Service Funds Combining Statement of Cash Flows For the Year Ended September 30, 2017

	Central Garage and Stores	Employee Benefit Fund	Total
Cash Flows From Operating Activities			
Receipts from interfund services provided	\$ 1,471,000	\$ 1,758,702	\$ 3,229,702
Payments to suppliers	(19,297)	443,354	424,057
Payments for claims	-	1,261,790	1,261,790
Payments to employees	800,492	-	800,492
Net cash provided by operating activities	<u>689,805</u>	<u>53,558</u>	<u>743,363</u>
Cash Flows From Capital and Related Financing Activities			
Debt issuance	290,000	-	290,000
Purchases of capital assets	(508,725)	-	(508,725)
Disposition of equipment	-	-	-
Net cash used by capital and related financing activities	<u>(218,725)</u>	<u>-</u>	<u>(218,725)</u>
Cash Flows From Investing Activities			
Interest and dividends received	4,637	2,127	6,764
Net cash provided (used) by investing activities	<u>4,637</u>	<u>2,127</u>	<u>6,764</u>
Net increase (decrease) in cash and cash equivalents	475,718	55,686	531,404
Cash and cash equivalents at beginning of year	597,621	363,398	961,019
Cash and cash equivalents at end of year	<u>\$ 1,073,339</u>	<u>\$ 419,084</u>	<u>\$ 1,492,423</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	21,231	73,100	94,331
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	329,484	-	329,484
(Increase) decrease in other receivables	-	-	-
(Increase) decrease in due from other funds	(18,759)	-	(18,759)
(Increase) in due from other governments	(55)	-	(55)
(Increase) decrease in inventories	(7,094)	-	(7,094)
(increase) decrease in deferred outflows of resources	22,108	-	22,108
Increase (decrease) in accounts payable	323,180	(19,541)	303,639
Increase (decrease) in net pension liability	20,356	-	20,356
Increase (decrease) in compensated absences	7,331	-	7,331
Increase (decrease) in deferred inflows of resources	(7,976)	-	(7,976)
Total adjustments	<u>668,574</u>	<u>(19,541)</u>	<u>649,033</u>
Net cash provided by operating activities	<u>\$ 689,805</u>	<u>\$ 53,558</u>	<u>\$ 743,363</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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
General fixed assets:		
Land	\$ 178,332	\$ 178,332
Construction in-progress	-	-
Buildings	7,582,726	7,571,026
Improvements other than buildings	7,046,694	6,997,387
Machinery and equipment	<u>1,812,894</u>	<u>1,655,467</u>
Total governmental funds capital assets	<u>\$ 16,620,645</u>	<u>\$ 16,402,211</u>
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	7,268,119	7,074,340
From special assessments	190,350	190,350
From capital donations	416,712	416,712
From federal and other government grants (including federal revenue sharing)	4,176,222	4,151,568
From water and wastewater fund-transfer of swimming pool	486,881	486,881
From special revenue fund	<u>2,718,492</u>	<u>2,718,492</u>
Total governmental funds capital assets	<u>\$ 16,620,645</u>	<u>\$ 16,402,211</u>

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, 2017

	Total	Land	Construction in-progress	Building	Improvements other than Building	Machinery and Equipment
General government:						
Administration	\$ 129,837	\$ -	\$ -	\$ -	\$ 39,000	\$ 90,837
General government buildings	554,841	9,000	-	280,755	142,159	122,927
Total general government	<u>684,678</u>	<u>9,000</u>	<u>-</u>	<u>280,755</u>	<u>181,159</u>	<u>213,764</u>
Public safety:						
Police protection	5,904,594	20,472	-	4,525,643	488,522	869,957
Fire protection	1,590,837	81,451	-	1,025,710	83,512	400,164
Civil defense	107,299	-	-	-	63,824	43,475
Total public safety	<u>7,602,730</u>	<u>101,923</u>	<u>-</u>	<u>5,551,353</u>	<u>635,858</u>	<u>1,313,596</u>
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	<u>1,962,956</u>	<u>800</u>	<u>-</u>	<u>26,509</u>	<u>1,871,978</u>	<u>63,669</u>
Culture and recreation:						
Parks and cemetery	1,051,454	24,870	-	61,795	923,859	40,930
Golf course	275,980	-	-	71,222	167,249	37,509
Swimming pool	536,437	-	-	-	531,960	4,477
Total culture and recreation	<u>1,863,871</u>	<u>24,870</u>	<u>-</u>	<u>133,017</u>	<u>1,623,068</u>	<u>82,916</u>
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	<u>848,864</u>	<u>4,500</u>	<u>-</u>	<u>726,884</u>	<u>18,726</u>	<u>98,754</u>
Airport	3,657,548	37,239	-	864,208	2,715,906	40,195
Total governmental funds capital assets	<u>\$ 16,620,645</u>	<u>\$ 178,332</u>	<u>\$ -</u>	<u>\$ 7,582,726</u>	<u>\$ 7,046,694</u>	<u>\$ 1,812,894</u>

