

CITY OF EVERMAN, TEXAS

**Annual Financial Report for the Year Ended
September 30, 2015**

**CITY OF EVERMAN, TEXAS
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS**

	<u>PAGE</u>
Principal Officials	1
 FINANCIAL SECTION	
Independent Auditor's Report	3
Management's Discussion and Analysis	5
 Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position - Enterprise Fund	19
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Fund	20
Statement of Cash Flows - Enterprise Fund	21
Notes to Financial Statements	22
 Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	46
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Economic Development Corporation Fund	47
Schedule of Changes in the Net Pension Liability and Related Ratios	48
Schedule of Employer Contributions and Related Ratios	49
 Supplemental Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	52
Statement of Revenues - Budget and Actual - General Fund	53
Statement of Expenditures - Budget and Actual - General Fund	54
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Crime Control and Prevention District Fund	56
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Street Improvement Fund	57
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	58
Statement of Expenses - Budget and Actual - Enterprise Fund	59

**CITY OF EVERMAN, TEXAS
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS**

	<u>PAGE</u>
Governmental Activities:	
Schedule of 2007 General Obligation Refunding Bonds Payable Debt Service Requirement in Future Years	60
Schedule of 2013 General Obligation Bonds Payable Debt Service Requirement in Future Years	61
Schedule of Capital Lease Payable - Canon Financial Debt Service Requirement in Future Years (Copier-City Hall)	62
Schedule of Capital Lease Payable - Konica Minolta Premier Finance Debt Service Requirement in Future Years (Copier-Police Department)	63
Business-Type Activities	
Schedule of 2007 General Obligation Refunding Bonds Payable Debt Service Requirement in Future Years	64
Schedule of Insurance Coverage	65
 OVERALL COMPLIANCE AND INTERNAL CONTROL 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 <i>Government Auditing Standards</i>	67
Schedule of Findings and Responses	69

**City of Everman, Texas
Principal Officials**

City Council

Ray Richardson, Mayor

Susan Mackey, Mayor Pro-Tem

Michelle McIntire, Council member

Kelly Denison, Council member

Johnnie Allen, Council member

Judy Sellers, Council member

Miriam Davila, Council member

Administrative

Michael Box, City Manager

Mindi Parks, City Secretary

Michael Gunderson, Finance Director

FINANCIAL SECTION



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
City of Everman, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we 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, we 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.

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

Opinions

In our 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, each major fund, and the aggregate remaining fund information of the City of Everman, Texas, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note K to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the City's net pension liability and related ratios, and the schedule of employer contributions and related ratios 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Everman, Texas' basic financial statements. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates 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 our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, on our consideration of the City of Everman's internal control over financial reporting and on our 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 our 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 of Everman's internal control over financial reporting and compliance.

Snow Garrett Williams

Snow Garrett Williams

February 29, 2016

CITY OF EVERMAN MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Everman's management's discussion and analysis (MD&A) provides an overview of the City's financial activities for the fiscal year ended September 30, 2015. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of fiscal year 2015 by \$7,031,680 (*net position*). Of this amount, \$1,517,788 is restricted for specific purposes and \$2,365,716 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. As required by GASB 34, net position also reflects \$3,148,176 that is net investment in capital assets.
- In contrast to the government-wide statements, the governmental fund statements report a combined fund balance at year-end of \$4,885,449 of which \$2,420,638 or 50% represents restricted fund balance and unassigned fund balance amounted to \$2,464,811 or 50%.
- The General Fund unassigned fund balance of \$2,464,811 equals 73% of total General Fund expenditures.
- The City's total debt decreased by \$389,875 during the current fiscal year primarily as a result of the regular scheduled annual debt service payments netted against changes in net pension liabilities and vacation payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

The Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private sector business. They present the financial picture of the City from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the City as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

The statement of net position presents information on all of the City'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 is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year using the full accrual basis of accounting. 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 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 that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include administrative, streets, parks and building maintenance, police, maintenance garage, emergency medical services, fire, community and activity centers, municipal court, code enforcement, library, and animal control. The business-type activity of the City is water and sewer operations. All governmental and business-type activities included in the government-wide financial statements are functions of the City (known as the primary government).

The government-wide financial statements can be found on pages 14 and 15 of this report.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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, 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 can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, however, 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 the City'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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains seven individual governmental funds, which includes four special revenue funds, one debt service fund, one capital project fund, and the General Fund. 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, Capital Project Fund and the Economic Development Corporation (EDC) Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for the general fund, special revenue funds, and the debt service fund. Budgetary comparison statements (original versus final) have been provided in this report to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 16 through 18 of this report.

Proprietary funds. Proprietary funds can be further classified into two different types of funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Everman uses an enterprise fund to account for its water and sewer operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City allocates costs directly to the operating department and accordingly does not account or report for any internal service funds.

The proprietary fund financial statements can be found on pages 19 through 21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that for proprietary funds.

The City of Everman does not hold any resources for the benefit of parties outside the City government and accordingly neither accounts nor reports for fiduciary funds.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Notes to the basic 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 on pages 22 through 44 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including budgetary comparison information and information concerning pension benefits. The required supplementary information can be found on pages 46 through 49 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, assets exceeded liabilities by \$7,031,680 as of September 30, 2015.

