



**City of Sweetwater, Texas
Comprehensive
Annual Financial
Report
FY 2017-2018
Ended September 30, 2018**

City of *Sweetwater*, Texas
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2018

Prepared by:
Finance Department

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



PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK

CITY OF SWEETWATER, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2018

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	3
GFOA Certificate of Achievement.....	6
Organizational Chart.....	7
List of Elected and Appointed Officials	8
FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis	13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	24
Statement of Activities	25
Fund Financial Statements:	
Balance Sheet – Governmental Funds	26
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	29
Statement of Net Position – Proprietary Funds	30
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	31
Statement of Cash Flows – Proprietary Funds	32
Notes to the Financial Statements	33
Required Supplementary Information:	
Texas Municipal Retirement System:	
Schedule of Changes in Net Pension Liability and Related Ratios	64
Schedule of Pension Contributions and Notes to Schedule of Contributions	65
Schedule of OPEB Contributions and Notes to Schedule of Contributions	66
Sweetwater Firemen's Retirement Fund:	
Schedule of Changes in Net Pension Liability and Related Ratios	67
Schedule of Contributions and Notes to Schedule of Contributions	68
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds – Special Revenue Funds	
Combining Balance Sheet – Nonmajor Governmental Funds.....	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	72
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Senior Nutrition Activities Project Special Revenue Fund.....	73
Hotel and Motel Special Revenue Fund.....	74
Cemetery Special Revenue Fund	75
Internal Service Funds	
Combining Statement of Net Position – Internal Service Funds	77
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds.....	78
Combining Statement of Cash Flows – Internal Service Funds	79

Other Schedules - Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedules By Source.....	81
Schedule by Function and Activity	82
Schedule of Changes by Function and Activity	83

STATISTICAL SECTION

Net Position by Component	86
Changes in Net Position	87
Program Revenues by Function/Program	90
Fund Balances, Governmental Funds	91
Changes in Fund Balances, Governmental Funds	92
Tax Revenues by Source, Governmental Funds	93
Assessed Value and Estimated Actual Value of Taxable Property	94
Direct and Overlapping Property Tax Rates	95
Principal Property Taxpayers	96
Property Tax Levies and Collections	97
Principal Water Sales	98
Ratios of Outstanding Debt by Type	99
Ratios of General Bonded Debt Outstanding	100
Direct and Overlapping Governmental Activities Debt.....	101
Legal Debt Margin Information	102
Pledged-Revenue Coverage	103
Demographic and Economic Statistics	104
Principal Employers	105
Full-Time Equivalent City Government Employees by Function/Program	106
Operating Indicators by Function/Program	107
Capital Asset Statistics by Function/Program	108

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	110
Schedule of Findings and Responses	112
Summary Schedule of Status of Prior Audit Findings	113

INTRODUCTORY SECTION

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



PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK



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

January 7, 2019

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, 2018.

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, CPA LLC, has issued an unmodified ("clean") opinion on the City of Sweetwater's financial statements for the year ended September 30, 2018. 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. – Municipal Development District (SEED-MDD) 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.

We lead with trust and respect to provide a vibrant, secure community for all.

PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK

Local economy

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

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, 2018, both real and personal in the City is \$447,364,550, which is a decrease of \$15.1 million, or 3.2% from September 30, 2017. This decrease is primarily due to the decrease in the mineral's values. This could be an indicator that the economy of the Sweetwater area has stabilized after the previous year's oil and gas boom. The overall 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 encourage economic growth to continue into the long term. The Sweetwater 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.
- Due to severe weather conditions of the last few years, the city streets need major repair. The City has already begun steps for an in-depth street study, with the hopes of making large scale investments into our roads in the very near future.
- Public safety expenses continue to rise every year and the City plans to work closely with the public safety departments to control costs while keeping our community safe.

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 2018, Oak Creek Lake was at 88.1 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 MDD 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. Maintenance efforts are budgeted every year to prolong their life.

We lead with trust and respect to provide a vibrant, secure community for all.

PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK

Major initiatives

In fiscal year 2017, the City of Sweetwater contracted with a park 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 FY 2018 efforts to implement portions of the park plan had begun.

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 2019

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 a year and we are working diligently to ensure the new landfill is operational in the same time frame.

Awards and Acknowledgements

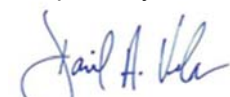
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sweetwater for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2017. This was the thirty ninth consecutive year that the 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, 2018. 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

We lead with trust and respect to provide a vibrant, secure community for all.

PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Sweetwater
Texas**

For the Fiscal Year Beginning

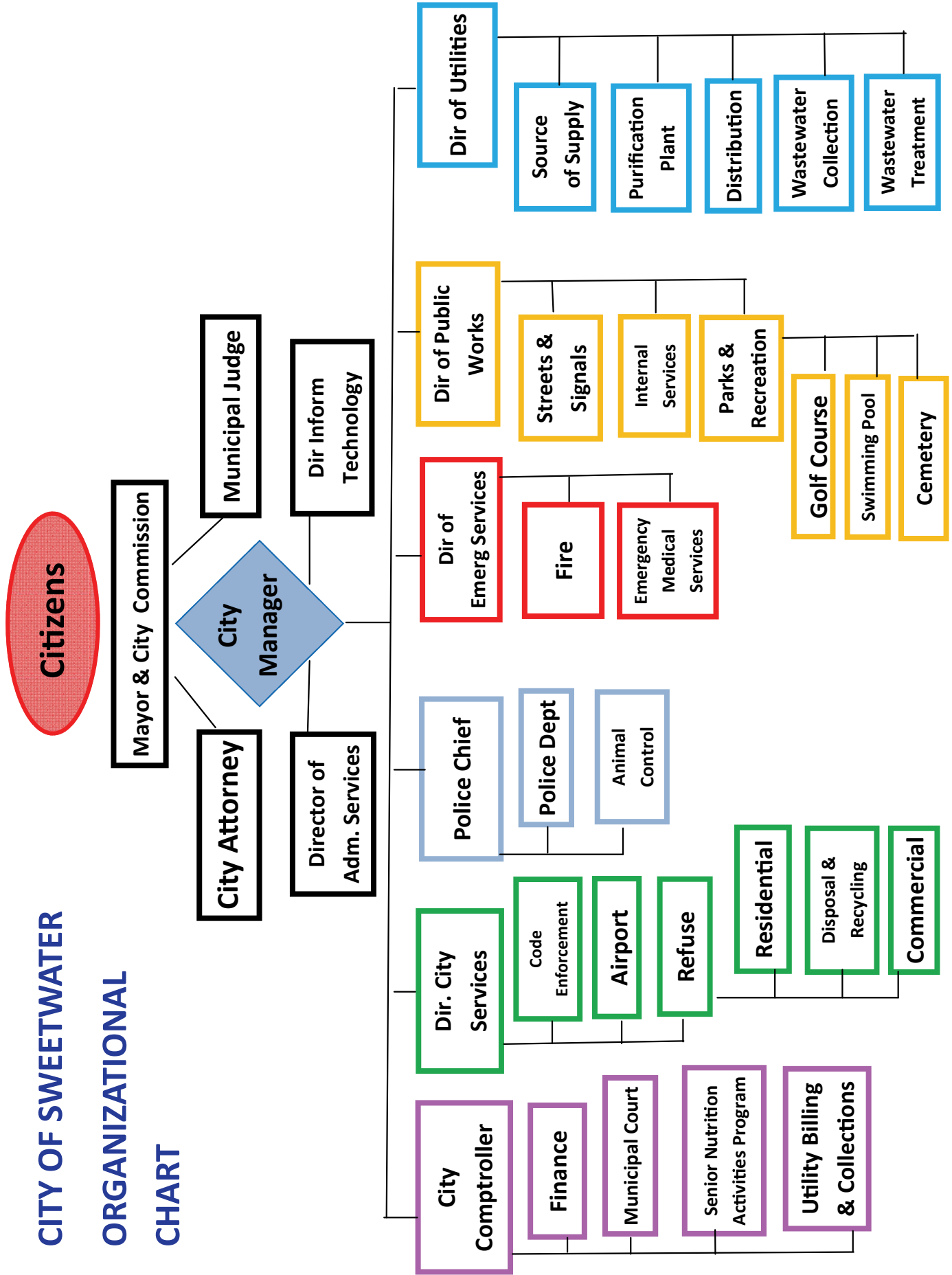
October 1, 2017

Christopher P. Morill

Executive Director

CITY OF SWEETWATER

ORGANIZATIONAL CHART



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

**PRINCIPAL OFFICIALS
September 30, 2018**

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

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



PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, discretely presented component units, and the aggregate remaining funds of the City of Sweetwater, Texas, ("City") as of and for the year ended September 30, 2018, 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 units, and the aggregate remaining funds of the City of Sweetwater, Texas, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Texas Municipal Retirement System and Sweetwater Firemen's Relief and Retirement Fund Schedules of Changes in Net Pension Liability and Related Ratios, and Schedules of Contributions and Notes to

Schedules of Contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during the audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual nonmajor fund financial statements and schedules, and other schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and schedules, and other schedules, are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated January 8, 2019, 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 CPA LLC

Sweetwater, Texas
January 8, 2019

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, 2018. 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 \$29,797 (*net position*). Of this amount, \$5,089 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$560.
- As of the close of the current fiscal year, the City of Sweetwater's governmental funds reported combined ending fund balances of \$5,182; of this amount, \$3,777 is *available for spending* at the government's discretion (*unassigned fund balance*), \$149 is restricted and \$1,256 is nonspendable.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,777 or 41 percent of total general fund expenditures.
- On a budgetary-basis the City's General Fund revenues were above budget by \$10 thousand or .1% and total expenditures were below budgeted by \$68 thousand or .73%.

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 economic development corporation for the first nine months of the fiscal year and then a newly created municipal development district for the remainder, 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
Management's Discussion and Analysis

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
Management's Discussion and Analysis

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 63-68 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 69-79 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 \$29,797 at the close of the most recent fiscal year. 2017 liability balances were restated for the implementation of GASB 75.

City of Sweetwater's Net position

	Governmental Activities		Business Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Current & other assets	\$ 7,312	\$ 7,385	\$ 12,975	\$ 13,476	\$20,287	\$20,861
Capital assets	8,785	8,155	29,272	28,510	38,057	36,665
Total assets	16,097	15,540	42,247	41,986	58,344	57,526
Deferred outflows of resources	1,877	976	1,121	655	2,998	1,631
Long-term liabilities outstanding	7,782	6,280	20,419	18,276	28,201	24,556
Other liabilities	694	701	2,556	2,454	3,250	3,155
Total liabilities	8,476	6,981	22,975	20,730	31,451	27,711
Deferred inflows of resources	366	1,048	288	601	654	1,649
Net position:						
Net investment in capital assets	8,495	7,934	9,931	14,477	18,426	22,411
Restricted	1,416	1,449	831	849	2,247	2,298
Unrestricted	(779)	(896)	9,343	5,984	8,564	5,088
Total net position	\$9,132	\$8,487	\$20,105	\$21,310	\$29,237	\$29,797

A significant portion of the City of Sweetwater's net position (75 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Sweetwater uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Sweetwater's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Sweetwater's net position (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$5,088) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's ending net positions increased from the previous year by \$560. This increase is the result of a \$645 decrease in the ending net position of governmental activities and an increase of \$1,205 in the ending net position of business-type activities.

CITY OF SWEETWATER, TEXAS
Management's Discussion and Analysis

At the end of the current fiscal year, the City of Sweetwater can report a government wide positive balance of \$29,797 in ending net position; however, the governmental activities had a negative unrestricted net position of \$896. This deficit is a \$117 over the previous fiscal year's deficit. 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 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	
	2017	2018	2017	2018	2017	2018
Revenues:						
Program Revenues:						
Charges for Services	\$1,903	\$2,293	\$10,633	\$11,120	\$12,536	\$13,413
Operating Grants and Contributions	246	225	12	10	258	235
Capital Grants and Contributions	32	486	-	46	32	532
General Revenues:						
Property Taxes	2,215	2,231	-	-	2,215	2,231
Sales Taxes	2,780	2,973	-	-	2,780	2,973
Other Taxes	1,683	1,751	-	-	1,683	1,751
Other	885	874	159	138	1,044	1,012
Special item out	-	7,611	-	-	-	7,611
Total Revenues	9,744	18,444	10,804	11,314	20,548	29,758
Expenses:						
General Government	1,815	1,686	-	-	1,815	1,686
Public Safety	5,448	5,844	-	-	5,448	5,844
Public Works	984	1,069	-	-	984	1,069
Culture and Recreation	1,423	1,441	-	-	1,423	1,441
Community Services	545	529	-	-	545	529
Airport	412	422	-	-	412	422
Water and Sewer	-	-	6,163	6,381	6,163	6,381
Emergency Medical Services	-	-	2,204	2,110	2,204	2,110
Solid Waste	-	-	2,184	2,105	2,184	2,105
Special item out	-	7,611	-	-	-	7,611
Total Expenses	10,627	18,602	10,551	10,596	21,178	29,198
Increase in Net position Before Transfers	(883)	(158)	253	718	(630)	560
Transfers	(670)	(487)	670	487	-	-
Increase (decrease) in net position	(1,553)	(645)	923	1,205	(630)	560
Net position - beginning	10,916	9,132	19,280	20,105	30,196	29,237
Prior period adjustment	(231)	-	(98)	-	(329)	-
Net position	\$9,132	\$8,487	\$20,105	\$21,310	\$29,237	\$29,797

Governmental activities.

The key elements of the decrease to the City of Sweetwater's net position by \$645 are as follows:

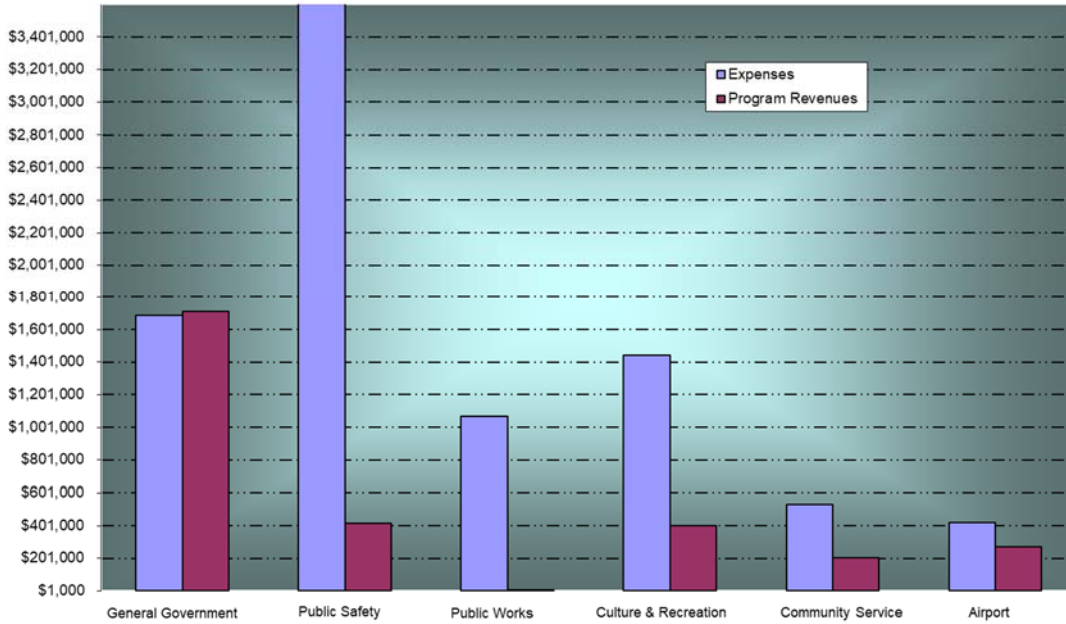
- Governmental activities revenues and expenses included a \$7,611 pass through from Sweetwater's economic development corporation to its newly created municipal development corporation.
- Charges for services increased by \$390 primarily due to a \$324 increase to the General Fund's administrative fees charged to the city's enterprise funds.
- The property net taxable values for 2018 decreased by \$16 million making it imperative to raise the previous year's tax rate of .48 cents per \$100 of value to the effective tax rate of \$0.497423. This resulted in a \$27 increase in current property taxes to be used for general governmental services.
- Public safety expenses increased \$396 mostly funded by a \$390 grant received.
- Public works and airport expenses increased by \$95 thousand.