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

CITY OF SWEETWATER, TEXAS

Capital Assets Used in the Operation of Governmental Funds Schedule of Changes By Function and Activity For the Fiscal Year Ended September 30, 2017

	Governmental Funds Capital Assets 10/01/16	Additions	Deductions	Governmental Funds Capital Assets 09/30/17
General government:				
Administration	\$ 66,628	\$ 63,209	\$ -	\$ 129,837
General government buildings	554,841	-	-	554,841
Total general government	<u>621,469</u>	<u>63,209</u>	<u>-</u>	<u>684,678</u>
Public safety:				
Police protection	5,831,943	72,651	-	5,904,594
Fire protection	1,569,270	21,567	-	1,590,837
Civil defense	107,299	-	-	107,299
Total public safety	<u>7,508,512</u>	<u>94,218</u>	<u>-</u>	<u>7,602,730</u>
Public works:				
Streets and highways	1,901,334	-	-	1,901,334
Recycling center	35,113	-	-	35,113
Animal control	26,509	-	-	26,509
Total public works	<u>1,962,956</u>	<u>-</u>	<u>-</u>	<u>1,962,956</u>
Culture and recreation:				
Parks and cemetery	1,051,454	-	-	1,051,454
Golf course	264,280	11,700	-	275,980
Swimming pool	536,437	-	-	536,437
Total culture and recreation	<u>1,852,171</u>	<u>11,700</u>	<u>-</u>	<u>1,863,871</u>
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	<u>848,864</u>	<u>-</u>	<u>-</u>	<u>848,864</u>
Airport	3,608,241	49,307	-	3,657,548
Total governmental funds capital assets	<u>\$ 16,402,211</u>	<u>\$ 218,434</u>	<u>\$ -</u>	<u>\$ 16,620,645</u>

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

**“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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of related debt	\$ 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	\$ 8,494,897
Restricted	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	1,416,120
Unrestricted	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	(548,318)
Total governmental activities net position	<u>\$ 10,703,387</u>	<u>\$ 11,111,034</u>	<u>\$ 11,272,276</u>	<u>\$ 12,111,288</u>	<u>\$ 14,400,208</u>	<u>\$ 15,074,588</u>	<u>\$ 15,520,975</u>	<u>\$ 11,071,139</u>	<u>\$ 10,916,287</u>	<u>\$ 9,362,699</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 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	\$ 9,931,071
Restricted	92,991	677,857	686,668	709,175	712,235	715,354	759,967	817,153	821,408	831,373
Unrestricted	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	9,440,428
Total business-type activities net position	<u>\$ 14,130,165</u>	<u>\$ 14,886,525</u>	<u>\$ 15,482,683</u>	<u>\$ 17,581,494</u>	<u>\$ 19,226,635</u>	<u>\$ 20,469,318</u>	<u>\$ 21,251,058</u>	<u>\$ 18,675,860</u>	<u>\$ 19,279,858</u>	<u>\$ 20,202,872</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 18,425,968
Restricted	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	2,247,493
Unrestricted	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	8,892,110
Total primary government net position	<u>\$ 24,833,552</u>	<u>\$ 25,997,559</u>	<u>\$ 26,754,959</u>	<u>\$ 29,692,782</u>	<u>\$ 33,626,843</u>	<u>\$ 35,543,906</u>	<u>\$ 36,772,033</u>	<u>\$ 29,746,999</u>	<u>\$ 30,196,145</u>	<u>\$ 29,565,571</u>

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,814,626
Public safety	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	5,448,126
Public works	802,182	940,334	975,452	1,101,889	1,007,398	1,072,818	1,056,515	1,057,291	1,095,851	984,321
Culture and recreation	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	1,423,072
Community services	418,674	448,606	486,967	530,442	491,645	502,840	555,465	544,645	533,096	545,305
Airport	143,388	159,763	168,676	230,145	322,991	452,828	413,656	376,425	443,799	411,918
Total governmental activities expenses	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	10,627,368
Business-type activities:										
Water and sewer	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	6,163,135
Ambulance	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	2,204,031
Solid waste management	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	2,183,736
Total business-type activities expenses	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	10,550,902
Total primary government expenses	<u>\$ 15,567,449</u>	<u>\$ 15,935,636</u>	<u>\$ 16,026,881</u>	<u>\$ 16,681,462</u>	<u>\$ 16,899,792</u>	<u>\$ 18,094,012</u>	<u>\$ 19,216,281</u>	<u>\$ 19,955,737</u>	<u>\$ 20,694,826</u>	<u>\$ 21,178,270</u>