	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 5,362,858	\$ 5,383,742	\$ 347,953	\$ 331,637	\$ 5,710,811	\$ 5,715,379
Capital assets, net of depreciation	<u>3,615,343</u>	<u>3,944,400</u>	<u>2,098,020</u>	<u>1,923,296</u>	<u>5,713,363</u>	<u>5,867,696</u>
Total assets	<u>8,978,201</u>	<u>9,328,142</u>	<u>2,445,973</u>	<u>2,254,933</u>	<u>11,424,174</u>	<u>11,583,075</u>
Deferred outflows of resources	87,896	-	9,385	-	97,281	-
Long-term liabilities	3,408,795	3,323,770	618,365	673,424	4,027,160	3,997,194
Other liabilities	<u>193,403</u>	<u>188,373</u>	<u>269,212</u>	<u>246,955</u>	<u>462,615</u>	<u>435,328</u>
Total liabilities	<u>3,602,198</u>	<u>3,512,143</u>	<u>887,577</u>	<u>920,379</u>	<u>4,489,775</u>	<u>4,432,522</u>
Net position:						
Net Investment in						
Capital Assets	1,615,156	2,097,518	1,533,020	1,258,296	3,148,176	3,355,814
Restricted	1,517,788	962,608	-	-	1,517,788	962,608
Unrestricted	<u>2,330,955</u>	<u>2,755,873</u>	<u>34,761</u>	<u>76,258</u>	<u>2,365,716</u>	<u>2,832,131</u>
Total Net Position	<u>\$ 5,463,899</u>	<u>\$ 5,815,999</u>	<u>\$ 1,567,781</u>	<u>\$ 1,334,554</u>	<u>\$ 7,031,680</u>	<u>\$ 7,150,553</u>

Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$3,148,176. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 \$1,517,788 (or 22%) of the City's net position represents resources that are subject to external restrictions on how they may be used. All restricted net position of the City is being held for purposes established by state and local laws and debt service requirements on the City's outstanding debt. The remaining balance of unrestricted net position (\$2,365,716) may be used to meet the City's ongoing obligations to citizens and creditors.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The City's net position decreased increased by \$186,968 during the current fiscal year. The City's governmental activities decreased net position by \$78,119 which included transfers from the business-type activities of \$104,871. The total cost of all governmental activities this year was \$3,825,041. The amount that taxpayers paid for these activities through property taxes was \$1,570,995 or 41%.

City of Everman's Changes in Net Position

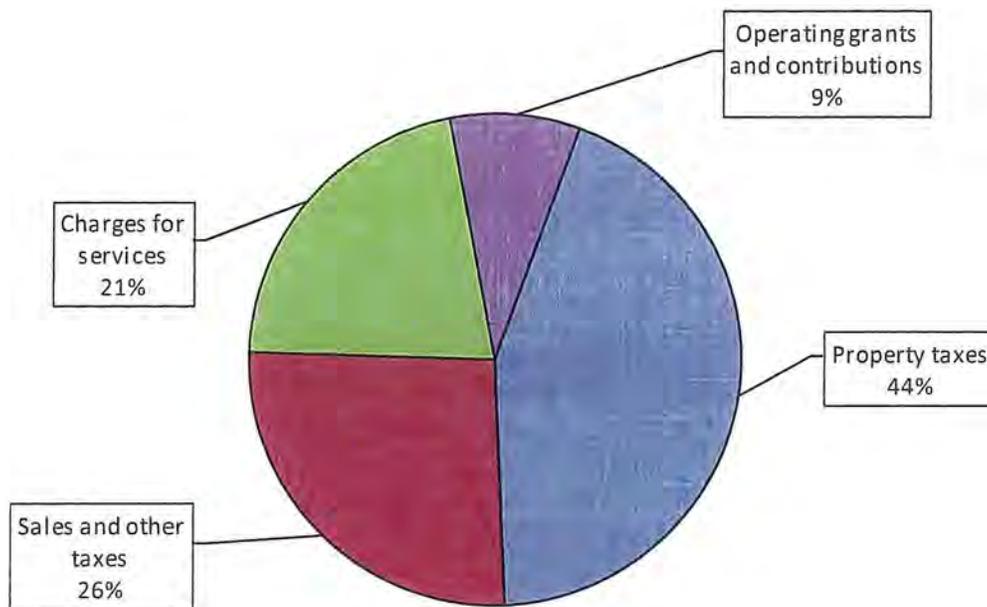
	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 772,573	\$ 908,176	\$ 1,498,167	\$ 1,424,518	\$ 2,270,740	\$ 2,332,694
Operating grants and contributions	307,925	244,023	-	-	307,925	244,023
Capital grants and contributions	-	-	130,000	-	130,000	-
General revenues:						
Property taxes	1,570,995	1,566,330	-	-	1,570,995	1,566,330
Sales and other taxes	940,704	1,000,944	-	-	940,704	1,000,944
Gain (loss) on disposal of assets	23,800	(1,333)	-	(171,554)	23,800	(172,887)
Other	26,054	13,862	121	347	26,175	14,209
Total revenues	<u>3,642,051</u>	<u>3,732,002</u>	<u>1,628,288</u>	<u>1,253,311</u>	<u>5,270,339</u>	<u>4,985,313</u>
Expenses:						
Administrative	753,331	782,651	-	-	753,331	782,651
Streets	556,916	572,688	-	-	556,916	572,688
Parks and building maintenance	161,553	92,923	-	-	161,553	92,923
Police	1,268,324	1,270,997	-	-	1,268,324	1,270,997
Maintenance garage	178,725	202,772	-	-	178,725	202,772
Emergency medical services	385,383	381,184	-	-	385,383	381,184
Fire	113,812	125,158	-	-	113,812	125,158
Community and activity centers	14,080	6,140	-	-	14,080	6,140
Municipal court	62,090	63,222	-	-	62,090	63,222
Code enforcement	75,278	75,640	-	-	75,278	75,640
Library	102,366	98,312	-	-	102,366	98,312
Animal control	72,620	58,143	-	-	72,620	58,143
Interest on long-term debt	80,563	107,038	-	-	80,563	107,038
Water	-	-	731,027	621,232	731,027	621,232
Sewer	-	-	527,303	567,539	527,303	567,539
Total expenses	<u>3,825,041</u>	<u>3,836,868</u>	<u>1,258,330</u>	<u>1,188,771</u>	<u>5,083,371</u>	<u>5,025,639</u>
Increase (decrease) in net position						
before transfers	(182,990)	(104,866)	369,958	64,540	186,968	(40,326)
Transfers	104,871	474,524	(104,871)	(474,524)	-	-
Change in net position	<u>(78,119)</u>	<u>369,658</u>	<u>265,087</u>	<u>(409,984)</u>	<u>186,968</u>	<u>(40,326)</u>
Net position, beginning of year	5,815,999	5,446,341	1,334,554	1,744,538	7,150,553	7,190,879
Prior period adjustment	(273,981)	-	(31,860)	-	(305,841)	-
Net position, beginning of year, restated	<u>5,542,018</u>	<u>5,446,341</u>	<u>1,302,694</u>	<u>1,744,538</u>	<u>6,844,712</u>	<u>7,190,879</u>
Net position, end of year	<u>\$ 5,463,899</u>	<u>\$ 5,815,999</u>	<u>\$ 1,567,781</u>	<u>\$ 1,334,554</u>	<u>\$ 7,031,680</u>	<u>\$ 7,150,553</u>