CITY OF SWEETWATER, TEXAS
Management's Discussion and Analysis

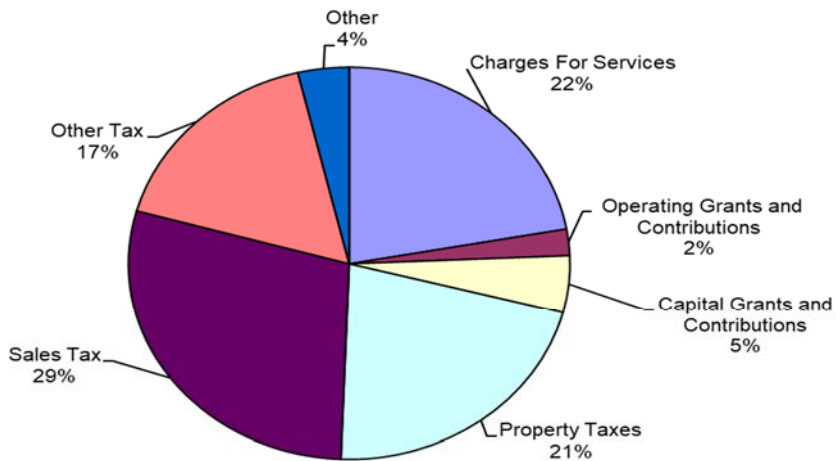
The \$117 decrease in the unrestricted fund balance in governmental activities was due primarily to the following:

- Pension related inflows and outflows resulted in a net decrease to unrestricted balance of \$1,583.
- Accounts payable decreased \$1,495 thousand.
- Net investment in capital assets decreased \$561 thousand due to net capital asset additions of \$431 thousand less depreciation increases of \$1,058 thousand and related debt decrease of \$70.

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities

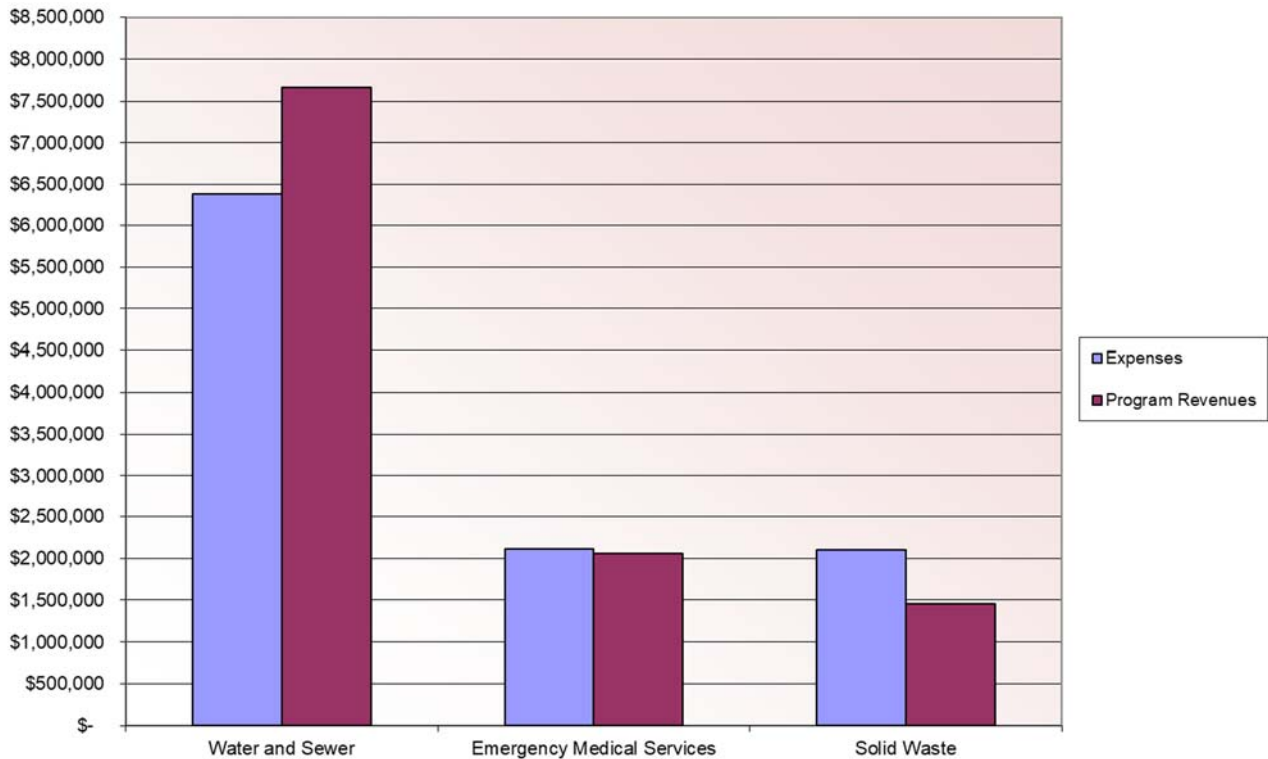


CITY OF SWEETWATER, TEXAS
Management's Discussion and Analysis

Business-type activities. Business-type activities increased the City of Sweetwater's ending net position by \$1,205. Key elements of this increase are as follows.

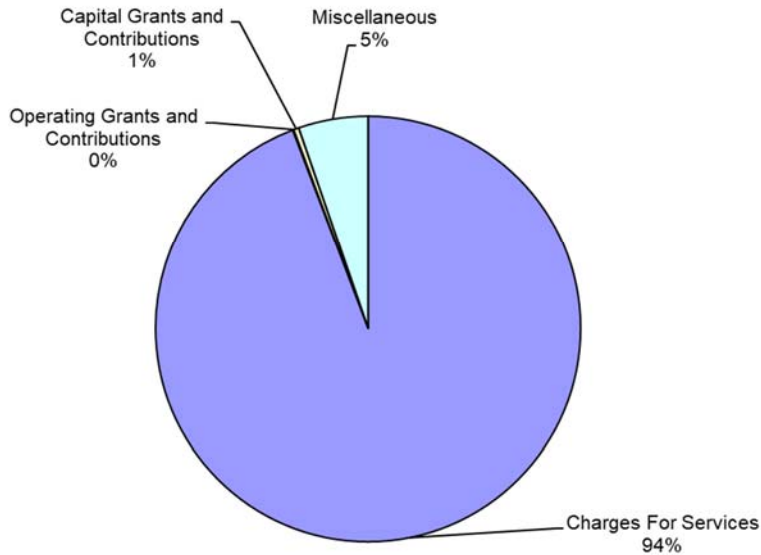
- Business type total revenues increased by 3% and expenditures increased by .43%.
- Charges for services Increased by \$487 (4%) for business-type activities primarily because of an increase in water and wastewater charges due to increase in consumption and a 15% rate increase in commercial wastewater.
- There was a 10% increase in Refuse rates and a decrease in Ambulance charges.
- There was an increase in investment earnings of \$74 and an increase in grant revenue of \$44
- Transfers from the general fund into the Ambulance Department decreased by \$183 (27%).

Expenses and Program Revenues - Business-type Activities



CITY OF SWEETWATER, TEXAS
Management's Discussion and Analysis

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 \$5,182. The combined ending fund balances consist of \$3,777 in unassigned fund balance, which is available for spending at the government's discretion and \$1,405 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 \$3,897 of which \$3,777 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 42 percent of total general fund expenditures.

The fund balance of the City of Sweetwater's general fund decreased by \$33 during the current fiscal year. The key factors in this increase are as follows:

- General fund expenditures increased \$544 from fiscal year 2017 primarily due to an increase in public safety expenditures of \$576 and public works expenditures of \$111.
- Transfers out of the general fund decreased from \$878 in 2017 to \$684 in 2018.
- General Revenues increased by \$1,117 mostly due to a \$274 increase in all tax collections and an increase in intergovernmental revenues of \$455.

CITY OF SWEETWATER, TEXAS
Management's Discussion and Analysis

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 \$7,819. The total increase in net position for this Fund was \$1,407. The Solid Waste Management Fund had a decrease in net position of \$40 thousand. The Ambulance Fund had a decrease in net position of \$162 thousand which includes \$487 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 were two amendments to the budget passed during the year which had the effect of increasing the general fund's budgeted revenues by \$395 and increased its expenditures by \$505. Following are the main components of the amendments:

- Increase in miscellaneous revenues from insurance recoveries and oil lease bonus
- Increase in intergovernmental funds to fund Police NIBRS program
- Increase in street department expenditures for seal coating project
- Increase in election supplies due to special elections to create a new municipal development district
- Increase in revenues and personnel expenses in police department due to school resource officer program

The General Fund's actual budget basis revenues, expenditures, and other financing sources (uses) for 2018 resulted in a negative decrease in fund balance of \$33. The actual budget basis total revenues were \$9.93 million while budgeted total revenues were \$9.92 million. The negative variance of \$0.1 million was primarily due to property tax, sales tax, franchise tax, and investment earnings 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 \$9.3 million while budgeted expenditures were \$9.3 million. The positive variance of \$68 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, 2018 amounts to \$36,665 (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	
	2017	2018	2017	2018	2017	2018
Land	\$ 178	\$ 178	\$ 2,416	\$ 2,416	\$ 2,594	\$ 2,594
Buildings	4,535	4,256	6,314	5,946	10,849	10,202
Improvement other than buildings	1,868	1,637	17,057	16,049	18,925	17,686
Machinery and equipment	2,204	1,959	547	776	2,751	2,735
Construction in progress	-	124	2,938	3,324	2,938	3,448
Total	\$ 8,785	\$ 8,154	\$ 29,272	\$ 28,511	\$ 38,057	\$ 36,665

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
Management's Discussion and Analysis

Long-term Obligations. At the end of the current fiscal year, the City of Sweetwater had \$26,413 of long-term obligations, a decrease of \$3,500 thousand. Included in the long-term obligations is bonded debt outstanding of \$14,855, which represents bonds secured by revenue and tax sources.

City of Sweetwater's Long-Term Obligations

	Governmental activities		Business-type activities		Total	
	2017	2018	2017	2018	2017	2018
Net Pension Obligation	\$ 6,793	\$ 5,274	\$ 4,278	\$ 3,590	\$ 11,071	\$ 8,864
Net OPEB liability	231	266	98	113	329	379
Note Payable	290	220	-	231	290	451
Compensated Absences	597	656	239	231	836	887
General Obligation Bonds	-	-	9,885	8,790	9,885	8,790
Certificates of Obligation	-	-	6,405	6,065	6,405	6,065
Bond premium	-	-	812	687	812	687
Landfill Post-Closure	-	-	285	290	285	290
Total	\$ 7,911	\$ 6,416	\$ 22,002	\$ 19,997	\$ 29,913	\$ 26,413

The City of Sweetwater's total long-term obligations decreased by \$3,500 (12 percent) during the current fiscal year. The only new debt was a \$284 note payable for equipment in the Solid Waste Management fund, a business-type 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 43 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 3.2 percent, a decrease from the 3.4 rate a year ago. This compares favorably to the state's average unemployment rate for the same period of 3.6 percent. The decrease in unemployment rate is primarily due to the stabilization of the area's oil and gas production services and continued wind energy projects in the county.
- 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 2019 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, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	SEED EDC	SEED MDD
Assets					
Current cash and cash equivalents	\$ 6,679,162	\$ 9,286,124	\$ 15,965,286	\$ 25,151	\$ 7,140,118
Receivables (net of allowance for uncollectibles)	410,316	1,415,206	1,825,522	-	29,328
Internal balances	94,115	(94,115)	-	-	-
Due from other governments	12,257	103,111	115,368	-	-
Inventories	25,934	177,719	203,653	-	-
Restricted assets:					
Cash and cash equivalents	163,500	2,588,073	2,751,573	-	-
Capital assets (net of accumulated depreciation):					
Land	178,332	2,415,757	2,594,089	-	305,439
Construction in-progress	124,426	3,323,493	3,447,919	-	-
Buildings	4,255,426	5,945,704	10,201,130	-	-
Improvements other than buildings	1,637,118	16,049,418	17,686,536	-	-
Machinery and equipment	1,959,055	775,758	2,734,813	-	510,033
Total assets	<u>15,539,641</u>	<u>41,986,249</u>	<u>57,525,890</u>	<u>25,151</u>	<u>7,984,918</u>
Deferred Outflows of Resources					
Deferred pension outflow	954,196	646,146	1,600,342	-	-
Deferred OPEB outflow	21,576	9,151	30,727	-	-
Total deferred outflows of resources	<u>975,772</u>	<u>655,297</u>	<u>1,631,069</u>	<u>-</u>	<u>-</u>
Liabilities					
Accounts payable	421,764	307,752	729,516	-	-
Customer security deposits	-	376,569	376,569	-	-
Accrued liabilities	-	48,655	48,655	-	-
Due to other governments	142,708	-	142,708	-	-
Long-term liabilities:					
Due within one year	136,855	1,720,970	1,857,825	-	-
Due in more than one year	6,279,500	18,276,368	24,555,868	-	-
Total liabilities	<u>6,980,827</u>	<u>20,730,314</u>	<u>27,711,141</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources					
Deferred pension inflow	1,047,506	601,419	1,648,925	-	-
Net Position					
Net investment in capital assets	7,934,319	14,476,834	22,411,153	-	815,472
Restricted for:					
Perpetual cemetery care	1,255,618	-	1,255,618	-	-
Community services	21,589	-	21,589	-	-
Drug enforcement	7,601	-	7,601	-	-
PEG capital costs	120,182	-	120,182	-	-
Debt service	43,318	848,974	892,292	-	-
Economic development	-	-	-	-	375,000
Unrestricted (deficit)	(895,548)	5,984,007	5,088,459	25,151	6,794,447
Total Net Position	<u>\$ 8,487,079</u>	<u>\$ 21,309,815</u>	<u>\$ 29,796,894</u>	<u>\$ 25,151</u>	<u>\$ 7,984,919</u>