CITY OF SWEETWATER, TEXAS

Changes in Net Position

Last Ten Fiscal Years

(Prepared using the accrual basis of accounting)

Continued

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 1,358,629
Public works	596	538	430	24,419	16,560	21,673	3,363	3,495	3,747	2,770
Culture and recreation	385,645	371,134	371,340	375,378	360,077	365,182	364,659	375,659	377,382	377,361
Community services	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	164,188
Operating grants and contributions	283,225	412,667	297,460	329,867	267,093	392,616	367,386	287,101	308,172	246,386
Capital grants and contributions	-	482,996	21,680	170,168	690,376	472,375	-	-	38,160	32,000
Total governmental activities program revenues	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	2,181,333
Business-type activities:										
Charges for services:										
Water and sewer	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	7,291,239
Ambulance	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	1,454,635
Solid waste management	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	1,886,909
Operating grants and contributions	-	20,491	21,787	2,800	10,832	20,454	9,979	18,069	1,600	12,260
Capital grants and contributions	20,000	-	23,000	-	252,083	-	-	-	-	-
Total business-type activities program revenues	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	10,645,043
Total primary government program revenues	\$ 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	\$ 12,826,376
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (8,446,034)
Business-type activities	571,275	279,508	256,580	1,389,740	1,131,946	1,368,359	264,640	(482,147)	152,776	94,141
Total primary government net expense	\$ (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)	\$ (8,351,893)

CITY OF SWEETWATER, TEXAS

Changes in Net Position

Last Ten Fiscal Years

(Prepared using the accrual basis of accounting)

Continued

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$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	\$2,214,540
Sales taxes	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	2,779,816
Franchise taxes	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	1,060,142
Other taxes	475,269	459,250	352,334	433,575	505,979	572,910	620,562	723,538	735,637	623,046
Investment earnings	144,081	36,990	29,264	29,041	22,017	24,761	25,297	19,517	20,561	37,532
Miscellaneous	706,026	560,679	757,485	914,358	1,314,414	861,174	1,006,410	732,713	589,044	693,332
Special item	-	-	-	-	531,339	4,521	-	-	116,204	154,110
Transfers	(150,000)	(267,500)	(220,000)	(318,000)	(401,000)	(365,500)	(410,000)	(433,000)	(363,473)	(670,072)
Total governmental activities	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	\$6,892,446
Business-type activities:										
Investment earnings	251,663	47,109	19,266	27,538	22,459	23,304	20,667	19,463	26,111	64,240
Miscellaneous	120,997	162,242	100,312	363,534	89,737	77,793	86,433	166,118	61,637	94,561
Special item	(1,332,927)	-	-	-	-	-	-	-	-	-
Transfers	150,000	267,500	220,000	318,000	401,000	365,500	410,000	433,000	363,473	670,072
Total business-type activities	(810,268)	476,852	339,578	709,072	513,196	466,597	517,100	618,581	451,222	828,873
Total primary government	\$ 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	\$ 7,721,319
Change in Net Position										
Governmental activities	\$ 992,671	\$ 407,647	\$ 161,242	\$ 839,012	\$ 2,288,920	\$ 674,380	\$ 446,387	\$ (233,877)	\$ (154,852)	\$ (1,553,588)
Business-type activities	(238,993)	756,360	596,158	2,098,811	1,645,141	1,834,958	781,740	136,434	603,998	923,014
Total primary government	\$ 753,678	\$ 1,164,007	\$ 757,400	\$ 2,937,823	\$ 3,934,062	\$ 2,509,338	\$ 1,228,127	\$ (97,443)	\$ 449,146	\$ (630,574)

Source: Comprehensive Annual Financial Reports

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

CITY OF SWEETWATER, TEXAS

Program Revenues by Function/Program Last Two Fiscal Years

Function/Program	Program Revenue	
	Fiscal Year 2017	Fiscal Year 2016
Governmental Activities		
General Government	\$1,358,629	\$1,338,490
Public Safety	34,316	42,022
Public Works	2,770	3,747
Culture and Recreation	377,361	402,382
Community Services	226,515	261,167
Airport	181,743	212,698
Subtotal Governmental Activities	2,181,333	2,260,505
Business-type Activities		
Water and Sewer	7,291,239	7,202,525
Ambulance	1,466,895	1,563,108
Solid Waste Management	1,886,909	1,891,078
Subtotal Business-type Activities	10,645,043	10,656,711
Total Primary Government	\$12,826,376	\$12,917,216