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Governmental activities. Governmental activities decreased the City of Everman's net position by \$78,119. Key elements of this decrease are as follows:

- Decrease in franchise tax revenue due to a decrease in Oncor and AT&T franchise payments received;
- Decrease in ambulance charges for services in the fiscal year; and
- Increase in park and building maintenance depreciation expense related to the park improvements put in service in the prior year.

Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$265,087. Key elements of this increase are as follows:

- Increase in both water and sewer charges for services;
- Decrease in transfers to the governmental activities; and
- Increase in capital grants and contributions.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The general government functions are reported in the General, Special Revenue, and Debt Service Funds. The focus of the City'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's annual financing and budgeting 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.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,885,449, a decrease of \$29,600 in comparison with the prior year. Approximately \$2,464,811 or 50% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been set aside to fund capital projects (\$922,892), economic development (\$902,474), tax increment financing (\$234), street improvements (\$420,659), crime control and prevention (\$118,384), debt service (\$16,957), LEOCE training and court related expenditures (\$30,789), and celebration expenditures (\$8,249).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$2,503,849, of which \$2,464,811 represented unassigned fund balance. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 73%, or slightly more than 266 days of total fund expenditures.

The fund balance of the City's general fund decreased by \$149,790 during the current fiscal year. Key factors in this decrease are as follows:

- Decrease in franchise tax revenues;
- Decrease in ambulance fees;
- Decrease in gas royalty revenues; and
- Increase in capital outlay expenditures.

The debt service fund has a fund balance of \$16,957. The net increase in fund balance during the current year in the debt service fund was \$230.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City did not approve any budget amendments to the original 2014-2015 general fund annual budget.

Comparing budget to actual amounts, the City exceeded the final budgeted revenue estimate by \$2,100, or 0.01%. The primary revenues that came in above estimated budget amounts were taxes and other revenues. Taxes were higher than expected due to the increase in sales tax and gross receipts tax revenue.

Total expenditures were 9.3% less than the final budgeted amounts. Actual expenditures were less than budgeted primarily due to less expenditures than expected in streets, police, administrative, and library.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The City's investment in total capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$5,713,363 (net of accumulated depreciation). The investment in capital assets related to governmental activities (\$3,615,343) includes land, construction in progress, infrastructure, buildings and improvements, machinery and equipment, and vehicles. The City's investment in capital assets related to business-type activities (\$2,098,020) includes land, water and sewer system, buildings and improvements, and machinery and equipment.

Major capital asset events during the current fiscal year include the following:

- Purchase of scuba gear equipment for the fire department;
- Purchase of vehicles for the maintenance garage and water and sewer departments;
- Purchase of a dump truck for the water and sewer department; and
- Improvements to streets and water system.

**City of Everman's Capital Assets
(net of depreciation)**

	Governmental Activities	Business-type Activities	Total
Land	\$ 215,274	\$ 53,425	\$ 268,699
Construction in progress	77,192	-	77,192
Buildings and improvements	1,856,121	-	1,856,121
Infrastructure	1,064,630	-	1,064,630
Water and sewer system	-	1,955,362	1,955,362
Machinery and equipment	137,772	89,233	227,005
Vehicles	264,354	-	264,354
	<u>\$ 3,615,343</u>	<u>\$ 2,098,020</u>	<u>\$ 5,713,363</u>
Total			

Additional information on the City's capital assets can be found in Note G on pages 31 and 32 of this report.

Long-term debt. At the end of the current fiscal year, the City of Everman had total debt outstanding of \$4,027,160. Of this amount, \$2,300,000 represents general obligation bonds secured by property tax collections, \$98,672 in unamortized bond premium related to the general obligation bonds, \$520,000 represents general obligation refunding bonds secured by property tax collections, and \$565,000 represents general obligation refunding bonds secured solely by revenue from the City's combined water and sewer system. In addition, the City had capital leases payable of \$4,407, vacation payable of \$60,691, and net pension liability of \$478,390.

**CITY OF EVERMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

City of Everman's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
General obligation refunding bonds	\$ 520,000	\$ 565,000	\$ 1,085,000
General obligation bonds	2,300,000	-	2,300,000
Unamortized bond premium	98,672	-	98,672
Capital lease agreements	4,407	-	4,407
Vacation payable	53,477	7,214	60,691
Net pension liability	432,239	46,151	478,390
Total	\$ 3,408,795	\$ 618,365	\$ 4,027,160

The City of Everman's total long-term debt decreased by an amount of \$389,875 (8.8%) during the current fiscal year. Debt related to governmental activities decreased by \$291,958 primarily as a result of scheduled debt service payments. Debt related to business-type activities decreased by \$97,917 primarily as a result of scheduled debt service payments. The City's bonds are rated "A-" by Standard and Poor's Corporation.

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2014-2015 was \$1.255205 per \$100 assessed valuation, of which \$.286496 was for annual debt service.