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

CITY OF SWEETWATER, TEXAS

Statement of Activities

For the Year Ended September 30, 2018

Function/Program Activities	Net (Expenses) Revenues and Changes in Net Position																																																																																																																																																																																																																																																																																																																																								
	Program Revenues				Primary Government			Component Units																																																																																																																																																																																																																																																																																																																																	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	SEED EDC	SEED MDD																																																																																																																																																																																																																																																																																																																																
Primary Government:																																																																																																																																																																																																																																																																																																																																									
Governmental Activities																																																																																																																																																																																																																																																																																																																																									
General government	\$ 1,685,953	\$ 1,711,344	\$ -	\$ -	\$ 25,391	\$ -	\$ 25,391	\$ -	\$ -	\$ -																																																																																																																																																																																																																																																																																																																															
Public safety	5,844,524	-	21,573	392,018	(5,430,933)	-	(5,430,933)	-	-	-																																																																																																																																																																																																																																																																																																																															
Public works	1,068,970	3,912	-	-	(1,065,058)	-	(1,065,058)	-	-	-																																																																																																																																																																																																																																																																																																																															
Culture and recreation	1,440,807	401,381	-	-	(1,039,426)	-	(1,039,426)	-	-	-																																																																																																																																																																																																																																																																																																																															
Community services	528,714	-	203,526	-	(325,188)	-	(325,188)	-	-	-																																																																																																																																																																																																																																																																																																																															
Airport	422,131	176,126	-	94,376	(151,629)	-	(151,629)	-	-	-	Total governmental activities	10,991,099	2,292,763	225,099	486,394	(7,986,843)	-	(7,986,843)	-	-	-	Business-type Activities:											Water and wastewater	6,381,468	7,624,129	-	46,337	-	1,288,998	1,288,998	-	-	-	Solid waste management	2,109,930	2,054,866	-	-	-	(55,064)	(55,064)	-	-	-	Ambulance	2,105,056	1,441,468	10,011	-	-	(653,577)	(653,577)	-	-	-	Total business-type activities	10,596,454	11,120,463	10,011	46,337	-	580,357	580,357	-	-	-	Total Primary Government	\$ 21,587,553	\$ 13,413,226	\$ 235,110	\$ 532,731	\$ (7,986,843)	\$ 580,357	\$ (7,406,486)	\$ -	\$ -	\$ -	Component Unit:											SEED - Economic Development	254,228	-	-	-	-	-	-	(254,228)	-	(741,782)	SEED - Municipal Development District	741,782	-	-	-	-	-	-	-	-	(741,782)	Total component units	\$ 996,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (254,228)	\$ -	\$ (741,782)	General revenues:											Taxes:											Property taxes, levied for general purposes					2,231,361	-	2,231,361	-	-	-	Sales tax					2,972,679	-	2,972,679	749,339	241,555	-	Franchise tax					1,071,082	-	1,071,082	-	-	-	Occupancy tax					670,019	-	670,019	-	-	-	Alcohol beverage					9,558	-	9,558	-	-	-	Investment earnings					89,401	137,741	227,142	63,586	29,691	-	Other					784,688	-	784,688	1,529	-	-	Special Item - Dissolution of SEED-EDC					7,611,383	-	7,611,383	(8,455,454)	-	-	Special Item - Creation of SEED-MDD					(7,611,383)	-	(7,611,383)	-	8,455,454	-	Transfers					(487,000)	487,000	-	-	-	-	Total general revenues, special item and transfers					7,341,788	624,741	7,966,529	(7,641,001)	8,726,699	-	Change in net position					(645,055)	1,205,099	560,044	(7,895,229)	7,984,918	-	Net position - beginning					9,362,699	20,202,872	29,565,571	7,920,380	-	-	Prior period adjustment					(230,565)	(98,156)	(328,721)	-	-	-	Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -
Total governmental activities	10,991,099	2,292,763	225,099	486,394	(7,986,843)	-	(7,986,843)	-	-	-	Business-type Activities:											Water and wastewater	6,381,468	7,624,129	-	46,337	-	1,288,998	1,288,998	-	-	-	Solid waste management	2,109,930	2,054,866	-	-	-	(55,064)	(55,064)	-	-	-	Ambulance	2,105,056	1,441,468	10,011	-	-	(653,577)	(653,577)	-	-	-	Total business-type activities	10,596,454	11,120,463	10,011	46,337	-	580,357	580,357	-	-	-	Total Primary Government	\$ 21,587,553	\$ 13,413,226	\$ 235,110	\$ 532,731	\$ (7,986,843)	\$ 580,357	\$ (7,406,486)	\$ -	\$ -	\$ -	Component Unit:											SEED - Economic Development	254,228	-	-	-	-	-	-	(254,228)	-	(741,782)	SEED - Municipal Development District	741,782	-	-	-	-	-	-	-	-	(741,782)	Total component units	\$ 996,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (254,228)	\$ -	\$ (741,782)	General revenues:											Taxes:											Property taxes, levied for general purposes					2,231,361	-	2,231,361	-	-	-	Sales tax					2,972,679	-	2,972,679	749,339	241,555	-	Franchise tax					1,071,082	-	1,071,082	-	-	-	Occupancy tax					670,019	-	670,019	-	-	-	Alcohol beverage					9,558	-	9,558	-	-	-	Investment earnings					89,401	137,741	227,142	63,586	29,691	-	Other					784,688	-	784,688	1,529	-	-	Special Item - Dissolution of SEED-EDC					7,611,383	-	7,611,383	(8,455,454)	-	-	Special Item - Creation of SEED-MDD					(7,611,383)	-	(7,611,383)	-	8,455,454	-	Transfers					(487,000)	487,000	-	-	-	-	Total general revenues, special item and transfers					7,341,788	624,741	7,966,529	(7,641,001)	8,726,699	-	Change in net position					(645,055)	1,205,099	560,044	(7,895,229)	7,984,918	-	Net position - beginning					9,362,699	20,202,872	29,565,571	7,920,380	-	-	Prior period adjustment					(230,565)	(98,156)	(328,721)	-	-	-	Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -											
Business-type Activities:																																																																																																																																																																																																																																																																																																																																									
Water and wastewater	6,381,468	7,624,129	-	46,337	-	1,288,998	1,288,998	-	-	-																																																																																																																																																																																																																																																																																																																															
Solid waste management	2,109,930	2,054,866	-	-	-	(55,064)	(55,064)	-	-	-																																																																																																																																																																																																																																																																																																																															
Ambulance	2,105,056	1,441,468	10,011	-	-	(653,577)	(653,577)	-	-	-																																																																																																																																																																																																																																																																																																																															
Total business-type activities	10,596,454	11,120,463	10,011	46,337	-	580,357	580,357	-	-	-	Total Primary Government	\$ 21,587,553	\$ 13,413,226	\$ 235,110	\$ 532,731	\$ (7,986,843)	\$ 580,357	\$ (7,406,486)	\$ -	\$ -	\$ -	Component Unit:											SEED - Economic Development	254,228	-	-	-	-	-	-	(254,228)	-	(741,782)	SEED - Municipal Development District	741,782	-	-	-	-	-	-	-	-	(741,782)	Total component units	\$ 996,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (254,228)	\$ -	\$ (741,782)	General revenues:											Taxes:											Property taxes, levied for general purposes					2,231,361	-	2,231,361	-	-	-	Sales tax					2,972,679	-	2,972,679	749,339	241,555	-	Franchise tax					1,071,082	-	1,071,082	-	-	-	Occupancy tax					670,019	-	670,019	-	-	-	Alcohol beverage					9,558	-	9,558	-	-	-	Investment earnings					89,401	137,741	227,142	63,586	29,691	-	Other					784,688	-	784,688	1,529	-	-	Special Item - Dissolution of SEED-EDC					7,611,383	-	7,611,383	(8,455,454)	-	-	Special Item - Creation of SEED-MDD					(7,611,383)	-	(7,611,383)	-	8,455,454	-	Transfers					(487,000)	487,000	-	-	-	-	Total general revenues, special item and transfers					7,341,788	624,741	7,966,529	(7,641,001)	8,726,699	-	Change in net position					(645,055)	1,205,099	560,044	(7,895,229)	7,984,918	-	Net position - beginning					9,362,699	20,202,872	29,565,571	7,920,380	-	-	Prior period adjustment					(230,565)	(98,156)	(328,721)	-	-	-	Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -																																																																		
Total Primary Government	\$ 21,587,553	\$ 13,413,226	\$ 235,110	\$ 532,731	\$ (7,986,843)	\$ 580,357	\$ (7,406,486)	\$ -	\$ -	\$ -	Component Unit:											SEED - Economic Development	254,228	-	-	-	-	-	-	(254,228)	-	(741,782)	SEED - Municipal Development District	741,782	-	-	-	-	-	-	-	-	(741,782)	Total component units	\$ 996,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (254,228)	\$ -	\$ (741,782)	General revenues:											Taxes:											Property taxes, levied for general purposes					2,231,361	-	2,231,361	-	-	-	Sales tax					2,972,679	-	2,972,679	749,339	241,555	-	Franchise tax					1,071,082	-	1,071,082	-	-	-	Occupancy tax					670,019	-	670,019	-	-	-	Alcohol beverage					9,558	-	9,558	-	-	-	Investment earnings					89,401	137,741	227,142	63,586	29,691	-	Other					784,688	-	784,688	1,529	-	-	Special Item - Dissolution of SEED-EDC					7,611,383	-	7,611,383	(8,455,454)	-	-	Special Item - Creation of SEED-MDD					(7,611,383)	-	(7,611,383)	-	8,455,454	-	Transfers					(487,000)	487,000	-	-	-	-	Total general revenues, special item and transfers					7,341,788	624,741	7,966,529	(7,641,001)	8,726,699	-	Change in net position					(645,055)	1,205,099	560,044	(7,895,229)	7,984,918	-	Net position - beginning					9,362,699	20,202,872	29,565,571	7,920,380	-	-	Prior period adjustment					(230,565)	(98,156)	(328,721)	-	-	-	Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -																																																																													
Component Unit:																																																																																																																																																																																																																																																																																																																																									
SEED - Economic Development	254,228	-	-	-	-	-	-	(254,228)	-	(741,782)																																																																																																																																																																																																																																																																																																																															
SEED - Municipal Development District	741,782	-	-	-	-	-	-	-	-	(741,782)	Total component units	\$ 996,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (254,228)	\$ -	\$ (741,782)	General revenues:											Taxes:											Property taxes, levied for general purposes					2,231,361	-	2,231,361	-	-	-	Sales tax					2,972,679	-	2,972,679	749,339	241,555	-	Franchise tax					1,071,082	-	1,071,082	-	-	-	Occupancy tax					670,019	-	670,019	-	-	-	Alcohol beverage					9,558	-	9,558	-	-	-	Investment earnings					89,401	137,741	227,142	63,586	29,691	-	Other					784,688	-	784,688	1,529	-	-	Special Item - Dissolution of SEED-EDC					7,611,383	-	7,611,383	(8,455,454)	-	-	Special Item - Creation of SEED-MDD					(7,611,383)	-	(7,611,383)	-	8,455,454	-	Transfers					(487,000)	487,000	-	-	-	-	Total general revenues, special item and transfers					7,341,788	624,741	7,966,529	(7,641,001)	8,726,699	-	Change in net position					(645,055)	1,205,099	560,044	(7,895,229)	7,984,918	-	Net position - beginning					9,362,699	20,202,872	29,565,571	7,920,380	-	-	Prior period adjustment					(230,565)	(98,156)	(328,721)	-	-	-	Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -																																																																																																														
Total component units	\$ 996,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (254,228)	\$ -	\$ (741,782)	General revenues:											Taxes:											Property taxes, levied for general purposes					2,231,361	-	2,231,361	-	-	-	Sales tax					2,972,679	-	2,972,679	749,339	241,555	-	Franchise tax					1,071,082	-	1,071,082	-	-	-	Occupancy tax					670,019	-	670,019	-	-	-	Alcohol beverage					9,558	-	9,558	-	-	-	Investment earnings					89,401	137,741	227,142	63,586	29,691	-	Other					784,688	-	784,688	1,529	-	-	Special Item - Dissolution of SEED-EDC					7,611,383	-	7,611,383	(8,455,454)	-	-	Special Item - Creation of SEED-MDD					(7,611,383)	-	(7,611,383)	-	8,455,454	-	Transfers					(487,000)	487,000	-	-	-	-	Total general revenues, special item and transfers					7,341,788	624,741	7,966,529	(7,641,001)	8,726,699	-	Change in net position					(645,055)	1,205,099	560,044	(7,895,229)	7,984,918	-	Net position - beginning					9,362,699	20,202,872	29,565,571	7,920,380	-	-	Prior period adjustment					(230,565)	(98,156)	(328,721)	-	-	-	Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -																																																																																																																									
General revenues:																																																																																																																																																																																																																																																																																																																																									
Taxes:																																																																																																																																																																																																																																																																																																																																									
Property taxes, levied for general purposes					2,231,361	-	2,231,361	-	-	-																																																																																																																																																																																																																																																																																																																															
Sales tax					2,972,679	-	2,972,679	749,339	241,555	-																																																																																																																																																																																																																																																																																																																															
Franchise tax					1,071,082	-	1,071,082	-	-	-																																																																																																																																																																																																																																																																																																																															
Occupancy tax					670,019	-	670,019	-	-	-																																																																																																																																																																																																																																																																																																																															
Alcohol beverage					9,558	-	9,558	-	-	-																																																																																																																																																																																																																																																																																																																															
Investment earnings					89,401	137,741	227,142	63,586	29,691	-																																																																																																																																																																																																																																																																																																																															
Other					784,688	-	784,688	1,529	-	-																																																																																																																																																																																																																																																																																																																															
Special Item - Dissolution of SEED-EDC					7,611,383	-	7,611,383	(8,455,454)	-	-																																																																																																																																																																																																																																																																																																																															
Special Item - Creation of SEED-MDD					(7,611,383)	-	(7,611,383)	-	8,455,454	-																																																																																																																																																																																																																																																																																																																															
Transfers					(487,000)	487,000	-	-	-	-	Total general revenues, special item and transfers					7,341,788	624,741	7,966,529	(7,641,001)	8,726,699	-	Change in net position					(645,055)	1,205,099	560,044	(7,895,229)	7,984,918	-	Net position - beginning					9,362,699	20,202,872	29,565,571	7,920,380	-	-	Prior period adjustment					(230,565)	(98,156)	(328,721)	-	-	-	Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -																																																																																																																																																																																																																																																													
Total general revenues, special item and transfers					7,341,788	624,741	7,966,529	(7,641,001)	8,726,699	-	Change in net position					(645,055)	1,205,099	560,044	(7,895,229)	7,984,918	-	Net position - beginning					9,362,699	20,202,872	29,565,571	7,920,380	-	-	Prior period adjustment					(230,565)	(98,156)	(328,721)	-	-	-	Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -																																																																																																																																																																																																																																																																								
Change in net position					(645,055)	1,205,099	560,044	(7,895,229)	7,984,918	-	Net position - beginning					9,362,699	20,202,872	29,565,571	7,920,380	-	-	Prior period adjustment					(230,565)	(98,156)	(328,721)	-	-	-	Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -																																																																																																																																																																																																																																																																																			
Net position - beginning					9,362,699	20,202,872	29,565,571	7,920,380	-	-	Prior period adjustment					(230,565)	(98,156)	(328,721)	-	-	-	Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -																																																																																																																																																																																																																																																																																														
Prior period adjustment					(230,565)	(98,156)	(328,721)	-	-	-	Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -																																																																																																																																																																																																																																																																																																									
Net position - beginning as restated					9,132,134	20,104,716	29,236,850	7,920,380	-	-	Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -																																																																																																																																																																																																																																																																																																																				
Net position - ending					\$ 8,487,079	\$ 21,309,815	\$ 29,796,894	\$ 25,151	\$ 8,984,918	\$ -																																																																																																																																																																																																																																																																																																																															

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

CITY OF SWEETWATER, TEXAS

Balance Sheet Governmental Funds September 30, 2018

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Current cash and cash equivalents	\$ 3,755,387	\$ 1,420,909	\$ 5,176,296
Receivables, net of allowance for uncollectibles	410,316	-	410,316
Due from other funds	-	3,169	3,169
Due from other governments	-	12,108	12,108
Restricted cash and cash equivalents	120,182	-	120,182
Total assets	\$ 4,285,885	\$ 1,436,186	\$ 5,722,071
Liabilities, Deferred Inflows and Fund Balances			
Liabilities:			
Accounts payable	65,119	7,227	72,346
Due to other funds	91,658	1,444	93,102
Due to other governments	-	142,708	142,708
Total liabilities	156,777	151,379	308,156
Deferred inflow of resources:			
Unavailable revenue - property taxes	231,944	-	231,944
Fund balances:			
Nonspendable	-	1,255,618	1,255,618
Restricted	120,182	29,189	149,371
Unassigned	3,776,982	-	3,776,982
Total fund balances	3,897,164	1,284,807	5,181,971
Total liabilities, deferred inflows, and fund balances	\$ 4,285,885	\$ 1,436,186	

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.	6,420,607
Deferred outflows of resources are not reported in the governmental funds.	884,598
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(5,687,249)
Deferred inflows of resources are not reported in the governmental funds.	(963,756)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavalable revenue in the funds.	231,944
Internal service funds are used by management to charge the costs of central garage and stores as well as employee benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	2,418,964
Net position of governmental activities	\$ 8,487,079

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

CITY OF SWEETWATER, TEXAS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2018

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property	\$ 2,234,299	\$ -	\$ 2,234,299
Sales	2,972,679	-	2,972,679
Occupancy	-	670,019	670,019
Alcoholic beverage	9,558	-	9,558
Franchise Fees	1,071,082	-	1,071,082
Intergovernmental	506,567	170,050	676,617
Charges for services	1,811,095	1,650	1,812,745
Rents and royalties	754,909	-	754,909
Contributions and donations	1,400	33,475	34,875
Licenses and permits	50,532	-	50,532
Investment income	74,948	14,453	89,401
Fines and forfeitures	42,137	-	42,137
Miscellaneous	399,691	17,437	417,128
Total revenues	<u>9,928,897</u>	<u>907,084</u>	<u>10,835,982</u>
Expenditures			
Current:			
General government	1,694,033	-	1,694,033
Public safety	5,340,082	2,044	5,342,126
Public works	1,052,145	-	1,052,145
Culture and recreation	736,391	670,019	1,406,410
Community services	66,702	441,300	508,002
Airport	245,650	-	245,650
Capital outlay:			
General government	8,900	-	8,900
Public safety	-	-	-
Airport	134,034	-	134,034
Total expenditures	<u>9,277,937</u>	<u>1,113,363</u>	<u>10,391,300</u>
Excess (deficiency) of revenues over (under) expenditures	<u>650,960</u>	<u>(206,279)</u>	<u>444,682</u>
Other financing sources (uses)			
Transfers in	-	196,703	196,703
Transfers out	(683,703)	-	(683,703)
Special item in	7,611,383		
Special item out	(7,611,383)		
Total other financing sources and uses	<u>(683,703)</u>	<u>196,703</u>	<u>(487,000)</u>
Net change in fund balances	<u>(32,743)</u>	<u>(9,576)</u>	<u>(42,319)</u>
Fund balances - beginning	3,929,907	1,294,383	5,224,290
Fund balances - ending	<u>\$ 3,897,164</u>	<u>\$ 1,284,807</u>	<u>\$ 5,181,971</u>