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Unreserved	4,134,064	4,435,088	4,930,607	-	-	-	-	-	-	-
Restricted	-	-	-	-	35,854	61,082	87,134	113,147	163,339	121,737
Unassigned	-	-	-	6,331,590	8,196,184	8,086,154	5,877,126	4,360,460	4,566,380	3,808,170
Total general fund	<u>\$ 4,134,064</u>	<u>\$ 4,435,088</u>	<u>\$ 4,930,607</u>	<u>\$ 6,331,590</u>	<u>\$ 8,232,038</u>	<u>\$ 8,147,236</u>	<u>\$ 5,964,260</u>	<u>\$ 4,473,607</u>	<u>\$ 4,729,719</u>	<u>\$ 3,929,907</u>
All Other Governmental Funds										
Reserved	\$ 1,038,267	\$ 1,039,844	\$ 1,079,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	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	1,234,690
Restricted	-	-	-	10,280	7,682	6,950	7,190	5,055	75,700	59,693
Assigned	-	-	-	26,929	13,444	11,690	11,007	18,853	-	-
Total all other governmental funds	<u>\$ 1,061,807</u>	<u>\$ 1,124,390</u>	<u>\$ 1,153,887</u>	<u>\$ 1,142,705</u>	<u>\$ 1,147,315</u>	<u>\$ 1,169,833</u>	<u>\$ 1,195,655</u>	<u>\$ 1,222,982</u>	<u>\$ 1,293,304</u>	<u>\$ 1,294,383</u>

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 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	\$ 6,616,507
Intergovernmental	234,119	743,368	267,974	417,997	663,485	819,231	248,798	237,826	305,712	243,035
Charges for services	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	1,434,132
Licenses and permits	16,019	25,007	20,079	26,887	31,026	26,919	37,211	35,805	32,089	34,907
Investment income	144,081	36,990	24,826	31,605	23,891	24,761	25,297	19,517	20,561	37,532
Fines and forfeitures	28,402	37,376	40,567	39,632	50,788	59,405	43,772	50,270	59,314	54,743
Miscellaneous	755,133	712,974	808,653	1,055,012	2,019,907	1,345,905	1,508,869	1,162,993	1,015,513	1,261,960
Total revenues	<u>8,072,294</u>	<u>8,006,925</u>	<u>7,586,716</u>	<u>9,149,463</u>	<u>10,173,236</u>	<u>9,704,678</u>	<u>9,892,061</u>	<u>9,609,961</u>	<u>10,266,471</u>	<u>9,682,816</u>
Expenditures										
General government	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	1,742,582
Public safety	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	4,780,984
Public works	775,676	806,877	876,497	958,960	956,175	1,008,327	1,030,142	1,047,268	1,074,272	941,312
Culture and recreation	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	1,375,270
Community services	413,796	446,363	473,400	463,120	480,162	490,629	531,270	531,104	510,793	513,687
Airport	64,521	65,267	58,476	119,606	214,915	311,461	250,578	212,791	277,288	239,207
Capital outlay	215,984	547,977	171,268	211,803	625,523	1,337,961	3,029,805	1,564,499	179,669	218,434
Total expenditures	<u>6,820,701</u>	<u>7,375,817</u>	<u>6,841,699</u>	<u>7,441,661</u>	<u>8,122,927</u>	<u>9,405,984</u>	<u>11,639,214</u>	<u>10,640,287</u>	<u>9,557,309</u>	<u>9,811,476</u>
Excess of revenues over (under) expenditures	1,251,593	631,108	745,017	1,707,802	2,050,309	298,694	(1,747,153)	(1,030,326)	709,162	(128,660)
Other Financing Sources (Uses)										
Transfers in	66,000	64,000	151,636	86,066	146,613	163,636	192,210	210,849	221,244	207,517
Transfers out	(216,000)	(331,500)	(371,636)	(404,066)	(547,613)	(529,136)	(602,210)	(643,849)	(720,175)	(877,589)
Proceeds from sale of assets	-	-	-	-	255,750	4,521	-	-	116,204	-
Total other financing sources (uses)	<u>(150,000)</u>	<u>(267,500)</u>	<u>(220,000)</u>	<u>(318,000)</u>	<u>(145,250)</u>	<u>(360,979)</u>	<u>(410,000)</u>	<u>(433,000)</u>	<u>(382,727)</u>	<u>(670,072)</u>
Net change in fund balances	<u>\$ 1,101,593</u>	<u>\$ 363,608</u>	<u>\$ 525,017</u>	<u>\$ 1,389,802</u>	<u>\$ 1,905,059</u>	<u>\$ (62,285)</u>	<u>\$(2,157,153)</u>	<u>\$(1,463,326)</u>	<u>\$ 326,434</u>	<u>\$ (798,733)</u>
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
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
2017	2,154	2,780	1,060	613	10	6,617