Additional information on the City's long-term debt can be found in Note H on pages 33 through 36 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and economic uses of the City's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

In preparing the City budget for fiscal year 2016, the City Council and management considered the following factors:

- Increase in property taxes due to an increase in assessed values; change is less than \$15,000;
- Increase in sales tax and right of way franchise fees; estimated at 5%;
- Decrease in ambulance service fees due to the removal of the charge on the water bill; \$196,000;
- Increase in salaries due to the approved 4.5% raises;
- Increase in health insurance expense for all departments; estimated increase is 10%;
- Increase in electric utilities for several departments; estimated at 3%;
- Increase in capital equipment for the maintenance, street, EMS, water, and fire departments;
- Increase in Street Improvement Project because of carry-over of work from 2015; \$575,000;
- The 2016 Expenditure Budget remains at the 2015 Budget level;
- The 2016 Revenue Budget is marginally higher than 2015.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the City Manager at 212 Race Street, Everman, Texas, 76140.

BASIC FINANCIAL STATEMENTS

CITY OF EVERMAN, TEXAS
Statement of Net Position
September 30, 2015

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,621,061	\$ 66,361	\$ 4,687,422
Receivables			
Taxes, net of allowance for uncollectibles	145,764	-	145,764
Accounts, net of allowances for uncollectibles	596,033	140,378	736,411
Prepaid expenses	-	-	-
Restricted assets			
Cash and cash equivalents	-	141,214	141,214
Capital assets			
Land and construction in progress	292,466	53,425	345,891
Other capital assets, net of depreciation	3,322,877	2,044,595	5,367,472
Total capital assets	<u>3,615,343</u>	<u>2,098,020</u>	<u>5,713,363</u>
Total assets	<u>8,978,201</u>	<u>2,445,973</u>	<u>11,424,174</u>
Deferred Outflows of Resources			
Deferred outflows of resources- pension	<u>87,896</u>	<u>9,385</u>	<u>97,281</u>
Liabilities			
Accounts payable and accrued expenses	167,394	122,469	289,863
Due to State	11,787	-	11,787
Interest payable	14,222	-	14,222
Payable from restricted assets			
Customer deposits	-	141,485	141,485
Accrued interest payable	-	5,258	5,258
Noncurrent liabilities			
Due within one year	336,265	112,214	448,479
Due in more than one year	3,072,530	506,151	3,578,681
Total liabilities	<u>3,602,198</u>	<u>887,577</u>	<u>4,489,775</u>
Net position			
Net investment in capital assets	1,615,156	1,533,020	3,148,176
Restricted for:			
Debt service	36,999	-	36,999
Economic development	902,474	-	902,474
Street improvement	420,659	-	420,659
Crime control and prevention district	118,384	-	118,384
Tax increment financing zone	234	-	234
Court security and technology	25,813	-	25,813
LEOCE training	4,976	-	4,976
Celebration and other donations	8,249	-	8,249
Unrestricted	<u>2,330,955</u>	<u>34,761</u>	<u>2,365,716</u>
Total net position	<u>\$ 5,463,899</u>	<u>\$ 1,567,781</u>	<u>\$ 7,031,680</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Governmental Activities							
Administrative	\$ 753,331	\$ 55,107	\$ 414	\$ -	\$ (697,810)	\$ -	\$ (697,810)
Streets	556,916	208,429	-	-	(348,487)	-	(348,487)
Parks and building maintenance	161,553	1,158	-	-	(160,395)	-	(160,395)
Police	1,268,324	-	163,169	-	(1,105,155)	-	(1,105,155)
Maintenance garage	178,725	-	-	-	(178,725)	-	(178,725)
Emergency medical services	385,383	348,182	44,322	-	7,121	-	7,121
Fire	113,812	-	100,000	-	(13,812)	-	(13,812)
Community and activity centers	14,080	-	-	-	(14,080)	-	(14,080)
Municipal court	62,090	91,917	-	-	29,827	-	29,827
Code enforcement	75,278	64,710	-	-	(10,568)	-	(10,568)
Library	102,366	1,633	-	-	(100,733)	-	(100,733)
Animal control	72,620	1,437	20	-	(71,163)	-	(71,163)
Interest on long-term debt	80,563	-	-	-	(80,563)	-	(80,563)
Total governmental activities	<u>3,825,041</u>	<u>772,573</u>	<u>307,925</u>	<u>-</u>	<u>(2,744,543)</u>	<u>-</u>	<u>(2,744,543)</u>
Business-type activities							
Water	731,027	806,145	-	130,000	-	205,118	205,118
Sewer	527,303	692,023	-	-	-	164,720	164,720
Total business-type activities	<u>1,258,330</u>	<u>1,498,167</u>	<u>-</u>	<u>130,000</u>	<u>-</u>	<u>369,837</u>	<u>369,837</u>
Total primary government	<u>\$ 5,083,371</u>	<u>\$ 2,270,740</u>	<u>\$ 307,925</u>	<u>\$ 130,000</u>	<u>(2,744,543)</u>	<u>369,837</u>	<u>(2,374,706)</u>
General revenues:							
Taxes							
Property					1,570,995	-	1,570,995
Sales tax					628,309	-	628,309
Mixed beverage tax					10,673	-	10,673
Franchise taxes					282,142	-	282,142
Bingo tax					19,580	-	19,580
Investment earnings					18,986	121	19,107
Gain on disposal of assets					23,800	-	23,800
Miscellaneous					7,068	-	7,068
Transfers					104,871	(104,871)	-
Total general revenues and transfers					<u>2,666,424</u>	<u>(104,750)</u>	<u>2,561,674</u>
Change in net position					(78,119)	265,087	186,968
Net position, beginning of year					<u>5,815,999</u>	<u>1,334,554</u>	<u>7,150,553</u>
Prior period adjustment					(273,981)	(31,860)	(305,841)
Net position, beginning of year, restated					<u>5,542,018</u>	<u>1,302,694</u>	<u>6,844,712</u>
Net position, end of year					<u>\$ 5,463,899</u>	<u>\$ 1,567,781</u>	<u>\$ 7,031,680</u>