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

CITY OF SWEETWATER, TEXAS

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2018

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)	\$ (42,319)
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 (\$678,538) exceeded capital outlays of \$142,934 in the current year.	(535,604)
Governmental funds report additions and reductions debt as revenue and expenditures. These payments are reclassified to reduce the long-term liability on the statement of activities.	(55,697)
Included in the items related to debt is the recognition of deferred outflows of resources of (\$807,251), deferred inflows of resources of (\$597,441) and net pension and OPEB liability of \$1,297,600 associated with pension and other post-employment benefit plans.	(107,092)
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.	(2,938)
The net gain of certain activities of internal service funds is reported with governmental activities.	<u>98,594</u>
Change in net position of governmental activities (page 25)	<u><u>\$ (645,056)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 2,162,619	\$ 2,162,619	\$ 2,234,299	\$ 71,680
Sales	2,850,000	2,850,000	2,972,679	122,679
Alcoholic beverage	9,000	9,000	9,558	558
Franchise tax	1,160,577	1,160,577	1,071,082	(89,495)
Intergovernmental	431,122	821,122	506,567	(314,555)
Charges for services	1,793,271	1,793,271	1,811,095	17,824
Rents and royalties	589,400	589,400	754,909	165,509
Contributions and donations	7,000	7,000	1,400	(5,600)
Licenses and permits	39,600	39,600	50,532	10,932
Investment income	20,000	20,000	74,948	54,948
Fines and forfeitures	62,800	62,800	42,137	(20,663)
Miscellaneous	398,978	403,578	399,691	(3,887)
Total revenues	<u>9,524,367</u>	<u>9,918,967</u>	<u>9,928,897</u>	<u>9,930</u>
Expenditures				
Current:				
General government:				
Mayor and commission	39,669	49,669	55,010	(5,341)
City administration	441,079	451,079	440,747	10,332
City finance	340,717	340,717	326,792	13,925
Municipal court	102,459	102,459	105,209	(2,750)
Code enforcement	257,199	257,199	239,750	17,449
Non-departmental	490,783	490,783	535,424	(44,641)
Public safety:				
Police department	3,052,555	3,447,155	3,761,525	(314,370)
Fire department	1,531,077	1,531,077	1,578,556	(47,479)
Public works:				
Streets and signals	849,398	935,398	944,643	(9,245)
Animal control	110,374	114,374	107,503	6,871
Culture and recreation:				
Parks and cemetery	524,330	524,330	515,124	9,206
Golf course	98,438	98,438	89,570	8,868
Swimming pool	155,881	155,881	131,697	24,184
Community services	66,850	66,850	66,702	148
Airport	780,678	780,678	379,684	400,994
Total expenditures	<u>8,841,487</u>	<u>9,346,087</u>	<u>9,277,937</u>	<u>68,150</u>
Excess (deficiency) of revenues over (under) expenditures	<u>682,880</u>	<u>572,880</u>	<u>650,960</u>	<u>78,080</u>
Other financing sources (uses)				
Debt Advances	-	-	-	-
Transfers out	(640,000)	(640,000)	(683,703)	(43,703)
Special Item in-dissolution of SEED-EDC	-	-	7,611,383	7,611,383
Special Item out - creation of SEED-MDD	-	-	(7,611,383)	(7,611,383)
Total other financing sources and uses	<u>(640,000)</u>	<u>(640,000)</u>	<u>(683,703)</u>	<u>(43,703)</u>
Net change in fund balances	42,880	(67,120)	(32,743)	34,377
Fund balances - beginning	3,929,907	3,929,907	3,929,907	-
Fund balances - ending	<u>\$ 3,972,787</u>	<u>\$ 3,862,787</u>	<u>\$ 3,897,164</u>	<u>\$ 34,377</u>

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

CITY OF SWEETWATER, TEXAS

Statement of Net Position
Proprietary Funds
September 30, 2018

	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	\$ 8,579,065	\$ 688,318	\$ 18,741	\$ 9,286,124	\$ 1,502,866
Investments	-	-	-	-	-
Due from other funds	-	-	3,840	3,840	184,048
Due from other governments	-	-	103,111	103,111	149
Accounts receivable (net of allowance for uncollectibles)	974,853	288,114	152,239	1,415,206	-
Inventories	177,719	-	-	177,719	25,934
Restricted assets:					
Cash and cash equivalents	2,588,073	-	-	2,588,073	43,318
Total current assets	12,319,710	976,432	277,931	13,574,073	1,756,315
Noncurrent assets:					
Capital assets:					
Land	2,097,901	317,856	-	2,415,757	-
Construction in-progress	3,323,493	-	-	3,323,493	-
Buildings	13,528,430	108,187	-	13,636,617	145,573
Improvements other than buildings	33,528,571	23,554	-	33,552,125	37,361
Machinery and equipment	4,339,781	945,775	354,477	5,640,033	7,012,539
Less accumulated depreciation	(29,070,582)	(753,477)	(233,836)	(30,057,895)	(5,461,724)
Total capital assets (net of accumulated depreciation)	27,747,594	641,895	120,641	28,510,130	1,733,749
Total assets	40,067,305	1,618,327	398,572	42,084,204	3,490,064
Deferred Outflows of Resources					
Pension Plan	152,825	55,377	437,944	646,146	88,311
OPEB	6,743	2,155	253	9,151	2,863
Total deferred outflows of resources	159,568	57,532	438,197	655,297	91,174
Liabilities					
Current Liabilities:					
Accounts payable	233,565	62,338	11,849	307,752	349,417
Customer security deposits	376,569	-	-	376,569	-
Due to other funds	42,204	46,439	9,312	97,955	-
Accrued interest payable	48,655	-	-	48,655	2,615
Compensated absences-Current	5,316	2,507	15,317	23,140	-
Note payable	-	92,735	-	92,735	71,254
Bond obligations-Current	1,605,095	-	-	1,605,095	-
Total current liabilities	2,311,404	204,019	36,478	2,551,901	423,286
Noncurrent liabilities:					
Compensated absences	47,845	22,564	137,849	208,258	23,531
Net pension liability	1,039,564	366,703	2,183,532	3,589,799	447,283
OPEB liability	83,277	26,949	3,112	113,338	35,641
Landfill post-closure	-	290,407	-	290,407	-
Note payable	-	137,778	-	137,778	148,783
Bond obligations	13,936,788	-	-	13,936,788	-
Total noncurrent liabilities	15,107,474	844,401	2,324,493	18,276,368	655,238
Total liabilities	17,418,878	1,048,420	2,360,971	20,828,269	1,078,524
Deferred Inflows of Resources					
Pension Plan	195,002	63,102	343,315	601,419	83,750
Net Position					
Net investment in capital assets	13,944,811	411,382	120,641	14,476,834	1,513,712
Restricted for debt service (expendable)	848,974	-	-	848,974	-
Unrestricted	7,819,208	152,956	(1,988,157)	5,984,007	905,252
Total net position	\$ 22,612,993	\$ 564,338	\$ (1,867,516)	\$ 21,309,815	\$ 2,418,964

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, 2018

	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	\$ 5,048,062	\$ -	\$ -	\$ 5,048,062	\$ -
Sewer charges	2,489,258	-	-	2,489,258	-
Delinquent penalties	25,668	-	-	25,668	-
Water and sewer taps	10,750	-	-	10,750	-
Other charges for services	-	2,003,729	1,417,747	3,421,476	3,645,185
Miscellaneous income	50,391	51,137	23,721	125,249	7,189
Total operating income	7,624,129	2,054,866	1,441,468	11,120,464	3,652,374
Operating expenses:					
Personal services	1,753,721	652,929	1,159,735	3,566,385	750,142
Supplies	465,723	267,132	499,623	1,232,478	42,331
Other services and charges	2,447,882	1,157,921	428,192	4,033,995	2,393,725
Depreciation	1,481,121	26,737	17,506	1,525,364	379,164
Total operating expenses	6,148,447	2,104,719	2,105,056	10,358,222	3,565,362
Operating income (loss)	1,475,682	(49,853)	(663,588)	762,242	87,012
Nonoperating revenues (expenses):					
Interest income	117,517	15,230	4,994	137,741	19,272
Intergovernmental	46,337	-	10,011	56,348	-
Interest expense	(233,021)	(5,211)	-	(238,232)	(7,689)
Total nonoperating revenue (expense)	(69,167)	10,019	15,005	(44,144)	11,583
Net income (loss) before transfers	1,406,516	(39,834)	(648,583)	718,099	98,594
Transfers in	-	-	487,000	487,000	-
Transfers out	-	-	-	-	-
Change in net position	1,406,516	(39,834)	(161,583)	1,205,099	98,594
Total net position - beginning	21,278,598	627,511	(1,703,237)	20,202,872	2,351,237
Prior period adjustment	(72,121)	(23,339)	(2,696)	(98,156)	(30,867)
Total net position - ending	\$ 22,612,993	\$ 564,338	\$ (1,867,516)	\$ 21,309,815	\$ 2,418,964

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

CITY OF SWEETWATER, TEXAS

Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018

	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	\$ 7,669,786	\$ 2,034,406	\$ 1,531,185	\$ 11,235,377	\$ -
Receipts from interfund services provided	-	-	-	-	3,652,374
Payments to suppliers	3,256,027	1,398,222	926,402	5,580,651	996,084
Payments for claims	-	-	-	-	1,505,135
Payments to employees	1,774,977	653,186	1,039,469	3,467,632	754,787
Net cash provided by operating activities	<u>2,638,782</u>	<u>(17,002)</u>	<u>(434,686)</u>	<u>2,187,094</u>	<u>396,368</u>
Cash Flows From Noncapital Financing Activities					
Transfers between funds	-	-	487,000	487,000	-
Intergovernmental grants	46,337	-	10,011	56,348	-
Net cash provided (used) by noncapital financing activities	<u>46,337</u>	<u>-</u>	<u>497,011</u>	<u>543,348</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities					
Debt issuance	-	283,575	-	283,575	-
Acquisition and construction of capital assets	(413,182)	(293,920)	(56,682)	(763,784)	(288,351)
Principal paid on contractual obligations	(1,560,095)	(53,062)	-	(1,613,157)	(69,963)
Disposition of equipment	-	-	-	-	4,122
Interest and paying agent fees	(233,021)	(5,211)	-	(238,232)	(7,689)
Net cash provided (used) by capital and related financing activities	<u>(2,206,298)</u>	<u>(68,619)</u>	<u>(56,682)</u>	<u>(2,331,599)</u>	<u>(361,881)</u>
Cash Flows From Investing Activities					
Interest and dividends received	117,517	15,230	4,994	137,741	19,272
Net cash provided (used) by investing activities	<u>117,517</u>	<u>15,230</u>	<u>4,994</u>	<u>137,741</u>	<u>19,272</u>
Net increase in cash and cash equivalents	596,338	(70,391)	10,637	536,584	53,761
Cash and cash equivalents at beginning of year	10,570,800	758,709	8,104	11,337,613	1,492,423
Cash and cash equivalents at end of year	<u>\$ 11,167,138</u>	<u>\$ 688,318</u>	<u>\$ 18,741</u>	<u>\$ 11,874,197</u>	<u>\$ 1,546,184</u>
As reported on balance sheet:					
Cash	\$ 8,579,065	\$ 688,318	\$ 18,741	\$ 9,286,124	\$ 1,502,866
Restricted Cash	2,588,073	-	-	2,588,073	43,318
Total cash and cash equivalents at end of year	<u>\$ 11,167,138</u>	<u>\$ 688,318</u>	<u>\$ 18,741</u>	<u>\$ 11,874,197</u>	<u>\$ 1,546,184</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	1,475,682	(49,853)	(663,588)	762,241	87,012
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	1,481,121	26,737	17,506	1,525,364	379,164
(Increase) decrease in accounts receivable	32,182	(20,460)	(14,280)	(2,558)	-
(Increase) in due from other governments	-	-	103,997	103,997	-
(Increase) in due from other funds	-	-	(3,840)	(3,840)	(20,678)
(Increase) decrease in inventories	(84,131)	-	-	(84,131)	4,992
(Increase) decrease in deferred outflows of resources	215,610	71,686	178,843	466,139	94,067
Increase (decrease) in accounts payable	(261,109)	13,746	3,854	(243,509)	(49,476)
Increase (decrease) in customer deposits	13,475	-	-	13,475	-
Increase (decrease) in compensated absences	(294)	4,611	(12,289)	(7,972)	2,911
Increase (decrease) in net pension liability	(514,851)	(166,605)	(104,896)	(786,352)	(190,146)
Increase (decrease) in total OPEB liability liability	83,277	26,949	3,112	113,338	4,773
Increase (decrease) in landfill post-closure	-	5,135	-	5,135	-
Increase (decrease) in due to other funds	12,627	7,950	1,401	21,978	-
Increase (decrease) in accrued interest payable	(9,810)	-	-	(9,810)	-
Increase (decrease) in deferred inflows of resources	195,002	63,102	55,496	313,600	83,750
Total adjustments	<u>1,163,099</u>	<u>32,851</u>	<u>228,902</u>	<u>1,424,852</u>	<u>309,356</u>
Net cash provided by operating activities	<u>\$ 2,638,782</u>	<u>\$ (17,002)</u>	<u>\$ (434,686)</u>	<u>\$ 2,187,094</u>	<u>\$ 396,368</u>

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

(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-EDC) 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-EDC has the potential to impose a financial benefit/burden on the City. This component unit was dissolved during the year and the City held an election to form a Municipal Development District. The assets of the EDC were transferred to the City of Sweetwater. The City Commissioners elected to transfer the assets to the MDD upon completion of the formation.

Discretely presented component unit. The Sweetwater Enterprise for Economic Development – Municipal Development District (SEED-MDD) is a legally separate nonprofit corporation. It is a political subdivision of the State of Texas and the City, created in accordance with Chapter 377 of the Texas Local Government Code, as amended (the "Act"), and other applicable laws. SEED-MDD was created for the purpose of developing and financing all development projects as that term is defined in Section 377.001(3) of the ACT, as amended (a "Development Project"). The City appoints a voting majority of the organization's board. The City is able to impose its will on the organization and SEED-MDD has the potential to impose a financial benefit/burden on the City.

Condensed statements of the discretely presented component units are shown on the Statement of Net Position and the Statement of Activities in separate component unit columns.

Both component units are presented as governmental fund types. Financial statements for SEED-MDD may be obtained by writing the City's finance office in City Hall at 200 East 4th Street, Sweetwater, Texas 79556. SEED-EDC has dissolved, thus no financial statement is available.

Related Organizations. The City Commission is responsible for appointing some members to various boards of organizations, but the City's accountability for those organizations does not extend beyond making the appointments.

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2018

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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2018

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 were two amendments passed this past year and one was material in relation to the original appropriations which were adopted. This amendment increased revenue by \$394,600 and increased expenditures by the same amount in the general fund. This change was due to the City receiving a grant for the purchase of NIBRS transition software for various agencies across Texas.

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2018

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. Inventories are controlled and reported by an Internal Service Fund as well as the Water and Wastewater Fund. Most purchases, other than water and wastewater purchases, are recorded as inventory in the Internal Service 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	\$ 120,182
Internal Service Fund	\$ 43,318
Water and Wastewater Fund	\$ 2,588,073

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 \$120,182 at year-end. Certain resources set aside for enterprise fund and internal service 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 debt covenants. This restricted balance in the enterprise funds was \$848,974 at year-end, and \$43,318 in the internal service fund. Also, the City has funds restricted for construction from their 2016 bond issue in the amount of \$1,739,099. These funds will be used for improvements to the City's waterworks system.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

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.

Total OPEB Liability

For purposes of measuring Total OPEB Liability (TOL) and deferred outflows of resources and OPEB expense have been determined on the same basis as they are reported by TMRS. The City reports as a member municipality of the Supplemental Death Benefit Fund (SDBF).