Change:

2008-2017	63%	31%	-16%	32%	-9%	28%
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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 31% 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*					
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%
2017	240,649	133,399	97,320	3,413	12,317	462,464	0.4800	462,464	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 School District			Nolan County			Nolan County Hospital District			
	Debt			Debt			Debt			Debt			
	Operating	Service	Total	Operating	Service	Total	Operating	Service	Total	Operating	Service	Total	
2008	0.4800	-	0.4800	1.0400	0.0834	1.1234	0.4053	-	0.4053	0.1117	0.0297	0.1414	2.1501
2009	0.4800	-	0.4800	1.0400	0.1900	1.2300	0.3575	-	0.3575	0.1723	0.0358	0.2081	2.2756
2010	0.4800	-	0.4800	1.0400	0.1900	1.2300	0.3492	-	0.3492	0.1961	0.0581	0.2542	2.3134
2011	0.4800	-	0.4800	1.0600	0.1650	1.2250	0.3754	-	0.3754	0.2020	0.0504	0.2524	2.3328
2012	0.4800	-	0.4800	1.0600	0.1650	1.2250	0.4230	-	0.4230	0.2042	0.0482	0.2524	2.3804
2013	0.4630	-	0.4630	1.0950	0.1200	1.2150	0.3946	-	0.3946	0.2021	0.0197	0.2218	2.2944
2014	0.4800	-	0.4800	1.0950	0.1200	1.2150	0.4431	0.0645	0.5076	0.2287	0.0236	0.2524	2.4549
2015	0.4800	-	0.4800	1.0950	0.1200	1.2150	0.4448	0.0639	0.5087	0.2459	0.1580	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	2.6368
2017	0.4800	-	0.4800	1.0950	0.1100	1.2050	0.4994	0.0671	0.5665	0.2560	0.1480	0.4040	2.6554

Source: Central Appraisal District of Nolan County

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

CITY OF SWEETWATER, TEXAS

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

Taxpayer	FY 2017			FY 2008		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Ludlum Measurements Inc	19,844,640	1	4.29%	10,894,190	1	4.06%
Crest Pumping Technologies LLC	12,551,980	2	2.71%			
CSI Acquisition Co.	7,467,490	3	1.61%			
Oncor Electric Delivery/TU	4,759,700	4	1.03%			
STRC Oilfield Technology	4,581,540	5	0.99%			
Sweetwater Assets LLC	4,536,070	6	0.98%			
TXHP Sweetwater LLC	4,476,550	7	0.97%			
Loves Hospitality LLC	4,228,060	8	0.91%			
Union Pacific Railroad	4,013,920	9	0.87%			
Wal-Mart Stores Texas LP	3,891,160	10	0.84%	4,760,930	4	1.77%
TST INC - dba Timco				8,759,460	2	3.26%
TXU Electric Delivery				5,066,700	3	1.89%
Wal-Mart Stores LP				3,934,580	5	1.47%
Dhilon Inc.				3,549,680	6	1.32%
Southwestern Bell Telephone				2,969,110	7	1.11%
Sweet K Associates				2,881,590	8	1.07%
Cristina Enterprises, Inc.				2,699,470	9	1.01%
First National Bank				2,008,220	10	0.75%
Total	70,351,110		15.21%	47,523,930		17.71%

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
2008	1,292,401	1,252,295	97%	40,191	1,292,486	100%
2009	1,469,773	1,366,024	93%	97,990	1,464,014	100%
2010	1,561,808	1,441,740	92%	109,530	1,551,270	99%
2011	1,586,856	1,518,494	96%	58,755	1,577,249	99%
2012	1,627,454	1,556,652	96%	64,188	1,620,840	100%
2013	1,947,460	1,892,650	97%	48,793	1,941,443	100%
2014	1,909,117	1,855,387	97%	42,669	1,898,056	99%
2015	2,053,829	1,987,413	97%	45,387	2,032,800	99%
2016	2,232,971	2,159,055	97%	32,842	2,191,897	98%
2017	2,219,828	2,101,627	95%	-	2,101,627	95%