CITY OF EVERMAN, TEXAS
Balance Sheet
Governmental Funds
September 30, 2015

	<u>General</u>	<u>Capital Project Fund</u>	<u>Economic Development Corporation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,556,247	\$ 933,815	\$ 576,943	\$ 554,056	\$ 4,621,061
Receivables					
Taxes, net of allowances for uncollectibles of \$79,076	99,165	-	14,379	32,220	145,764
Accounts, net of allowance for uncollectibles of \$967	24,460	-	-	-	24,460
Long-term note receivable	-	-	361,152	-	361,152
Total assets	<u>\$ 2,679,872</u>	<u>\$ 933,815</u>	<u>\$ 952,474</u>	<u>\$ 586,276</u>	<u>\$ 5,152,437</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued expenses	\$ 96,471	\$ 10,923	\$ 50,000	\$ 10,000	\$ 167,394
Due to State	11,787	-	-	-	11,787
Unearned revenue- property taxes	67,765	-	-	20,042	87,807
Total liabilities	<u>176,023</u>	<u>10,923</u>	<u>50,000</u>	<u>30,042</u>	<u>266,988</u>
Fund Balance					
Restricted for:					
Street improvement	-	-	-	420,659	420,659
Crime control and prevention district	-	-	-	118,384	118,384
Capital projects	-	922,892	-	-	922,892
Economic development	-	-	902,474	-	902,474
Tax increment financing zone	-	-	-	234	234
Debt service	-	-	-	16,957	16,957
LEOCE training	4,976	-	-	-	4,976
Security fees	13,585	-	-	-	13,585
Technology fees	12,228	-	-	-	12,228
Celebration and other donations	8,249	-	-	-	8,249
Unassigned	2,464,811	-	-	-	2,464,811
Total fund balance	<u>2,503,849</u>	<u>922,892</u>	<u>902,474</u>	<u>556,234</u>	<u>4,885,449</u>
Total liabilities and fund balance	<u>\$ 2,679,872</u>	<u>\$ 933,815</u>	<u>\$ 952,474</u>	<u>\$ 586,276</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					
					3,615,343
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.					
					87,896
Property tax receivables, net of allowances are not available to pay for current period expenditures and, therefore, are deferred in the funds.					
					87,807
Accounts receivable for ambulance services are not measurable and available in the current period and are not reported in the funds.					
					210,421
Some liabilities, including bonds, leases, interest, net pension liability and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds.					
					(3,423,017)
Net position of governmental activities - statement of net position					
					<u>\$ 5,463,899</u>

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2015

	General	Capital Project Fund	Economic Development Corporation	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,852,966	\$ -	\$ 160,977	\$ 496,689	\$ 2,510,632
Licenses, permits, and fees for services	433,407	-	-	-	433,407
Intergovernmental revenue	166,205	-	-	234	166,439
Donations	141,486	-	-	-	141,486
Fines and fees	288,792	-	-	-	288,792
Interest income	5,550	1,186	11,729	521	18,986
Other revenues	51,092	-	5,040	-	56,132
Administrative services - other funds	283,710	-	-	-	283,710
Total revenues	3,223,208	1,186	177,746	497,444	3,899,584
Expenditures					
Administrative	589,892	-	151,214	26,668	767,774
Streets	481,116	9,251	-	928	491,295
Parks and building maintenance	88,715	2,626	-	-	91,341
Police	1,211,009	-	-	-	1,211,009
Maintenance garage	171,364	-	-	-	171,364
Emergency medical services	356,336	-	-	-	356,336
Fire	46,239	-	-	-	46,239
Community and activity centers	14,080	-	-	-	14,080
Municipal court	61,251	-	-	-	61,251
Code enforcement	75,559	-	-	-	75,559
Library	88,011	-	-	-	88,011
Animal control	64,477	-	-	-	64,477
Capital outlay	121,336	270,632	-	84,558	476,526
Debt service	3,613	-	-	351,650	355,263
Total expenditures	3,372,998	282,509	151,214	463,804	4,270,525
Excess (deficiency) of revenues over (under) expenditures	(149,790)	(281,323)	26,532	33,640	(370,941)
Other financing sources and uses					
Gain on sale of assets	-	-	484,180	-	484,180
Transfers out	-	(142,839)	-	-	(142,839)
Total other financing sources and uses	-	(142,839)	484,180	-	341,341
Net change in fund balance	(149,790)	(424,162)	510,712	33,640	(29,600)
Fund balances, beginning of year	2,653,639	1,347,054	391,762	522,594	4,915,049
Fund balances, end of year	<u>\$ 2,503,849</u>	<u>\$ 922,892</u>	<u>\$ 902,474</u>	<u>\$ 556,234</u>	<u>\$ 4,885,449</u>

CITY OF EVERMAN, TEXAS
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the Fiscal Year Ended September 30, 2015

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

Net change in fund balances - total governmental funds \$ (29,600)

Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year.

Capital outlay	\$ 476,526	
Depreciation	<u>(345,205)</u>	131,321

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to decrease net position. (460,375)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property tax revenue	\$ 1,067	
Ambulance revenue	<u>1,310</u>	2,377

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Compensated absences	2,446	
Accrued interest	1,309	
Amortization of bond premium	<u>9,824</u>	13,579

Pension expense in the funds is recorded as contributions when made to the TMRS plan. Pension expense in governmental activities is recorded as the TMRS plan's pension expense. This is the effect between the two statements. 1,012

The issuance of long-term debt (e.g. bonds payable, notes payable, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments		
Bonds	\$ 260,000	
Notes	300	
Capital leases	<u>3,267</u>	<u>263,567</u>

Change in net position of governmental activities - statement of activities \$ (78,119)

The accompanying notes are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS
Statement of Net Position
Enterprise Fund
September 30, 2015