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

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 two items that qualify for reporting in this category; the deferred outflow related to pension and the deferred outflow related to OPEB. Both of these are 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 items that qualify as deferred inflows of resources. The first item arises only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflow is reclassified to revenue on the government-wide financial statements. 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 Units

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 units 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, 2018, fund balances are composed of the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Cemetery care	\$ -	\$ 1,255,618	\$ 1,255,618
Restricted:			
PEG capital costs	120,182	-	120,182
Drug enforcement	-	7,601	7,601
Senior nutrition program	-	21,588	21,588
Unassigned Fund Balances	<u>3,776,982</u>	<u>-</u>	<u>3,776,982</u>
Total Fund Balances	<u>\$ 3,897,164</u>	<u>\$ 1,284,807</u>	<u>\$ 5,181,971</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2018

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 \$2,297,282, of which \$127,783 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, 2018, the City's deposits including the deposits of the component units (SEED-EDC and SEED-MDD), were fully insured or collateralized as required by the state statutes. At year-end, the carrying amount of the City's deposits totaled \$18,716,859 and its component unit's carrying amount of deposits totaled \$7,165,269. The respective bank balances totaled \$19,081,679 and \$7,165,334. 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 \$20,242,930 and the component unit's bank balances were 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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

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, 2018.

(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 Wastewater Fund	Solid Waste Management	Ambulance Fund	Total
Receivables:					
Accounts	\$ 44,614	\$1,073,148	\$ 316,136	\$ 543,284	\$ 1,977,182
Intergovernmental	-	13,260			13,260
Taxes	377,910	-	-	-	377,910
Gross Receivables	422,524	1,086,408	316,136	543,284	2,368,352
Less: allowance for uncollectibles	(12,208)	(111,555)	(28,022)	(391,045)	(542,830)
Net total receivables	\$ 410,316	\$974,853	\$ 288,114	\$ 152,239	\$1,825,522

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, 2018 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	-	124,426	-	124,426
Total capital assets, not being depreciated:	178,332	124,426	-	302,758
Capital assets, being depreciated:				
Buildings	7,728,299	-	-	7,728,299
Improvements other than buildings	7,084,055	9,608	-	7,093,663
Machinery and equipment	8,572,413	297,251	(47,181)	8,822,482
Total capital assets being depreciated	23,384,766	306,859	(47,181)	23,644,444
Less accumulated depreciation for:				
Buildings	(3,193,183)	(279,691)	-	(3,472,873)
Improvements other than buildings	(5,216,310)	(240,234)	-	(5,456,545)
Machinery and equipment	(6,368,710)	(537,776)	43,059	(6,863,427)
Total accumulated depreciation	(14,778,203)	(1,057,701)	43,059	(15,792,845)
Total capital assets, being depreciated, net	8,606,564	(750,842)	(4,122)	7,851,600
Governmental activities capital assets, net	\$ 8,784,895	\$ (626,416)	\$ (4,122)	\$ 8,154,357

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 2,415,757	\$ -	\$ -	\$ 2,415,757
Construction in-progress	2,938,250	385,243	-	3,323,493
Total capital assets, not being depreciated	<u>5,354,007</u>	<u>385,243</u>	<u>-</u>	<u>5,739,250</u>
Capital assets, being depreciated:				
Buildings and system	13,624,772	11,845	-	13,636,617
Improvements other than buildings	33,552,125	-	-	33,552,125
Machinery and equipment	5,285,732	366,696	(12,396)	5,640,032
Total capital assets being depreciated	<u>52,462,629</u>	<u>378,541</u>	<u>(12,396)</u>	<u>52,828,774</u>
Less accumulated depreciation for:				
Buildings and system	(7,311,322)	(379,591)	-	(7,690,913)
Improvements other than buildings	(16,494,679)	(1,008,028)	-	(17,502,707)
Machinery and equipment	(4,738,926)	(137,744)	12,396	(4,864,274)
Total accumulated depreciation	<u>(28,544,927)</u>	<u>(1,525,363)</u>	<u>12,396</u>	<u>(30,057,895)</u>
Total capital assets, being depreciated, net	<u>23,917,702</u>	<u>(1,146,823)</u>	<u>-</u>	<u>22,770,879</u>
Business-type activities capital assets, net	<u>\$ 29,271,709</u>	<u>\$ (761,579)</u>	<u>\$ -</u>	<u>\$ 28,510,130</u>

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

Governmental activities:	
General government	\$ 32,456
Public safety	372,375
Public works	28,311
Culture and recreation	41,713
Community services	25,661
Airport	178,022
Internal Service	379,163
Total depreciation expense – governmental activities	<u>\$1,057,701</u>
Business-type activities:	
Water and Wastewater	\$1,481,121
Solid waste management	26,737
Ambulance	17,506
Total depreciation expense – business-type activities	<u>\$1,525,363</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

Discretely Presented Component Units

Activity for SEED-EDC for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 304,819	\$ 620	\$(305,439)	\$ -
Total capital assets, not being depreciated	<u>304,819</u>	<u>620</u>	<u>(305,439)</u>	<u>-</u>
Capital assets, being depreciated:				
Machinery and equipment	572,000	-	(572,000)	-
Total capital assets being depreciated	<u>572,000</u>	<u>-</u>	<u>(572,000)</u>	<u>-</u>
Less accumulated depreciation for:				
Machinery and equipment	(33,367)	-	33,367	-
Total accumulated depreciation	<u>(33,367)</u>	<u>-</u>	<u>33,367</u>	<u>-</u>
Total capital assets, being depreciated, net	538,633	-	(538,633)	-
SEED-EDC capital assets, net	<u>\$ 843,452</u>	<u>\$ 620</u>	<u>\$(844,072)</u>	<u>\$ -</u>

Activity for SEED-MDD for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ -	\$ 305,439	\$ -	\$ 305,439
Total capital assets, not being depreciated	<u>-</u>	<u>305,439</u>	<u>-</u>	<u>305,439</u>
Capital assets, being depreciated:				
Machinery and equipment	-	572,000	-	572,000
Total capital assets being depreciated	<u>-</u>	<u>572,000</u>	<u>-</u>	<u>572,000</u>
Less accumulated depreciation for:				
Machinery and equipment	-	(61,967)	-	(61,967)
Total accumulated depreciation	<u>-</u>	<u>(61,967)</u>	<u>-</u>	<u>(61,967)</u>
Total capital assets, being depreciated, net	-	510,033	-	510,033
SEED-MDD capital assets, net	<u>\$ -</u>	<u>\$ 815,471</u>	<u>\$ -</u>	<u>\$ 815,471</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

(5) Long-Term Debt

At September 30, 2018, long-term debt consisted of the following:

Governmental Activities:

Government Capital Corporation note , dated April 2017 in the Amount of \$290,000 due in annual installments through April 5, 2021, bearing an interest rate of 2.875% \$ 220,037

Business-Type Activities:

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%. \$ 1,160,000

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%. 1,555,000

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%. 4,510,000

Total Bonds Payable \$ 14,855,000

Note payable to First Financial Bank for the purchase of Refuse fund equipment dated March 13, 2018. Payable in monthly Installments through March 2021, bearing interest of 3.65% \$ 230,513

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.

The note is for the purchase of a 963 Caterpillar loader for the landfill and refuse department use. The note is a public property finance act contract that requires payments into a payment fund as long as the payments are unpaid. Such revenues and funds in an amount sufficient to make the Payments are pledged to First Financial Bank and their successors and assigns for such purpose as the same shall become due and payable under the Finance Contract.

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, 2018.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

Changes in Outstanding Debt

Transactions for the year ended September 30, 2018 are summarized as follows:

	Balance September 30, 2017	New Issue or Additions	Payments or Expenditures	Balance September 30, 2018	Due Within One Year
Governmental Activities					
Note payable	\$ 290,000	\$ -	\$ 69,963	\$ 220,037	\$ 71,254
Net pension liability	6,792,717	-	1,518,635	5,274,082	-
Total OPEB liability	230,565	35,662	-	266,227	-
Compensated Absences	597,401	58,913	305	656,009	65,601
Total Governmental Activities	\$7,910,683	\$94,575	\$1,588,903	\$6,416,355	\$ 136,855
Business-type Activities					
General Obligation Bonds	9,885,000	-	1,095,000	8,790,000	1,140,000
Certificates of Obligation	6,405,000	-	340,000	6,065,000	340,000
Bond premium	811,978	-	125,094	686,884	125,095
Total bonds payable	17,101,978	-	1,560,094	15,541,884	1,605,095
Landfill post-closure	285,272	5,135	-	290,407	-
Net pension liability	4,277,995	-	688,196	3,589,799	-
Total OPEB liability	98,156	15,182	-	113,338	-
Note payable	-	283,575	53,062	230,513	92,735
Compensated Absences	239,370	4,612	12,584	231,398	23,140
Total Business-type Activities	\$22,002,771	\$308,504	\$2,313,936	\$19,997,339	\$ 1,720,970

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.

Beginning balances for OPEB liability have been restated with the implementation of GASB 75.

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

Bond Accrued Interest Payable	\$ 48,655
Current Maturities of Bonds	800,319
Total Interest and Sinking Fund	<u>\$ 848,974</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for the years subsequent to September 30, 2018 are as follows:

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2019	71,254	6,398	77,652
2020	73,326	4,326	77,652
2021	75,457	2,194	77,651
	<u>\$220,037</u>	<u>\$ 12,918</u>	<u>\$232,955</u>

Year Ending September 30	Business-Type Activities		Total
	Principal	Interest	
2019	1,572,735	342,239	1,914,974
2020	1,611,413	304,199	1,915,612
2021	1,591,365	266,824	1,858,189
2022	1,590,000	229,169	1,819,169
2023	1,635,000	184,165	1,819,165
2024 - 2028	4,470,000	330,969	4,800,969
2029 - 2033	1,835,000	99,896	1,934,896
2034 - 2036	780,000	12,142	792,142
	<u>\$15,085,513</u>	<u>\$ 1,769,600</u>	<u>\$16,855,113</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 wastewater system. Interest on those bonds is reported in the water and wastewater 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 Wastewater Fund	<u>\$ 27,747,595</u>	<u>\$ 15,541,883</u>	<u>\$ 1,739,099</u>	<u>\$ 13,944,811</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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2018

the October 1, levy date. Current tax collections for the year ended September 30, 2018 were 96 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 883 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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	78
Inactive employees entitled to but not yet receiving benefits	33
Active employees	<u>108</u>
	219

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 17.78% and 18.10% in calendar years 2017 and 2018, respectively. The City’s contributions to TMRS for the year ended September 30, 2018 were \$994,574 and were equal to the required contributions.

Net Pension Liability

The city’s Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2018

Actuarial assumptions were developed primarily from the actuarial experience of TMRS over the four year period December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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%	3.90%
Real Return	10.0%	3.80%
Real estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	<u>5.0%</u>	7.50%
Total	<u>100%</u>	

Discount Rate

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	[a]	[b]	[a] – [b]
Balance at 12/31/2016	\$ 31,114,307	\$ 24,271,620	\$ 6,842,687
Changes for the year:			
Service cost	892,819	-	892,819
Interest	2,079,395	-	2,079,395
Difference between expected and actual experience	(298,136)	-	(298,136)
Changes in assumptions	-	-	-
Contributions – employer	-	967,945	(967,945)
Contributions – employee	-	381,081	(381,081)
Net investment income	-	3,364,048	(3,364,048)
Benefit payments, including refunds of employee contributions	(1,509,744)	(1,509,744)	-
Administrative expense	-	(17,433)	17,433
Other changes	-	(884)	884
Net changes	\$ 1,164,334	\$ 3,185,013	\$(2,020,679)
Balance at 12/31/2017	\$ 32,278,641	\$ 27,456,633	\$ 4,822,008

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%	\$ 9,083,343
Current discount rate	6.75%	\$ 4,822,008
1% increase	7.75%	\$ 1,297,708

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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

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

For the year ended September 30, 2018 the city recognized pension expense of \$878,496.

At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual economic experience	\$ -	\$ 200,149
Changes in actuarial assumptions	19,973	-
Differences between projected and actual investment earnings	-	689,864
Contributions subsequent to the measurement date	742,580	-
Total	\$ 762,553	\$ 890,013

\$742,580 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 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:	
2018	\$ (51,611)
2019	(53,776)
2020	(419,514)
2021	(345,142)
2022	-
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. Membership in the plan at December 31, 2017, the valuation and measurement date, consisted of :

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>108</u>
	<u>173</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

The City's Total OPEB Liability (TOL), as of December 31, 2017 was calculated as follows:

	<u>Total OPEB Liability</u>
Total OPEB Liability – beginning of year	\$ 328,847
Changes for the year:	
Service cost	15,243
Interest on total OPEB liability	12,646
Changes in benefit terms	-
Employer administrative costs	-
Changes in assumptions or other inputs	26,640
Benefit payments	<u>(3,811)</u>
Net changes	<u>50,718</u>
Total OPEB liability – end of year	<u>\$ 379,565</u>

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 actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period of December 31, 2010 to December 31, 2014.

The assumptions are summarized below:

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate*	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees	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.
Mortality rates – disabled retirees	Same as service with a 3 year set-forward and subject to the 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

The SDBF required contribution rates, based on these assumptions, are as follows:

	<u>Total SDBF Contribution Rate</u>	<u>Retiree Portion of SDBF Contribution Rate</u>
For the Plan Year Ended December 31,		
2017	0.26%	0.07%
2018	0.23%	0.07%

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the Total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's Total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

	<u>Discount rate</u>	<u>Total OPEB liability</u>
1% decrease	2.31%	\$ 446,113
Current discount rate	3.31%	\$ 379,565
1% increase	4.31%	\$ 326,062

The City's Total OPEB expense as of December 31, 2017 was calculated as follows:

Service cost	<u>\$ 15,243</u>
Interest on total OPEB liability	12,646
Changes in benefit terms	-
Employer administrative costs	-
Recognition of deferred outflows/inflows of resources;	
Differences between expected and actual experience ¹	-
Changes in assumptions or other inputs ²	<u>5,349</u>
Total OPEB expense	<u>\$ 33,238</u>

1. In the year of implementation, the beginning of year liability is rolled back from the measurement date, so there will be no experience loss/(gain).
2. Generally, this will only be the annual change in the municipal bond index rate.

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement No. 75 to pay related benefits.

For the year ended September 30, 2018 the city recognized OPEB expense of \$33,238. The City also reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions and other inputs	21,291	-
Contributions subsequent to the measurement date	9,436	-
Total	<u>\$ 30,727</u>	<u>\$ -</u>

\$9,436 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

Year ending Dec 31:	Net deferred outflows (inflows) of resources
2018	\$ 5,349
2019	5,349
2020	5,349
2021	5,244
2022	-
Thereafter	-

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 18.0 % of each member's total pay (including regular, longevity and overtime pay, but excluding lump sum distributions for unused sick leave, or vacation) and members contributed 17%. 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.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

Service Retirement Benefits

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

- a. equals 3.95% of 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% 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 whose service starts before August 1, 2017 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 (i) a standard benefit equal to 52.67% of his average salary; plus (ii) two-thirds (2/3) of any additional service benefit the member had earned as of the date of his death.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements September 30, 2018

If a member whose service starts after August 1, 2017 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 (1) a standard benefit equal to 46.67% of his average salary; plus (ii) 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 Option

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees and beneficiaries currently receiving benefits	24
Terminated employees entitled to but not yet receiving benefits	0
Active members	<u>25</u>
Total	49

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%	\$ 5,480,666
Current discount rate	8.0%	\$ 4,041,873
1% increase	9.0%	\$ 2,808,676

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%
(e) Strategic Global Convertibles	4.96%	3.00%
(f) Income Opportunity Fund	10.09%	3.60%
Equities, Real Estate, and Alternate Investments		
(a) All-cap	13.16%	6.50%
(b) Large-cap value	10.52%	7.84%
(c) Smid-cap	2.66%	8.47%
(d) Smid-cap value	4.60%	8.47%
(e) Small-cap value	2.73%	9.26%
(f) Emerging markets	5.53%	7.00%
(g) Global equity	13.84%	6.00%
(h) Real estate investment trust	2.96%	8.60%
(j) Master limited partnership	4.00%	9.50%
Total	<u>100.00%</u>	

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	[a]	[b]	[a] – [b]
Balance at 12/31/2016	\$ 12,054,904	\$ 7,826,879	\$ 4,228,025
Changes for the year:			
Service cost	371,467	-	371,467
Interest	962,131	-	962,131
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contributions – employer	-	284,446	(284,446)
Contributions – employee	-	268,643	(268,643)
Net investment income	-	1,001,682	(1,001,682)
Benefit payments, including refunds of employee contributions	(799,457)	(799,457)	-
Administrative expense	-	(35,021)	35,021
Other changes	-	-	-
Net changes	<u>\$ 534,141</u>	<u>\$ 720,293</u>	<u>\$ (186,152)</u>
Balance at 12/31/2017	<u>\$ 12,589,045</u>	<u>\$ 8,547,172</u>	<u>\$ 4,041,873</u>

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

For the year ended September 30, 2018 the city recognized pension expense of \$592,787.