Source: Central Appraisal District of Nolan County

CITY OF SWEETWATER

Principal Water Sales Current Year and Ten Years Ago Fiscal Year

Water Customer	FY 2017					FY 2008				
	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	\$ 672,952.24	1	14.40%		\$ 5.74	\$ 588,079.88	1	11.96%	
GEORGIA PACIFIC	\$ 7.26	\$ 323,653.26	2	6.93%		\$ 5.74	\$ 322,847.98	2	6.56%	
HOUSING AUTHORITY	\$ 7.69	\$ 278,097.12	3	5.95%		\$ 6.08	\$ 234,992.36	3	4.78%	
CITY OF ROBY	\$ 6.53	\$ 247,789.78	4	5.30%		\$ 5.16	\$ 211,481.52	4	4.30%	
SWEETWATER ISD	\$ 7.26	\$ 169,252.65	5	3.62%		\$ 5.74	\$ 130,790.75	6	2.66%	
CITY OF TRENT	\$ 6.53	\$ 135,806.12	6	2.91%		\$ 5.16	\$ 190,946.02	5	3.88%	
APPLE CREEK APT	\$ 7.69	\$ 111,288.80	7	2.38%		\$ 6.08	\$ 106,844.99	7	2.17%	
SWEETWATER MUSTANG HEIGHTS	\$ 7.69	\$ 94,852.69	8	2.03%						
LUDLUM MEASUREMENTS	\$ 7.26	\$ 85,484.03	9	1.83%		\$ 5.74	\$ 80,526.15	9	1.64%	
HBSN INVESTMENT CO., L.L.C.	\$ 7.69	\$ 78,009.72	10	1.67%						
ROLLING PLAINS CAMPUS(TSTC)						\$ 9.22	\$ 95,736.50	8	1.95%	
ROLLING PLAINS HOSPITAL						\$ 5.74	\$ 65,555.07	10	1.33%	
		<u>\$ 2,197,186.41</u>		<u>47.02%</u>			<u>\$ 2,027,801.22</u>		<u>41.23%</u>	

Source: City of Sweetwater Utility Department

CITY OF SWEETWATER, TEXAS

Ratios of Outstanding Debt by Type, Last 10 Fiscal Years

Business type Activities					Percentage of Personal Income (3)	Per Capita (4)
Fiscal Year	General Obligation Bonds (1)	Certificates of Obligation Bonds (1)	Refunding Bonds (1)	Total		
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
2017	-	6,405,000	10,696,978	17,101,978	0.1194%	1,568.13

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

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	% of Actual Taxable Value of Property (2)	Per Capita (3)
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
2017	-	6,405,000	10,696,978	17,101,978	831,373	16,270,605	3.52%	1,491.89

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, 2017**

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	\$ 9,245,000	58.1%	\$ 5,371,345
Nolan County	14,705,000	23.0%	3,386,562
Nolan County Hospital District	23,596,463	23.0%	5,434,265
Subtotal, Overlapping Debt			<u>14,192,172</u>
City of Sweetwater direct debt			<u>0</u>
Total direct and overlapping debt			<u><u>\$ 14,192,172</u></u>
Total direct and overlapping debt percent of assessed taxable value			3.1%
Total direct and overlapping debt per Capita			\$1,301

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 addition to a pledge of ad valorem taxes levied against all taxable property located within the City's limits.

CITY OF SWEETWATER, TEXAS

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

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed value	\$ 462,464,162
Debt limit ¹	11,561,604
(\$2.50 hundred dollar valuation)	
Debt applicable to limit:	
Certificates of Obligation	1,993,598
Less: Amount set aside for repayment of certificate of obligation debt	<u>(831,373)</u>
Total net debt applicable to limit	<u>1,162,225</u>
Legal debt margin	<u><u>\$ 10,399,379</u></u>

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 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	\$ 11,561,604
Total net debt applicable to limit	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	1,162,225
Legal debt margin	\$ 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	\$ 10,399,379
Total net debt applicable to limit as a percentage of debt limit	18.8%	16.7%	15.7%	15.5%	13.4%	10.4%	11.2%	16.7%	7.8%	10.1%

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**

Water Revenue Bonds						
Fiscal Year	Water and Sewer Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service (1)		Coverage
				Principal	Interest	
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
2017	7,350,802	4,384,432	2,966,370	1,715,000	278,598	1.49

Notes:

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

CITY OF SWEETWATER, TEXAS

Demographic and Economic Statistics, Most Recently Available Ten Calendar Years

Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
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%
2016	10,906	\$434,402,267	\$20,415	38.2	N/A	2,222	4.6%

Sources:

Population information is provided by the City of Sweetwater Finance Department. Personal income information provided by the Texas Workforce Commission. Median age information provided by the Sweetwater Enterprise for 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

Employer	2017			2008		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Ludlum Measurements	425	1	7.1%	400	2	7.2%
Sweetwater ISD	385	2	6.4%	425	1	8.1%
Rolling Plains Hospital	329	3	5.5%	239	3	5.3%
United States Gypsum	240	4	4.0%	210	4	5.0%
Wal-Mart	190	5	3.2%	250	5	4.1%
City of Sweetwater	140	6	2.3%	155	7	3.2%
Nolan County	113	7	1.9%	100	10	2.0%
Buzzi Unicem/Lone Star Cement	105	8	1.8%	117	8	2.4%
Texas State Technical College	104	9	1.7%	180	6	3.5%
Nine (Crest Pumping Technologies)	100	10	1.7%	N/A	N/A	N/A
MHMR	100	11	1.7%	N/A	N/A	N/A
TA Travel Stop	97	12	1.6%	106	9	2.0%
Total	2,328		39.0%	2,182		42.8%

Source:

Sweetwater Enterprise for Economic Development.
Texas Workforce Commission

CITY OF SWEETWATER, TEXAS

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

Function Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
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	3.20	3.00	3.00
Court and Legal	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Code Enforcement	2.75	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	23.00
Civilians	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00	6.00
Fire										
Firefighters and officers	15.50	14.50	14.00	14.00	14.00	14.00	14.00	15.00	16.00	16.00
Street and Signals	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Animal Control	1.00	1.25	1.25	1.25	2.00	2.00	2.00	2.00	2.00	2.00
Parks and Recreation	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00
Golf Course	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Swimming Pool	4.25	7.00	6.75	5.75	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.	5.00	5.25	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	2.70	2.50	2.50
Source of Supply	3.45	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Water Purification	3.70	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	5.20
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	2.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Emergency Medical Services										
Paramedic/Firefighters/Officers	8.50	9.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.20	1.00	1.00
Refuse										
Refuse Collection -Residential	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.85	5.75	5.75
Refuse Disposal	3.25	3.25	3.25	3.50	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	3.00	3.00
Internal Services and Stores	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.20	13.00	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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Code Enforcement										
Building permits issued	162	149	134	143	107	142	190	168	159	230
Violation notices mailed										
Weeds	529	281	261	204	88	249	432	312	392	287
Junk	348	99	99	52	63	51	56	53	37	28
Other	60	245	128	127	99	77	131	121	126	72
Number of substandard structures identified	121	85	30	36	33	30	19	41	8	7
Police										
Crimes against person	512	537	538	536	558	530	700	612	533	673
Crimes against property	774	904	791	799	846	815	1,200	1,056	1,137	1,383
Traffic citations	1,578	1,856	1,574	1,440	1,637	1,600	1,500	569	594	547
Request for service	19,261	23,234	22,572	22,642	23,298	22,500	24,000	21,928	23,453	19,876
Persons arrested	1,298	1,141	1,315	1,383	1,309	1,350	1,200	923	977	1,020
Fire										
Fire calls in city	304	326	360	378	486	444	368	352	345	391
Fire calls out of city	155	301	250	182	344	328	215	247	409	279
Animal Control										
Dogs and cats impounded	816	682	658	692	681	675	534	687	668	658
Citizen calls	2,449	1,598	1,861	1,831	1,033	1,750	2,567	3,170	4,159	4,278
Golf Course										
Number of rounds played	1,007	3,446	4,548	4,927	1,934	4,386	3,104	3,956	3,336	3,413
Number of memberships	114	197	68	57	150	52	57	60	56	50
Swimming Pool										
Number of daily admissions	7,922	8,910	9,584	9,045	9,305	8,742	6,505	6,569	7,510	7,201
Water										
Gallons pumped	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	809,908,812
Gallons treated	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	726,647,812
Average daily consumption	2.29MGD	2.32MGD	2.20MGD	1.9MGD	2.4MGD	2.3MGD	2.3MGD	2.1MGD	1.9MGD	1.98MGD
Peak Consumption	3.58MGD	3.5MGD	2.88MGD	3.3MGD	3.6MGD	3.8MGD	3.5MGD	3.1MGD	2.8MGD	2.9MGD
Average daily sewage treatment	1.0MGD	1.0MGD	1.0MGD	1.1MGD	1.0MGD	1.0MGD	1.0MGD	1.0MGD	1.0MGD	1.0MGD
Emergency Medical Service										
Ambulance calls within city	829	948	874	987	996	890	885	1,146	1,123	909
Ambulance calls total	2,064	2,227	2,031	2,348	2,109	2,057	2,316	2,244	2,218	2,057
Refuse										
Residential tons collected	5,863	6,349	6,338	6,048	5,348	6,058	5,583	5,933	5,825	5,775
Commercial ton collected	3,716	3,816	3,387	3,754	3,607	3,634	3,724	3,807	4,016	4,330