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 66,361
Receivables	
Accounts, net of allowance for uncollectibles of \$5,983	<u>140,378</u>
Total current assets	206,739
Restricted assets	
Cash and cash equivalents	141,214
Noncurrent assets	
Capital assets	
Land	53,425
Buildings and improvements	630,200
Waterworks and sewer system	4,181,344
Machinery and equipment	284,971
Accumulated depreciation	<u>(3,051,920)</u>
Total noncurrent assets	<u>2,098,020</u>
Total assets	<u>2,445,973</u>
Deferred Outflows of Resources	
Deferred outflows of resources- pension	<u>9,385</u>
LIABILITIES	
Current liabilities	
Payable from current assets	
Accounts payable and accrued expenses	122,469
Vacation payable	<u>7,214</u>
Total payable from current assets	129,683
Payable from restricted assets	
Current portion of bonds payable	105,000
Customer deposits	141,485
Accrued interest	<u>5,258</u>
Total payable from restricted assets	<u>251,743</u>
Total current liabilities	381,426
Noncurrent liabilities	
Net pension liability	46,151
Bonds payable	<u>460,000</u>
Total noncurrent liabilities	<u>506,151</u>
Total liabilities	<u>887,577</u>
NET POSITION	
Net investment in capital assets	1,533,020
Unrestricted	<u>34,761</u>
Total net position	<u>\$ 1,567,781</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenses and Changes in
Net Position - Enterprise Fund
For the Fiscal Year Ended September 30, 2015

	Water and Sewer Fund
Operating revenues	
Water and sewer sales	\$ 1,466,144
Other income	32,023
	1,498,167
Total operating revenues	
Operating expenses	
Water	595,777
Sewer	507,530
Administrative services - General Fund	247,710
Depreciation	131,960
	1,482,977
Total operating expenses	
Operating income	15,190
Non-operating revenues (expenses)	
Intergovernmental revenue	130,000
Interest revenue	121
Interest expense and fiscal charge	(23,063)
	107,058
Total non-operating revenues (expenses)	
Income before transfers	122,248
Transfers in	142,839
Change in net position	265,087
Net position, beginning of year	1,334,554
Prior period adjustment	(31,860)
Net position, beginning of year, restated	1,302,694
Net position, end of year	\$ 1,567,781

The accompanying notes are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended September 30, 2015

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,480,359
Cash paid to suppliers	(815,056)
Cash paid to employees	(257,689)
Cash paid to other funds	(247,710)
Net cash provided by operating activities	159,904
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(33,845)
Principal payments on long-term debt	(100,000)
Interest payments and fiscal charge	(23,063)
Increase in customer deposits	242
Net cash used in capital and related financing activities	(156,666)
Cash Flows from Investing Activities:	
Interest income	121
Net cash provided by investing activities	121
Net increase in cash and cash equivalents	3,359
Cash and cash equivalents at beginning of year	204,216
Cash and cash equivalents at end of year	\$ 207,575
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM THE STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 66,361
Restricted cash and cash equivalents	141,214
Total cash and cash equivalents	\$ 207,575
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 15,190
Adjustments to reconcile operating income to net cash used in operations:	
Depreciation	131,960
Provision for bad debt	4,851
Increase in:	
Accounts receivable	(17,808)
Accounts payable and accrued expenses	22,015
Deferred outflows of resources	1,613
Net pension liability	(1,722)
Accrued vacation	3,805
Net cash provided by operating activities	\$ 159,904
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets with -	
Intergovernmental revenue	\$ 130,000
Transfer from Capital Projects Fund	\$ 142,839
Total Non-Cash Capital asset acquisitions	\$ 272,839

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note A. Summary of Significant Accounting Policies

The accounting policies of the City of Everman, Texas conform to accounting principles generally accepted in the United States of America as applicable to governments, except where specifically noted. The following are the most significant policies.

Financial Reporting Entity

The financial statements of the City of Everman are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The financial statements of the City of Everman include all primary government organizations, for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

The following entities were found to be blended component units of the City for financial statement purposes because the component unit's governing body is substantially the same as the City Council or because the component unit exclusively serves the City.

Everman Crime Control and Prevention District – The City created the entity to provide supplemental funding to the police department in order to provide funding for law enforcement. Funding for the Crime Control and Prevention District is generated from .25% of sales tax. The governing body is currently made up of seven temporary Committee members all of whom were appointed by the City Council. There is a five-year sunset provision for this entity which was reinstated for an additional five years. The Crime Control and Prevention District provides all of its services to the City of Everman, Texas and upon its dissolution all assets shall be distributed to the City.

Everman Economic Development Corporation – The City created the Corporation for the purpose of projects and improvements that promote economic development within the City. There are seven directors, two of whom are members of the City Council and the remaining five members are residents of the City. All Board members are appointed by the City Council. The Corporation is authorized to sell bonds or other forms of indebtedness. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City of Everman, Texas. The Corporation provides all of its services to the City of Everman, Texas.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note A. Summary of Significant Accounting Policies (Continued)

Everman Tax Increment Financing Reinvestment Zone Number One (TIF) – The City created the TIF for the purpose of dedicating the increase in tax revenue generated within the TIF to provide funds for the necessary public infrastructure to encourage accelerated development in this area of the City. Project costs will be financed through loans advanced by developers or bonds which may be issued and utilize the tax increment funds to support debt service as those funds are available. The revenue sources include the real property taxes captured by the TIF, which accounts for 100% of revenues to fund project costs or bond debt service. According to the Finance Plan (Plan) approved by City Council, the City of Everman will contribute 75% of its M & O tax rate, Tarrant County will contribute 50% of its tax rate, and Tarrant Hospital District will contribute 50% of its tax rate on the incremental taxable value shown in the Plan. The TIF's board of director's consists of five board members, of which three members are appointed by the City of Everman's City Council, one member is appointed by the Tarrant County Commissioners Court, and one member is appointed by the Tarrant County Hospital District. The TIF was approved to exist for thirty years with the termination set in 2042 or the date when all project costs are paid and any debt is retired, whichever comes first.