At September 30, 2018, 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	\$ -	\$ 758,912
Changes of assumptions	538,127	
Net difference between projected and actual earnings on Plan investments	83,010	-
Contributions subsequent to the measurement date	216,654	-
Total	<u>\$837,791</u>	<u>\$ 758,912</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$216,654 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:

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

Year ending Dec 31:

2018	\$ 107,707
2019	62,319
2020	(95,967)
2021	(106,129)
2022	(28,770)
Thereafter	(76,935)

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, 2018, 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	Mayor and commission	\$ 5,341
	Municipal court	2,750
	Non-departmental	44,641
	Police department	314,370
	Fire department	47,479
	Streets and signals	9,245
Cemetery Special Revenue Fund	Community services	347

These over-expenditures were mainly funded by decreased expenditures in other departments as well as fund balance.

(10) Fund Balance Deficit

The Ambulance Enterprise Fund had a deficit fund balance at September 30, 2018 of \$1,867,516. 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 has raised the contribution 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, 2018, is as follows:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ -	\$ 91,658
Non-major governmental funds	3,169	1,444
Major enterprise funds:		
Water and wastewater fund	-	42,204
Solid waste management fund	-	46,439
Ambulance	3,840	9,312
Internal service funds	184,048	-
	<u>\$ 191,057</u>	<u>\$ 191,057</u>

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

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	\$ -	\$ 683,703
Non-major governmental funds	196,703	-
Major enterprise fund:		
Ambulance	<u>487,000</u>	<u>-</u>
	<u>\$ 683,703</u>	<u>\$ 683,703</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 \$1,701,263 in health claims and stop-loss premiums for the year ended September 30, 2018. The City contributed \$790,029 and City employees contributed \$339,333 to the health insurance program for the year ended September 30, 2018. 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 \$1,353,039.

Incurred but not reported estimated health claims have been accrued as a liability based on the claims submitted after September 30, 2018, and on the City's remaining exposure under the aggregate stop-loss insurance coverage. The estimated liability for health claims is \$136,935 at September 30, 2018.

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

	<u>Balance at Beginning Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance At End of Fiscal Year</u>
2015-2016	\$ 76,436	\$ 999,671	\$ 1,017,696	\$ 58,411
2016-2017	\$ 58,411	\$ 1,222,707	\$ 1,242,248	\$ 38,870
2017-2018	\$ 38,870	\$ 1,701,263	\$ 1,603,198	\$ 136,935

(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 three active construction projects at fiscal year-end. One project is a water system improvement and elevated storage tank construction project. The second is a TXCDBG project for water line replacement. 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 system improvements	\$ 3,277,156	\$ 126,890
Water line replacement	\$ 46,337	\$ 307,880

These commitments will be funded by the 2016 bond issue and a community development block grant. The City also has an airport project that was begun this fiscal year. No commitments existed at year-end requiring disclosure.

Lease Agreements

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

CITY OF SWEETWATER, TEXAS

Notes to the Financial Statements
September 30, 2018

(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 construction phase and is now waiting for opening clearance approval. 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 \$235,520 and the post-closure cost estimate is \$54,887. The current landfill has an estimated useful life of less than one years and is estimated to have 99% of the capacity used.

(17) New Pronouncements and Prior Period Adjustment

Implemented

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. The implementation of GASB 75 required restatement of the September 30, 2017 fund balance/net position. The prior period adjustment required was a decrease in net position of \$328,721.

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



PROFESSIONALISM INTEGRITY CONTINUOUS IMPROVEMENT TEAMWORK

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 <u>2017</u>	Measurement Year <u>2016</u>	Measurement Year <u>2015</u>	Measurement Year <u>2014</u>
Total pension liability				
Service Cost	\$ 892,819	\$ 860,020	\$ 792,135	\$ 671,107
Interest (on the Total Pension Liability)	2,079,395	1,979,740	1,976,956	1,911,569
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(298,136)	248,458	(226,424)	(329,247)
Change of assumptions	-	-	72,076	-
Benefit payments, including refunds of employee contributions	<u>(1,509,744)</u>	<u>(1,746,755)</u>	<u>(1,376,124)</u>	<u>(1,383,552)</u>
Net Change in Total Pension Liability	1,164,334	1,341,463	1,238,619	869,877
Total Pension Liability - Beginning	<u>31,114,307</u>	<u>29,772,844</u>	<u>28,534,225</u>	<u>27,664,348</u>
Total Pension Liability - Ending (a)	<u>\$ 32,278,641</u>	<u>\$ 31,114,307</u>	<u>\$ 29,772,844</u>	<u>\$ 28,534,225</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 967,945	\$ 962,349	\$ 967,603	\$ 930,310
Contributions - Employee	381,081	371,155	352,957	326,100
Net Investment Income	3,364,048	1,563,907	34,208	1,262,036
Benefit payments, including refunds of employee contributions	(1,509,744)	(1,746,755)	(1,376,124)	(1,383,552)
Administrative Expense	(17,433)	(17,661)	(20,836)	(13,177)
Other	<u>(884)</u>	<u>(952)</u>	<u>(1,029)</u>	<u>(1,083)</u>
Net change in Plan Fiduciary Net Position	3,185,013	1,132,043	(43,222)	1,120,634
Plan Fiduciary Net Position - Beginning	<u>24,271,620</u>	<u>23,139,577</u>	<u>23,182,799</u>	<u>22,062,165</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 27,456,633</u>	<u>\$ 24,271,620</u>	<u>\$ 23,139,577</u>	<u>\$ 23,182,799</u>
Net Pension Liability - Ending (a) - (b)	\$ 4,822,008	\$ 6,842,687	\$ 6,633,267	\$ 5,351,426
Plan Fiduciary Net Position as a % of Total Pension Liability	85.06%	78.01%	77.72%	81.25%
Covered Payroll	\$ 5,444,016	\$ 5,302,221	\$ 5,042,236	\$ 4,658,574
Net Pension Liability as a % of Covered Payroll	88.57%	129.05%	131.55%	114.87%

Notes to Schedule:

N/A

CITY OF SWEETWATER, TEXAS

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

	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Actuarially Determined Contribution	\$ 994,574	\$ 962,349	\$ 963,144	\$ 957,565
Contributions in relation to the actuarially determined contribution	\$ 994,574	\$ 962,349	\$ 963,144	\$ 957,565
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,548,494	\$ 5,447,328	\$ 5,229,357	\$ 4,581,299
Contributions as a percentage of covered payroll	18%	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	28 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

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

	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Actuarially Determined Contribution	\$ 13,121	\$ 14,305	\$ 13,580	\$ 11,597
Contributions in relation to the actuarially determined contribution	<u>\$ 13,121</u>	<u>\$ 14,305</u>	<u>\$ 13,580</u>	<u>\$ 11,597</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 5,519,931	\$ 5,447,323	\$ 5,229,357	\$ 4,939,318
Contributions as a percentage of covered payroll	0.24%	0.26%	0.26%	0.23%

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:

Inflation	2.5%
Salary Increases	3.50% to 10.50% including inflation
Discount rate *	3.31%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement 68.
Mortality Rates - service retirees	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.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to a 3% floor.

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rage as of December 31, 2017.

Other information:

Notes: The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

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>2017</u>	Measurement Year <u>2016</u>	Measurement Year <u>2015</u>	Measurement Year <u>2014</u>
Total pension liability				
Service Cost	\$ 371,467	\$ 357,180	\$ 341,799	\$ 327,271
Interest (on the Total Pension Liability)	962,131	975,941	939,280	865,092
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	-	(105,695)	-	(971,741)
Change of assumptions	-	(631,974)	-	1,473,737
Benefit payments, including refunds of employee contributions	<u>(799,457)</u>	<u>(765,290)</u>	<u>(911,057)</u>	<u>(686,376)</u>
Net Change in Total Pension Liability	534,141	(169,838)	370,022	1,007,983
Total Pension Liability - Beginning	<u>12,054,904</u>	<u>12,224,742</u>	<u>11,854,720</u>	<u>10,846,737</u>
Total Pension Liability - Ending (a)	<u><u>\$ 12,589,045</u></u>	<u><u>\$ 12,054,904</u></u>	<u><u>\$ 12,224,742</u></u>	<u><u>\$ 11,854,720</u></u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 284,446	\$ 256,845	\$ 236,832	\$ 221,847
Contributions - Employee	268,643	252,797	236,832	221,847
Net investment income	1,001,682	543,748	(216,775)	412,292
Benefit payments, including refunds of employee contributions	(799,457)	(765,290)	(911,057)	(686,376)
Administrative Expense	(35,021)	(41,956)	(29,349)	(34,337)
Other	<u>-</u>	<u>69</u>	<u>-</u>	<u>-</u>
Net change in Plan Fiduciary Net Position	720,293	246,213	(683,517)	135,273
Plan Fiduciary Net Position - Beginning	<u>7,826,879</u>	<u>7,580,666</u>	<u>8,264,183</u>	<u>8,128,910</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 8,547,172</u></u>	<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)	\$ 4,041,873	\$ 4,228,025	\$ 4,644,076	\$ 3,590,537
Plan Fiduciary Net Position as a % of Total Pension Liability	67.89%	61.18%	62.01%	69.71%
Covered Payroll (Estimated)	\$ 1,580,254	\$ 1,554,689	\$ 1,480,200	\$ 1,386,544
Net Pension Liability as a % of Covered Payroll	255.8%	272.0%	313.7%	259.0%

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)

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Actuarially Determined Contribution	\$ 284,446	\$ 256,845	\$ 236,832	\$ 221,847	\$ 199,664
Contributions in relation to the actuarially determined contribution	<u>284,446</u>	<u>256,845</u>	<u>236,832</u>	<u>221,847</u>	<u>199,664</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,580,254	\$ 1,554,689	\$ 1,480,200	\$ 1,386,544	\$ 1,247,900
Contributions as a percentage of covered payroll	18.00%	16.52%	16.00%	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, 201
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of pay, open
Remaining Amortization Period	27.5 years
Asset Valuation Method	5-year smoothed market value with a 20% of market value corridor
Inflation	3.00%
Projected Salary Increases	4.00%
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-200C 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, 2016

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, 2018

	Senior Nutrition Activities Project	Hotel and Motel Fund	Cemetery Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
Assets					
Current cash and cash equivalents	\$ 18,100	\$ 142,708	\$ 1,252,500	\$ 7,601	\$ 1,420,909
Due from other funds	-	-	3,169	-	3,169
Due from other governments	12,108	-	-	-	12,108
Total assets	\$ 30,208	\$ 142,708	\$ 1,255,669	\$ 7,601	\$ 1,436,186
Liabilities					
Accounts payable	7,227	-	-	-	7,227
Due to other funds	1,393	-	51	-	1,444
Due to other governments	-	142,708	-	-	142,708
Total liabilities	8,620	142,708	51	-	151,379
Fund Balances					
Nonspendable - Perpetual Cemetery Care	-	-	1,255,618	-	1,255,618
Restricted for drug enforcement	-	-	-	7,601	7,601
Restricted for senior nutrition program	21,588	-	-	-	21,588
Total fund balances	21,588	-	1,255,618	7,601	1,284,807
Total liabilities and fund balances	\$ 30,208	\$ 142,708	\$ 1,255,669	\$ 7,601	\$ 1,436,186

CITY OF SWEETWATER, TEXAS

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended September 30, 2018

	Senior Nutrition Activities Project	Hotel and Motel Fund	Cemetery Fund	Drug Enforcement Fund	Total Nonmajor Governmental Funds
Revenues					
Occupancy tax	\$ -	\$ 670,019	\$ -	\$ -	\$ 670,019
Intergovernmental	170,050	-	-	-	170,050
Charges for services	-	-	1,650	-	1,650
Investment income	-	-	14,353	100	14,453
Contributions and donations	33,475	-	-	-	33,475
Miscellaneous	312	-	17,125	-	17,437
Total revenues	<u>203,837</u>	<u>670,019</u>	<u>33,128</u>	<u>100</u>	<u>907,084</u>
Expenditures					
Current:					
Public safety	-	-	-	2,044	2,044
Culture and recreation	-	670,019	-	-	670,019
Community services	395,397	-	45,903	-	441,300
Total expenditures	<u>395,397</u>	<u>670,019</u>	<u>45,903</u>	<u>2,044</u>	<u>1,113,363</u>
Excess (deficiency) of revenues over (under) expenditures	(191,560)	-	(12,775)	(1,944)	(206,279)
Other Financing Sources (Uses):					
Transfers in	163,000	-	33,703	-	196,703
Transfers out	-	-	-	-	-
Net change in fund balances	(28,560)	-	20,928	(1,944)	(9,576)
Fund balances - beginning	<u>50,148</u>	<u>-</u>	<u>1,234,690</u>	<u>9,545</u>	<u>1,294,383</u>
Fund balances - ending	<u>\$ 21,588</u>	<u>\$ -</u>	<u>\$ 1,255,618</u>	<u>\$ 7,601</u>	<u>\$ 1,284,807</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 222,380	\$ 222,380	\$ 170,050	\$ (52,330)
Contributions and donations	40,000	40,000	33,475	(6,525)
Miscellaneous	500	500	312	(188)
Total revenues	<u>262,880</u>	<u>262,880</u>	<u>203,837</u>	<u>(59,043)</u>
Expenditures				
Current:				
Community services	<u>423,110</u>	<u>423,110</u>	<u>395,397</u>	<u>27,713</u>
Total expenditures	<u>423,110</u>	<u>423,110</u>	<u>395,397</u>	<u>27,713</u>
Excess (deficiency) of revenues over (under) expenditures	(160,230)	(160,230)	(191,560)	(31,330)
Other Financing Sources (Uses):				
Transfers in	<u>163,000</u>	<u>163,000</u>	<u>163,000</u>	<u>-</u>
Net change in fund balances	2,770	2,770	(28,560)	(31,330)
Fund balances - beginning	<u>50,148</u>	<u>50,148</u>	<u>50,148</u>	<u>-</u>
Fund balances - ending	<u>\$ 52,918</u>	<u>\$ 52,918</u>	<u>\$ 21,588</u>	<u>\$ (31,330)</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Occupancy tax	\$ 730,000	\$ 730,000	\$ 670,019	\$ (59,981)
Total revenues	<u>730,000</u>	<u>730,000</u>	<u>670,019</u>	<u>(59,981)</u>
Expenditures				
Current:				
Culture and recreation	<u>730,000</u>	<u>730,000</u>	<u>670,019</u>	<u>59,981</u>
Total expenditures	<u>730,000</u>	<u>730,000</u>	<u>670,019</u>	<u>59,981</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final budget- Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 4,600	\$ 4,600	\$ 1,650	\$ (2,950)
Miscellaneous	20,000	20,000	17,125	(2,875)
Investment income	6,000	6,000	14,353	8,353
Total revenues	<u>30,600</u>	<u>30,600</u>	<u>33,128</u>	<u>2,528</u>
Expenditures				
Current:				
Community services	<u>45,556</u>	<u>45,556</u>	<u>45,903</u>	<u>(347)</u>
Total expenditures	<u>45,556</u>	<u>45,556</u>	<u>45,903</u>	<u>(347)</u>
Excess (deficiency) of revenues over (under) expenditures	(14,956)	(14,956)	(12,775)	2,181
Other Financing Sources (Uses):				
Transfers in	<u>40,000</u>	<u>40,000</u>	<u>33,703</u>	<u>(6,297)</u>
Net change in fund balances	25,044	25,044	20,928	(4,116)
Fund balances - beginning	<u>1,234,690</u>	<u>1,234,690</u>	<u>1,234,690</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,259,734</u>	<u>\$ 1,259,734</u>	<u>\$ 1,255,618</u>	<u>\$ (4,116)</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, 2018