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	21	21	21	21	21	21	21	22	22	22
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Trucks	6	6	6	6	6	6	6	8	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	816	816	817	808	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	191	191	194	198	198
Fire hydrants	416	416	416	416	416	443	443	460	461	462
Storage capacity (million gallons)	3.4	3.4	3.4	3.4	3.4	6.5	6.5	6.5	6.5	6.5
Sewage										
Sanitary sewers (miles)	116	116	116	116	116	123	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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated February 2, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sweetwater's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an

opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

Sweetwater, Texas
February 2, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

I have audited the City of Sweetwater, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Sweetwater, Texas's major federal programs for the year ended September 30, 2017. City of Sweetwater, Texas's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City of Sweetwater, Texas's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Sweetwater, Texas's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that the audit provides a reasonable basis for my opinion on compliance for each major federal program. However, the audit does not provide a legal determination of the City of Sweetwater, Texas's compliance.

Opinion on Each Major Federal Program

In my opinion, the City of Sweetwater, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City of Sweetwater, Texas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, I considered the City of Sweetwater, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Sweetwater, Texas's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent,

or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cathrine Wilks

Sweetwater, Texas
February 2, 2018

CITY OF SWEETWATER, TEXAS

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2017

I. Summary of the Auditor's Results:

Type of Report on Financial Statements	Unmodified
Significant deficiencies required to be reported in this schedule in the audit of the financial statements.	None
Noncompliance Material to the Financial Statements	None
Significant deficiencies required to be reported in this schedule in the audit of the major programs	None
Type of Report on Compliance with Major Programs	Unmodified
Audit findings disclosed that are required to be reported in accordance with 2CFR 200.516 (a) of the Uniform Guidance	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Low Risk Auditee Statements	The City was not considered a low-risk auditee in the context of the Uniform Guidance.
Major Federal Programs	CFDA 66.468 Capitalization Grants for Drinking Water State Revolving Funds

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

None

III. Findings and Questioned Costs for Federal Awards

None

CITY OF SWEETWATER, TEXAS

Summary Schedule of Status of Prior Audit Findings For the Year Ended September 30, 2017

There were no prior audit findings.

CITY OF SWEETWATER, TEXAS

Schedule of Expenditures of Federal Awards September 30, 2017

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Identity Identifying Number	Federal Expenditures
Environmental Protection Agency			
Passed through Texas Water Development Board			
Drinking Water State Revolving Fund	66.468	62699-L1000537	\$ 2,473,824
Total Environmental Protection Agency			<u>2,473,824</u>
U.S. Department of Justice, Office of Justice Programs, Bureau of Justice			
Passed through Texas Office of the Governor - Criminal Justice Division:			
DJ - Edward Byrne Memorial Justice Assistance Grant	16.738	2015-DJ-BX-0956	32,000
Total U.S. General Services Administration			<u>32,000</u>
U.S. Department of Health and Human Services			
Passed through West Central Texas Council of Governments:			
Special Program for the Aging - Home delivered meals	93.045		42,285
Total Department of Health and Human Services			<u>42,285</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,548,109</u></u>

CITY OF SWEETWATER, TEXAS

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2017

The City utilizes the General Fund, Special Revenue Funds, and Enterprise Funds to account and report for federal awards. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

In the fund financial statements, all governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Fund equity (i.e., net position) is segregated into restricted and unrestricted net position components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

Governmental funds in the fund financial statements are accounted for using the modified accrual basis of accounting. Expenditures are recognized when the related fund liability is incurred. Grant revenues in the special revenue funds are recognized at the time expenditures are incurred in a particular grant, in an amount proportionate to the percentage of federal participation in the expenditures incurred. Cash received from the grantor agencies is treated as unearned revenue until the time it is "earned" or "applied" as revenue. Revenues in the general fund are recognized at the time they become available and measurable.

Proprietary fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period.

The City did not have any grants that were charged indirect costs.