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report, except for City fiduciary activity, information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 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 in program revenues are reported as general revenues. Separate financial statements are provided for governmental and proprietary funds. The General fund, Capital Project fund and the Economic Development Corporation fund meet criteria as *major governmental funds*. Each major fund is reported in a separate column in the fund financial statements. Non-major funds include the Crime Control and Prevention District, Street Improvement, Tax Increment Financing Zone, and Debt Service funds. The combined amounts for these funds are reflected in a single column in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Supplemental Information.

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 are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. 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. General revenues include all taxes, investment earnings, and various other revenues.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note A. Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The Capital Project Fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditures for the acquisition, repair or construction of various projects and acquisition of land, buildings, and equipment.

The Economic Development Corporation Fund is reported as a special revenue fund of the City and is utilized to account for the half-penny sales tax which can only be spent on projects and improvements that promote economic development activities within the City.

The City reports the following major proprietary funds:

The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to a private business enterprise - where the intent of the City is that the cost (expenses) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first day of September of each year and at least thirty days prior to adoption of a tax rate for the current fiscal year, the City Manager submits to the City Council a balanced budget for the ensuing fiscal year.
2. The City Council holds one or more public hearings on the proposed budget prior to the final adoption.
3. The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note A. Summary of Significant Accounting Policies (Continued)

5. Annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund are adopted on a basis consistent with generally accepted accounting principles.
6. Unused appropriations of the above annually budgeted funds lapse at the end of each fiscal year.
7. The City Council may authorize additional appropriations during the year.
8. Provisions are made in the annual budget and in the appropriation ordinance for a contingent reserve in an amount not more than three percent of the total budget, to be used in case of unforeseen items of expenditure. Such contingent reserve is under the control of the City Manager and distributed after approval of the City Council. Expenditures from this reserve are made only in case of established emergencies, and a detailed account of such expenditures is recorded and reported.

Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, sidewalks, curbs, and drainage systems) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$3,000 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	15 - 30 years
Infrastructure	20 years
Waterworks and Sewer Lines	20 - 35 years
Heavy Machinery	15 years
Transportation Vehicles	5 years
Office Equipment	5 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. On new certificates of obligations and bonds payable, premiums and discounts, are deferred and amortized over the life of the debt. Certificates of obligation and bonds payable are reported net of the applicable premium or discount. Issuance costs are recognized in the current period.

In the fund financial statements, governmental fund types recognized debt premiums and discounts, as well as issuance costs during the current period. The face amount of the debt issued is reported as other financial sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note A. Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has deferred outflows of resources related to the pension plan. See additional information in Note K.

In addition to liabilities, the statement of financial position includes 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City does not have any of this type of item.

Fund Balance

The City adopted a fund balance policy in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors or laws and regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted or committed. Assignments are made by the City's Finance Director.

For the classification of the governmental fund balances, the City considers an expenditure to be made from the most restrictive classification first when more than one classification is available.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets—This category consists of all capital assets net of accumulated depreciation and reduced by outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted net position—This category consists of external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted net position—This category represents net position, not restricted for any project or other purpose.

When both restricted and unrestricted net position are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Concentration of Credit Risk

The City has property taxes receivable from residents and businesses all of whom are located in the City. Also, the City has utility charges receivable from residents and businesses located in the City and surrounding areas.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note A. Summary of Significant Accounting Policies (Continued)

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the City's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation insurance. These are self-sustaining risk pools operated on a statewide basis for the benefit of several hundred Texas cities and other public entities. The City pays annual premiums to the TMLIRP, which retains risk of loss up to \$1,000,000 for property and liability insurance and up to \$1,500,000 for workers' compensation and obtains independent coverage for losses in excess of these amounts. The City retains no risk except for deductible amounts ranging from \$500 to \$10,000.

There have been no significant reductions in coverage in the past fiscal year and there have been no settlements exceeding insurance coverage in the current year or the past three fiscal years.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B. Reconciliation of Government-wide and Fund financial statements

The following is an explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position:

The governmental fund balance sheet includes a reconciliation between fund balance for total governmental funds and net position as reported in the government-wide statement of net position. One element of that reconciliation explains "some liabilities, including bonds, leases, interest, net pension liability, and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$3,423,017 difference are as follows:

General obligation refunding bonds	\$ (520,000)
General obligation bonds	(2,300,000)
Unamortized bond premium	(98,672)
Capital leases payable	(4,407)
Accrued interest payable	(14,222)
Net pension liability	(432,239)
Vacation payable	<u>(53,477)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (3,423,017)</u></u>

Note C. Deposits, Securities, and Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of liquidity to meet the City's obligations and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note C. Deposits, Securities, and Investments (Continued)

The City's deposits and investments are invested pursuant to the Investment Policy. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition it includes an "Investment Strategy" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, low credit risk, diversification and management of maturities.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States or its agencies and instrumentalities, excluding mortgage-backed securities;
2. Direct obligations of the State of Texas, or its agencies and instrumentalities;
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or respective agencies and instrumentalities, excluding mortgage-related securities;
4. Collateralized Certificates of Deposit issued by the State and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or as further described in the Investment policy;
5. Eligible Local Government Investment Pools;
6. Repurchase agreements, reverse repurchase agreements, bankers' acceptances and commercial paper that are described in more detail in the Investment policy; and
7. Regulated No-Load Money Market Mutual Funds.

The City invests in the Local Government Investment Cooperative ("LOGIC"), which is a local government investment pool, organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member Board of Directors comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of LOGIC. The Co-Administrators of the day to day administration of LOGIC are First Southwest Company and J.P. Morgan Investment Management, Inc. LOGIC is rated at a AAAM or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

As of September 30, 2015, the City had the following investments included in cash and cash equivalents:

	Weighted Average Maturity	Market Value	% of Total
LOGIC Investment Pool	231 days	\$3,643,501	78.46%
Certificates of Deposit		<u>\$1,000,000</u>	<u>21.54%</u>
Total Investments		\$4,643,501	100.00%

Interest Rate Risk – Investments are exposed to interest rate risk if there are changes in market interest rates that will adversely affect the fair value of an investment. As of September 30, 2015, the City's investments included investment pools and certificates of deposit, and therefore were not exposed to interest rate risk.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note C. Deposits, Securities, and Investments (Continued)

Credit Risk – State statute requires that investments in Local Government Investment Pools be rated AAA or the equivalent by a nationally recognized credit rating agency. As of September 30, 2015, the LOGIC investment pool was rated AAAM by Standard & Poor's.