	Central Garage and Stores	Employee Benefit Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,090,722	\$ 412,144	\$ 1,502,866
Due from other funds	184,048	-	184,048
Due from other governments	149	-	149
Inventory	25,934	-	25,934
Restricted cash and cash equivalents	43,318	-	43,318
Total current assets	<u>1,344,171</u>	<u>412,144</u>	<u>1,756,315</u>
Capital assets:			
Buildings	145,573	-	145,573
Improvements other than buildings	37,361	-	37,361
Machinery and equipment	7,012,539	-	7,012,539
Less accumulated depreciation	<u>(5,461,724)</u>	<u>-</u>	<u>(5,461,724)</u>
Total capital assets (net of accumulated depreciation)	<u>1,733,749</u>	<u>-</u>	<u>1,733,749</u>
Total assets	<u>3,077,920</u>	<u>412,144</u>	<u>3,490,064</u>
Deferred Outflows of Resources			
Pension Plan	88,311	-	88,311
OPEB	<u>2,863</u>	<u>-</u>	<u>2,863</u>
Total deferred outflows of resources	<u>91,174</u>	<u>-</u>	<u>91,174</u>
Liabilities			
Current Liabilities:			
Accounts payable	212,482	136,935	349,417
Accrued compensated absences	2,615	-	2,615
Note payable	71,254	-	71,254
Total current liabilities	<u>286,351</u>	<u>136,935</u>	<u>423,286</u>
Noncurrent liabilities:			
Accrued compensated absences	23,531	-	23,531
Note payable	148,783	-	148,783
Net pension liability	447,283	-	447,283
Net OPEB liability	35,641	-	35,641
Total noncurrent liabilities	<u>655,238</u>	<u>-</u>	<u>655,238</u>
Total liabilities	<u>941,589</u>	<u>136,935</u>	<u>1,078,524</u>
Deferred Inflows of Resources			
Pension Plan	<u>83,750</u>	<u>-</u>	<u>83,750</u>
Net Assets			
Net investment in capital assets	1,513,712	-	1,513,712
Unrestricted	630,043	275,209	905,252
Total net position	<u>\$ 2,143,755</u>	<u>\$ 275,209</u>	<u>\$ 2,418,964</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, 2018

	Central Garage and Stores	Employee Benefit Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Operating revenues:			
Charges for services	\$ 1,660,396	\$ 1,984,789	\$ 3,645,185
Miscellaneous	7,189	-	7,189
	<u> </u>	<u> </u>	<u> </u>
Total operating income	1,667,585	1,984,789	3,652,374
	<u> </u>	<u> </u>	<u> </u>
Operating expenses:			
Personal services	750,142	-	750,142
Supplies	42,331	-	42,331
Other services and charges	298,432	2,095,293	2,393,725
Depreciation	379,164	-	379,164
	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	1,470,069	2,095,293	3,565,362
	<u> </u>	<u> </u>	<u> </u>
Operating income	197,516	(110,504)	87,012
	<u> </u>	<u> </u>	<u> </u>
Non-operating revenues (expenses):			
Interest income	13,773	5,499	19,272
Interest expense	(7,689)	-	(7,689)
	<u> </u>	<u> </u>	<u> </u>
Total non-operating revenues (expenses)	6,084	5,499	11,583
	<u> </u>	<u> </u>	<u> </u>
Income (loss) before transfers	203,599	(105,005)	98,594
	<u> </u>	<u> </u>	<u> </u>
Transfers in	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Change in net position	203,599	(105,005)	98,594
	<u> </u>	<u> </u>	<u> </u>
Total net position - beginning	1,971,023	380,214	2,351,237
Prior period adjustment	(30,867)	-	(30,867)
Total net position - ending	<u>\$ 2,143,755</u>	<u>\$ 275,209</u>	<u>\$ 2,418,964</u>

CITY OF SWEETWATER, TEXAS

Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended September 30, 2018

	Central Garage and Stores	Employee Benefit Fund	Total
Cash Flows From Operating Activities			
Receipts from interfund services provided	\$ 1,667,585	\$ 1,984,789	\$ 3,652,374
Payments to suppliers	503,990	492,094	996,084
Payments for claims	-	1,505,135	1,505,135
Payments to employees	754,787	-	754,787
Net cash provided by operating activities	<u>408,808</u>	<u>(12,440)</u>	<u>396,368</u>
Cash Flows From Capital and Related Financing Activities			
Debt reduction	(69,963)	-	(69,963)
Purchases of capital assets	(288,351)	-	(288,351)
Interest expense	(7,689)	-	(7,689)
Disposition of equipment	4,122	-	4,122
Net cash used by capital and related financing activities	<u>(361,881)</u>	<u>-</u>	<u>(361,881)</u>
Cash Flows From Investing Activities			
Interest and dividends received	13,773	5,499	19,272
Net cash provided (used) by investing activities	<u>13,773</u>	<u>5,499</u>	<u>19,272</u>
Net increase (decrease) in cash and cash equivalents	60,701	(6,940)	53,761
Cash and cash equivalents at beginning of year	1,073,339	419,084	1,492,423
Cash and cash equivalents at end of year	<u>\$ 1,134,040</u>	<u>\$ 412,144</u>	<u>\$ 1,546,184</u>
As reported on balance sheet:			
Cash	\$ 1,090,722	\$ 412,144	\$ 1,502,866
Restricted Cash	43,318	-	43,318
Total cash and cash equivalents at end of year	<u>\$ 1,134,040</u>	<u>\$ 412,144</u>	<u>\$ 1,546,184</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	197,516	(110,504)	87,012
to net cash provided (used) by operating			
Depreciation expense	379,164	-	379,164
(Increase) decrease in other receivables	-	-	-
(Increase) decrease in due from other funds	(20,678)	-	(20,678)
(Increase) in due from other governments	-	-	-
(Increase) decrease in inventories	4,992	-	4,992
(increase) decrease in deferred outflows of resources	94,067	-	94,067
Increase (decrease) in accounts payable	(147,541)	98,065	(49,476)
Increase (decrease) in net pension liability	(190,146)	-	(190,146)
Increase (decrease) in total OPEB liability	4,773	-	4,773
Increase (decrease) in compensated absences	2,911	-	2,911
Increase (decrease) in deferred inflows of resources	83,750	-	83,750
Total adjustments	<u>211,292</u>	<u>98,065</u>	<u>309,357</u>
Net cash provided by operating activities	<u>\$ 408,808</u>	<u>\$ (12,440)</u>	<u>\$ 396,368</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, 2018 and 2017

	2018	2017
General fixed assets:		
Land	\$ 178,332	\$ 178,332
Construction in-progress	124,426	-
Buildings	7,582,726	7,582,726
Improvements other than buildings	7,056,302	7,046,694
Machinery and equipment	1,809,944	1,812,894
 Total governmental funds capital assets	 \$ 16,751,729	 \$ 16,620,645
 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	7,274,777	7,268,119
From special assessments	190,350	190,350
From capital donations	416,712	416,712
From federal and other government grants (including federal revenue sharing)	4,300,648	4,176,222
From water and wastewater fund-transfer of swimming pool	486,881	486,881
From special revenue fund	2,718,492	2,718,492
 Total governmental funds capital assets	 \$ 16,751,729	 \$ 16,620,645

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, 2018

	Total	Land	Construction in-progress	Building	Improvements other than Building	Machinery and Equipment
General government:						
Administration	\$ 117,987	\$ -	\$ -	\$ -	\$ 39,000	\$ 78,987
General government buildings	563,741	9,000	-	280,755	142,159	131,827
Total general government	<u>681,728</u>	<u>9,000</u>	<u>-</u>	<u>280,755</u>	<u>181,159</u>	<u>210,814</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	3,791,582	37,239	124,426	864,208	2,725,514	40,195
Total governmental funds capital assets	<u>\$ 16,751,729</u>	<u>\$ 178,332</u>	<u>\$ 124,426</u>	<u>\$ 7,582,726</u>	<u>\$ 7,056,302</u>	<u>\$ 1,809,944</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, 2018

	Governmental Funds Capital Assets 10/01/17	Additions	Deductions	Governmental Funds Capital Assets 09/30/18
General government:				
Administration	\$ 129,837	\$ -	\$ 11,850	\$ 117,987
General government buildings	554,841	8,900	-	563,741
Total general government	<u>684,678</u>	<u>8,900</u>	<u>11,850</u>	<u>681,728</u>
Public safety:				
Police protection	5,904,594	-	-	5,904,594
Fire protection	1,590,837	-	-	1,590,837
Civil defense	107,299	-	-	107,299
Total public safety	<u>7,602,730</u>	<u>-</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	275,980	-	-	275,980
Swimming pool	536,437	-	-	536,437
Total culture and recreation	<u>1,863,871</u>	<u>-</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	3,657,548	134,034	-	3,791,582
Total governmental funds capital assets	<u>\$ 16,620,645</u>	<u>\$ 142,934</u>	<u>\$ 11,850</u>	<u>\$ 16,751,729</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.	86-92
Revenue Capacity These schedules contain information to help readers assess the City's most significant local revenue source-its property tax.	93-98
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.	99-103
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.	104-105
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.	106-108

CITY OF SWEETWATER, TEXAS

Net Position by Component
Last Ten Fiscal Years

(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 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	\$ 7,934,319
Restricted	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	1,448,308
Unrestricted	5,711,704	6,156,065	7,307,446	9,096,928	8,691,256	5,668,989	294,285	437,403	(548,318)	(895,548)
Total governmental activities net position	\$ 11,111,034	\$ 11,272,276	\$ 12,111,288	\$ 14,400,208	\$ 15,074,588	\$ 15,520,975	\$ 11,071,139	\$ 10,916,287	\$ 9,362,699	\$ 8,487,079
Business-type activities										
Net investment in capital assets	\$ 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	\$ 14,476,834
Restricted	677,857	686,668	709,175	712,235	715,354	759,967	817,153	821,408	831,373	848,974
Unrestricted	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	5,984,007
Total business-type activities net position	\$ 14,886,525	\$ 15,482,683	\$ 17,581,494	\$ 19,226,635	\$ 20,469,318	\$ 21,251,058	\$ 18,675,860	\$ 19,279,858	\$ 20,202,872	\$ 21,309,815
Primary government										
Net investment in capital assets	\$ 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	\$ 22,411,153
Restricted	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	2,297,282
Unrestricted	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	5,088,459
Total primary government net position	\$ 25,997,559	\$ 26,754,959	\$ 29,692,782	\$ 33,626,843	\$ 35,543,906	\$ 36,772,033	\$ 29,746,999	\$ 30,196,145	\$ 29,565,571	\$ 29,796,894

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. The City implemented GASB Statement No. 75 in fiscal year 2018. 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,685,953
Public safety	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	5,844,524
Public works	940,334	975,452	1,101,889	1,007,398	1,072,818	1,056,515	1,057,291	1,095,851	984,321	1,068,970
Culture and recreation	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	1,440,807
Community services	448,606	486,967	530,442	491,645	502,840	555,465	544,645	533,096	545,305	528,714
Airport	159,763	168,676	230,145	322,991	452,828	413,656	376,425	443,799	411,918	422,131
Total governmental activities expenses	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	10,991,099
Business-type activities:										
Water and sewer	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	6,381,468
Ambulance	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	2,109,930
Solid waste management	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	2,105,056
Total business-type activities expenses	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	10,596,454
Total primary government expenses	\$ 15,935,636	\$ 16,026,881	\$ 16,681,462	\$ 16,899,792	\$ 18,094,012	\$ 19,216,281	\$ 19,955,737	\$ 20,694,826	\$ 21,178,270	\$ 21,587,553

CITY OF SWEETWATER, TEXAS

Changes in Net Position
Last Ten Fiscal Years

(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 1,711,344
Public works	538	430	24,419	16,560	21,673	3,363	3,495	3,747	2,770	3,912
Culture and recreation	371,134	371,340	375,378	360,077	365,182	364,659	375,659	377,382	377,361	401,381
Community services	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	176,126
Operating grants and contributions	412,667	297,460	329,867	267,093	392,616	367,386	287,101	308,172	246,386	225,099
Capital grants and contributions	482,996	21,680	170,168	690,376	472,375	-	-	38,160	32,000	486,394
Total governmental activities program revenues	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	3,004,255
Business-type activities:										
Charges for services:										
Water and sewer	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	7,624,129
Ambulance	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	2,054,866
Solid waste management	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	1,441,468
Operating grants and contributions	20,491	21,787	2,800	10,832	20,454	9,979	18,069	1,600	12,260	10,011
Capital grants and contributions	-	23,000	-	252,083	-	-	-	-	-	46,337
Total business-type activities program revenues	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	11,176,811
Total primary government program revenues	\$ 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	\$ 14,181,066
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (7,986,843)
Business-type activities	279,508	256,580	1,389,740	1,131,946	1,368,359	264,640	(482,147)	152,776	94,141	580,357
Total primary government net expense	\$ (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)	\$ (7,406,486)

CITY OF SWEETWATER, TEXAS

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

(Prepared using the accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$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	\$2,231,361
Sales taxes	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	2,972,679
Franchise taxes	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	1,071,082
Other taxes	459,250	352,334	433,575	505,979	572,910	620,562	723,538	735,637	623,046	679,577
Investment earnings	36,990	29,264	29,041	22,017	24,761	25,297	19,517	20,561	37,532	89,401
Miscellaneous	560,679	757,485	914,358	1,314,414	861,174	1,006,410	732,713	589,044	693,332	784,688
Special item	-	-	-	531,339	4,521	-	-	116,204	154,110	-
Transfers	(267,500)	(220,000)	(318,000)	(401,000)	(365,500)	(410,000)	(433,000)	(363,473)	(670,072)	(487,000)
Total governmental activities	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	\$7,341,788
Business-type activities:										
Investment earnings	47,109	19,266	27,538	22,459	23,304	20,667	19,463	26,111	64,240	137,741
Miscellaneous	162,242	100,312	363,534	89,737	77,793	86,433	166,118	61,637	94,561	-
Special item	-	-	-	-	-	-	-	-	-	-
Transfers	267,500	220,000	318,000	401,000	365,500	410,000	433,000	363,473	670,072	487,000
Total business-type activities	476,852	339,578	709,072	513,196	466,597	517,100	618,581	451,222	828,873	624,741
Total primary government	\$ 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	\$ 7,966,529
Change in Net Position										
Governmental activities	\$ 407,647	\$ 161,242	\$ 839,012	\$ 2,288,920	\$ 674,380	\$ 446,387	\$ (233,877)	\$ (154,852)	\$ (1,553,588)	\$ (645,055)
Business-type activities	756,360	596,158	2,098,811	1,645,141	1,834,958	781,740	136,434	603,998	923,014	1,205,098
Total primary government	\$ 1,164,007	\$ 757,400	\$ 2,937,823	\$ 3,934,062	\$ 2,509,338	\$ 1,228,127	\$ (97,443)	\$ 449,146	\$ (630,574)	\$ 560,043

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. The City implemented GASB Statement No. 75 in fiscal year 2018. 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 2018	Fiscal Year 2017
Governmental Activities		
General Government	\$1,711,344	\$1,358,629
Public Safety	413,591	34,316
Public Works	3,912	2,770
Culture and Recreation	401,381	377,361
Community Services	203,526	226,515
Airport	270,502	181,743
Subtotal Governmental Activities	3,004,255	2,181,333
Business-type Activities		
Water and Sewer	7,670,466	7,291,239
Ambulance	2,054,866	1,466,895
Solid Waste Management	1,451,479	1,886,909
Subtotal Business-type Activities	11,176,811	10,645,043
Total Primary Government	\$14,181,066	\$12,826,376

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Unreserved	4,435,088	4,930,607	-	-	-	-	-	-	-	-
Restricted	-	-	-	35,854	61,082	87,134	113,147	163,339	121,737	120,182
Unassigned	-	-	6,331,590	8,196,184	8,086,154	5,877,126	4,360,460	4,566,380	3,808,170	3,776,982
Total general fund	\$ 4,435,088	\$ 4,930,607	\$ 6,331,590	\$ 8,232,038	\$ 8,147,236	\$ 5,964,260	\$ 4,473,607	\$ 4,729,719	\$ 3,929,907	\$ 3,897,164
All Other Governmental Funds										
Reserved	\$ 1,039,844	\$ 1,079,255	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved reported in:										
Special revenue funds	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	1,255,618
Restricted	-	-	10,280	7,682	6,950	7,190	5,055	75,700	59,693	29,189
Assigned	-	-	26,929	13,444	11,690	11,007	18,853	-	-	-
Total all other governmental funds	\$ 1,124,390	\$ 1,153,887	\$ 1,142,705	\$ 1,147,315	\$ 1,169,833	\$ 1,195,655	\$ 1,222,982	\$ 1,293,304	\$ 1,294,383	\$ 1,284,807

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)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 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	\$ 6,957,637
Intergovernmental	743,368	267,974	417,997	663,485	819,231	248,798	237,826	305,712	243,035	676,617
Charges for services	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	1,812,745
Licenses and permits	25,007	20,079	26,887	31,026	26,919	37,211	35,805	32,089	34,907	50,532
Investment income	36,990	24,826	31,605	23,891	24,761	25,297	19,517	20,561	37,532	89,401
Fines and forfeitures	37,376	40,567	39,632	50,788	59,405	43,772	50,270	59,314	54,743	42,137
Miscellaneous	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	1,206,913
Total revenues	8,006,925	7,586,716	9,149,463	10,173,236	9,704,678	9,892,061	9,609,961	10,266,471	9,682,816	10,835,982
Expenditures										
General government	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	1,694,033
Public safety	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	5,342,126
Public works	806,877	876,497	958,960	956,175	1,008,327	1,030,142	1,047,268	1,074,272	941,312	1,052,145
Culture and recreation	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	1,406,410
Community services	446,363	473,400	463,120	480,162	490,629	531,270	531,104	510,793	513,687	508,002
Airport	65,267	58,476	119,606	214,915	311,461	250,578	212,791	277,288	239,207	245,650
Capital outlay	547,977	171,268	211,803	625,523	1,337,961	3,029,805	1,564,499	179,669	218,434	142,934
Total expenditures	7,375,817	6,841,699	7,441,661	8,122,927	9,405,984	11,639,214	10,640,287	9,557,309	9,811,476	10,391,300
Excess of revenues over (under) expenditures	631,108	745,017	1,707,802	2,050,309	298,694	(1,747,153)	(1,030,326)	709,162	(128,660)	444,682
Other Financing Sources (Uses)										
Transfers in	64,000	151,636	86,066	146,613	163,636	192,210	210,849	221,244	207,517	196,703
Transfers out	(331,500)	(371,636)	(404,066)	(547,613)	(529,136)	(602,210)	(643,849)	(720,175)	(877,589)	(683,703)
Proceeds from sale of assets	-	-	-	255,750	4,521	-	-	116,204	-	-
Total other financing sources (uses)	(267,500)	(220,000)	(318,000)	(145,250)	(360,979)	(410,000)	(433,000)	(382,727)	(670,072)	(487,000)
Net change in fund balances	\$ 363,608	\$ 525,017	\$ 1,389,802	\$ 1,905,059	\$ (62,285)	\$(2,157,153)	\$(1,463,326)	\$ 326,434	\$ (798,733)	\$ (42,319)
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
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
2018	2,234	2,973	1,071	670	10	6,958

Change:

2009-2018	50%	35%	6%	49%	0%	35%
-----------	-----	-----	----	-----	----	-----

Amounts are expressed in thousands.

1 The City has kept its property tax rate at .48 per \$100 assessed value except for the years 2013 with a rate of .463 and 2018 with a rate of .497423 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 35% 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*					
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%
2018	248,063	126,577	80,493	2,985	10,753	447,365	0.4974	447,365	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	Sweetwater Independent										Overlapping Rates						Total Direct & Overlapping Rates
	City of Sweetwater			School District			Nolan County				Nolan County Hospital District		Nolan County District		Total		
	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Total	Operating	Debt Service	Operating	Debt Service	Total			
2009	0.4800	-	0.4800	1.0400	0.1900	1.2300	0.3575	-	0.3575	0.1723	0.0358	0.2081	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	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	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	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	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	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	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	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	0.1480	0.4040	2.6554		
2018	0.4974	-	0.4974	1.0950	0.1130	1.2080	0.5008	0.0671	0.5680	0.2560	0.1480	0.4040	0.1480	0.4040	2.6773		

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 2018			FY 2009		
	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	18,003,900	1	4.02%	11,263,420	1	3.69%
Crest Pumping Technologies LLC	14,453,470	2	3.23%			
CSI Acquisition Co.	7,136,770	3	1.60%			
Oncor Electric Delivery/TU	5,035,770	4	1.13%	4,892,230	6	1.60%
Loves Hospitality LLC	4,653,640	5	1.04%			
Union Pacific Railroad	4,270,150	6	0.95%			
TXHP Sweetwater LLC	3,860,800	7	0.86%			
Sweetwater Assets LLC	3,786,590	8	0.85%			
Wal-Mart Stores LP	3,722,260	9	0.83%	3,934,580	7	1.29%
Wal-Mart Stores Texas LP	3,405,640	10	0.76%	5,000,500	5	1.64%
TST INC - dba Timco				8,258,910	2	2.70%
Amerimix Drilling				7,250,000	3	2.37%
Dhilon Inc.				5,162,400	4	1.69%
Patel Bankim				2,885,590	8	0.94%
Sweet K Associates				2,881,590	9	0.94%
Khan Group LLC				2,676,090	10	0.88%
Total	68,328,990		15.27%	54,205,310		17.73%

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
2009	1,469,773	1,366,024	93%	99,912	1,465,936	100%
2010	1,561,808	1,441,740	92%	109,578	1,551,318	99%
2011	1,586,856	1,518,494	96%	58,855	1,577,349	99%
2012	1,627,454	1,556,652	96%	64,501	1,621,153	100%
2013	1,947,460	1,892,650	97%	49,516	1,942,166	100%
2014	1,909,117	1,855,387	97%	45,176	1,900,563	100%
2015	2,053,829	1,987,413	97%	52,330	2,039,743	99%
2016	2,232,971	2,159,055	97%	46,347	2,205,402	99%
2017	2,219,828	2,101,627	95%	73,342	2,174,969	98%
2018	2,225,365	2,129,052	96%		2,129,052	96%

Source: Central Appraisal District of Nolan County

CITY OF SWEETWATER

Principal Water Sales Current Year and Ten Years Ago Fiscal Year

FY 2018

FY 2009

Water Customer	FY 2018			FY 2009		
	Water Rate	Water Sales	Rank	Water Rate	Water Sales	Rank
UNITED STATES GYPSUM CO	\$ 7.26	\$ 664,269.71	1	\$ 5.74	\$ 470,400.22	1
GEORGIA PACIFIC	\$ 7.26	\$ 385,254.36	2	\$ 5.74	\$ 329,850.78	2
HOUSING AUTHORITY	\$ 7.69	\$ 299,675.34	3	\$ 6.08	\$ 55,605.72	10
CITY OF ROBY	\$ 6.53	\$ 264,859.20	4	\$ 5.16	\$ 181,388.40	4
SWEETWATER ISD	\$ 7.26	\$ 173,854.47	5	\$ 5.16	\$ 179,669.08	5
CITY OF TRENT	\$ 6.53	\$ 144,491.02	6	\$ 5.16	\$ 179,669.08	5
SWEETWATER MUSTANG HEIGHTS	\$ 7.69	\$ 114,044.91	7	\$ 6.08	\$ 103,248.87	6
APPLE CREEK APT	\$ 7.69	\$ 114,003.27	8	\$ 5.74	\$ 69,611.10	7
ROLLING PLAINS HOSPITAL	\$ 7.26	\$ 99,454.45	9	\$ 5.74	\$ 65,748.41	9
LUDLUM MEASUREMENTS	\$ 7.26	\$ 91,810.30	10	\$ 5.74	\$ 65,748.41	9
BITTERCREEK WATER SUPPLY				\$ 5.16	\$ 297,603.60	3
HOLIDAY RETIREMENT CENTER				\$ 5.74	\$ 67,344.42	8
TXU/SWEETWATER GEN PLANT				\$ 5.74	\$ 65,748.41	9
					<u>\$ 1,820,470.60</u>	
						40.35%

Source: City of Sweetwater Utility Department

CITY OF SWEETWATER, TEXAS

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

Fiscal Year	Governmental Activities	Business type Activities				Total Primary Government	Percentage of Personal Income (3)	Per Capita (4)
	Notes Payable	General Obligation Bonds (1)	Certificates of Obligation Bonds (1)	Refunding Bonds (1)	Notes Payable			
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	290,000	-	6,405,000	10,696,978	-	17,391,978	0.1174%	1,594.72
2018	220,037	-	6,065,000	9,476,884	230,513	15,992,434	0.1859%	1,466.39

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)
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
2018	-	6,065,000	9,476,884	15,541,884	848,974	14,692,910	3.28%	1,347.23

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, 2018**

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	\$ 8,524,000	58.1%	\$ 4,952,444
Nolan County	13,587,000	23.0%	3,129,086
Nolan County Hospital District	22,591,089	23.0%	5,202,728
Subtotal, Overlapping Debt			<u>13,284,258</u>
City of Sweetwater direct debt			<u>220,037</u>
Total direct and overlapping debt			<u><u>\$ 13,504,295</u></u>
Total direct and overlapping debt percent of assessed taxable value			3.0%
Total direct and overlapping debt per Capita			\$1,238

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

Notes:

- 1 Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residence and businesses of Sweetwater. This process recognizes that, when considering the City of Sweetwater's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.
- 2 The percentage of government unit's total property value located with the City's limits.
- 3 All of the City's bonded debt are for business-type activities of the self-supporting Waterworks and Sewer system therefore excluded from this schedule. 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 with in the City's limits.

CITY OF SWEETWATER, TEXAS

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

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 447,364,550
Debt limit ¹ (\$2.50 hundred dollar valuation)	11,184,114
Debt applicable to limit:	
Certificates of Obligation	1,668,021
Less: Amount set aside for repayment of certificate of obligation debt	<u>(848,974)</u>
Total net debt applicable to limit	<u>819,047</u>
 Legal debt margin	 <u>\$ 10,365,067</u>

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 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	\$ 11,184,114
Total net debt applicable to limit	<u>1,277,535</u>	<u>1,275,879</u>	<u>1,283,864</u>	<u>1,131,921</u>	<u>1,096,688</u>	<u>1,109,168</u>	<u>1,784,680</u>	<u>902,069</u>	<u>1,162,225</u>	<u>819,047</u>
Legal debt margin	<u>\$ 6,363,507</u>	<u>\$ 6,845,168</u>	<u>\$ 6,981,135</u>	<u>\$ 7,345,571</u>	<u>\$ 9,408,554</u>	<u>\$ 8,831,942</u>	<u>\$ 8,912,344</u>	<u>\$ 10,727,752</u>	<u>\$ 10,399,379</u>	<u>\$ 10,365,067</u>
 Total net debt applicable to limit as a percentage of debt limit	 16.7%	 15.7%	 15.5%	 13.4%	 10.4%	 11.2%	 16.7%	 7.8%	 10.1%	 7.3%

Notes:

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

CITY OF SWEETWATER, TEXAS

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

<u>Fiscal Year</u>	<u>Water Revenue Bonds</u>			<u>Debt Service (1)</u>		<u>Coverage</u>
	<u>Water and Sewer Revenue</u>	<u>Less: Operating Expenses</u>	<u>Net Available Revenue</u>	<u>Principal</u>	<u>Interest</u>	
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
2018	7,624,129	4,667,326	2,956,803	1,435,000	233,021	1.77

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
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%
2017	10,906	\$439,028,155	\$29,725	37.8	N/A	2,152	3.4%

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	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Sweetwater ISD	385	1	6.5%	441	1	5.9%
Ludlum Measurements	340	2	5.7%	370	2	4.9%
Rolling Plains Hospital	329	3	5.6%	251	3	3.3%
United States Gypsum	240	4	4.0%	210	5	2.8%
Wal-Mart	190	5	3.2%	250	4	3.3%
City of Sweetwater	140	6	2.4%	135	7	1.8%
Nolan County	113	7	1.9%	100	9	1.3%
Buzzi Unicem/Lone Star Cement	105	8	1.8%	110	8	1.5%
Texas State Technical College	104	9	1.8%	166	6	2.2%
Nine (Crest Pumping Technologies)	100	10	1.7%			N/A
MHMR	100	11	1.7%	100	10	1.3%
TA Travel Stop	97	12	1.6%			N/A
Total	2,243		37.9%	2,133		28.3%

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	3.20	3.00	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	0.50
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	23.00	24.00
Civilians	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00
Fire										
Firefighters and officers	14.50	14.00	14.00	14.00	14.00	14.00	15.00	16.00	16.00	15.00
Street and Signals	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	6.75
Animal Control	1.25	1.25	1.25	2.00	2.00	2.00	2.00	2.00	2.00	1.00
Parks and Recreation	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00	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	7.00	6.75	5.75	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.	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	4.75
Water										
Billing and Collections	2.50	2.50	2.50	2.50	2.50	2.50	2.70	2.50	2.50	3.00
Source of Supply	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Water Purification	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	5.20	4.95
Water Distribution	9.20	9.20	9.20	9.20	9.20	9.20	9.20	9.20	9.20	9.20
Wastewater Collection	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
Wastewater Treatment	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Emergency Medical Services										
Paramedic/Firefighters/Officers	9.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	11.00
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.20	1.00	1.00	1.00
Refuse										
Refuse Collection -Residential	5.75	5.75	5.75	5.75	5.75	5.75	5.85	5.75	5.75	5.75
Refuse Disposal	3.25	3.25	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.75
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	10.20	13.00	13.00	12.50
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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Code Enforcement										
Building permits issued	149	134	143	107	142	190	168	159	230	480
Violation notices mailed										
Weeds	281	261	204	88	249	432	312	392	287	257
Junk	99	99	52	63	51	56	53	37	28	17
Other	245	128	127	99	77	131	121	126	72	47
Identified substandard structures	85	30	36	33	30	19	41	8	7	10
Police										
Crimes against person	537	538	536	558	530	700	612	533	673	643
Crimes against property	904	791	799	846	815	1,200	1,056	1,137	1,383	1,037
Traffic citations	1,856	1,574	1,440	1,637	1,600	1,500	569	594	547	881
Request for service	23,234	22,572	22,642	23,298	22,500	24,000	21,928	23,453	19,876	22,579
Persons arrested	1,141	1,315	1,383	1,309	1,350	1,200	923	977	1,020	583
Fire										
Fire calls in city	326	360	378	486	444	368	352	345	391	388
Fire calls out of city	301	250	182	344	328	215	247	409	279	282
Animal Control										
Dogs and cats impounded	682	658	692	681	675	534	687	668	658	435
Citizen calls	1,598	1,861	1,831	1,033	1,750	2,567	3,170	4,159	4,278	3,125
Golf Course										
Number of rounds played	3,446	4,548	4,927	1,934	4,386	3,104	3,956	3,336	3,413	4,495
Number of memberships	197	68	57	150	52	57	60	56	50	53
Swimming Pool										
Number of daily admissions	8,910	9,584	9,045	9,305	8,742	6,505	6,569	7,510	7,201	6,851
Water										
Gallons pumped	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	775,375,601
Gallons treated	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	706,525,601
Average daily consumption	2.32MGD	2.20MGD	1.9MGD	2.4MGD	2.3MGD	2.3MGD	2.1MGD	1.9MGD	1.98MGD	1.93MGD
Peak Consumption	3.5MGD	2.88MGD	3.3MGD	3.6MGD	3.8MGD	3.5MGD	3.1MGD	2.8MGD	2.9MGD	2.7MGD
Average daily sewage treatment	1.0MGD	1.0MGD	1.1MGD	1.0MGD	1.0MGD	1.0MGD	1.0MGD	1.0MGD	1.0MGD	1.0MGD
Emergency Medical Service										
Ambulance calls within city	948	874	987	996	890	885	1,146	1,123	909	947
Ambulance calls total	2,227	2,031	2,348	2,109	2,057	2,316	2,244	2,218	2,057	1,945
Refuse										
Residential tons collected	6,349	6,338	6,048	5,348	6,058	5,583	5,933	5,825	5,775	5,454
Commercial ton collected	3,816	3,387	3,754	3,607	3,634	3,724	3,807	4,016	4,330	4,106

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	21	21	21	21	21	21	22	22	22	26
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Trucks	6	6	6	6	6	6	8	8	8	13
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	816	816	817	808	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	191	191	194	198	198	198
Fire hydrants	416	416	416	416	443	443	460	461	462	467
Storage capacity (MG)	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Sewage										
Sanitary sewers (miles)	116	116	116	116	123	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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated January 8, 2019.

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.

Cathrine Wilks CPA LLC

Sweetwater, Texas
January 8, 2019

CITY OF SWEETWATER, TEXAS

Schedule of Findings and Responses
For the Year Ended September 30, 2018

I. Summary of the Auditor's Results:

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

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

None

CITY OF SWEETWATER, TEXAS

Summary Schedule of Status of Prior Audit Findings
For the Year Ended September 30, 2018

There were no prior audit findings.