Concentration of Credit Risk – In accordance with the City's Investment policy, the City limits their exposure of concentration of credit risk by restricting investments in the following investment instruments:

	Maximum Percentage of Portfolio
U.S. Treasury Obligations	100%
U.S. Government Agency Securities and Instrumentalities of Government-Sponsored Corporations	80%
Authorized Local Government Investment Pools	100%
Fully Collateralized Certificates of Deposit	50%
Fully Collateralized Repurchase Agreements	10%
SEC-Regulated No-Load Money Market Mutual Funds	50%

As of September 30, 2015, 78.46% of the City's portfolio was invested in Local Government Investment Pools and 21.54% of the City's portfolio was invested in certificates of deposit.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. At September 30, 2015, the City's cash and cash equivalents were insured or collateralized with securities held by the City or by its agent in the City's name.

Note D. Local Tax Revenues and Receivables

Ad valorem taxes are levied each October 1 from valuations assessed as of the prior January 1 and are recognized as revenue when they become available beginning on the date of levy, October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year end are recorded as deferred inflows of resources and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as deferred inflows of resources and recognized as revenue of the period to which they apply.

Note E. Restricted Assets

Restricted assets in the Enterprise Fund of \$141,214 are held for customers' meter deposits.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note F. Interfund Activity

The General Fund charges the Enterprise Fund for street repairs provided by the street department. In addition, the General Fund charges the Enterprise Fund, the Economic Development Corporation, Crime Control and Prevention District Fund, and the Street Improvement Fund an administrative fee for certain general and administrative services provided to such funds.

These interfund transactions for the fiscal year ended September 30, 2015 are as follows:

Administrative overhead reimbursement from Enterprise Fund	\$ 247,710
Administrative overhead reimbursement	
from Street Improvement Fund	12,000
from Economic Development Corporation (EDC) Fund	12,000
from Crime Control and Prevention District Fund	<u>12,000</u>
Total transfers to General Fund	283,710
Capital asset addition from Capital Projects Fund to Enterprise Fund	<u>(142,839)</u>
Total interfund transfers	<u><u>\$ 140,871</u></u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note G. Capital Assets

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

	Balance 9/30/2014	Additions/ Adjustments	Disposals/ Adjustments	Balance 9/30/2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 200,274	\$ 15,000	\$ -	\$ 215,274
Construction in progress	33,140	77,192	33,140	77,192
Total capital assets not being depreciated	233,414	92,192	33,140	292,466
Other capital assets				
Buildings and improvements	4,048,220	33,764	478,224	3,603,760
Infrastructure	1,306,812	301,498	-	1,608,310
Machinery and equipment	620,930	77,721	-	698,651
Vehicles	1,565,661	55,491	97,025	1,524,127
Total other capital assets	7,541,623	468,474	575,249	7,434,848
Less accumulated depreciation for:				
Building and improvements	1,609,833	143,121	5,314	1,747,640
Infrastructure	479,682	63,998	-	543,680
Machinery and equipment	532,137	28,741	-	560,878
Vehicles	1,208,985	144,614	93,826	1,259,773
Total accumulated depreciation	3,830,637	380,474	99,140	4,111,971
Other capital assets, net	3,710,986	88,000	476,109	3,322,877
Governmental activities capital assets, net	<u>\$ 3,944,400</u>	<u>\$ 180,192</u>	<u>\$ 509,249</u>	<u>\$ 3,615,343</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note G. Capital Assets (Continued)

	<u>Balance 9/30/2014</u>	<u>Additions/ Adjustments</u>	<u>Disposals/ Adjustments</u>	<u>Balance 9/30/2015</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 53,425	\$ -	\$ -	\$ 53,425
Total capital assets not being depreciated	<u>53,425</u>	<u>-</u>	<u>-</u>	<u>53,425</u>
Other capital assets				
Buildings and improvements	630,200	-	-	630,200
Water and sewer system	3,943,525	237,819	-	4,181,344
Machinery and equipment	<u>252,106</u>	<u>68,865</u>	<u>36,000</u>	<u>284,971</u>
Total other capital assets	4,825,831	306,684	36,000	5,096,515
Less accumulated depreciation for:				
Building and improvements	630,200	-	-	630,200
Water and sewer system	2,103,945	122,037	-	2,225,982
Machinery and equipment	<u>221,815</u>	<u>9,923</u>	<u>36,000</u>	<u>195,738</u>
Total accumulated depreciation	2,955,960	131,960	36,000	3,051,920
Other capital assets, net	<u>1,869,871</u>	<u>174,724</u>	<u>-</u>	<u>2,044,595</u>
Business-type activities capital assets, net	<u>\$ 1,923,296</u>	<u>\$ 174,724</u>	<u>\$ -</u>	<u>\$ 2,098,020</u>

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

Governmental activities:

Administrative	\$ 17,361
Streets	66,334
Parks and building maintenance	70,204
Police	63,285
Maintenance garage	7,293
Emergency medical services	31,234
Fire	67,573
Library	14,355
Animal control	7,566
Total Governmental activities	<u>\$ 345,205</u>

Business-type activities:

Water	\$ 123,718
Sewer	8,242
Total Business-type activities	<u>\$ 131,960</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note H. Long-Term Debt

Long-term debt of the City consists of bonds payable and long-term capital leases. Retirement of the governmental funds debt is provided from the debt service tax together with interest earned within the Debt Service fund. Retirement of the enterprise fund debt is provided from the revenue of the system. Long-term debt at September 30, 2015 consists of the following:

Governmental activities

General Obligation Bonds

- Series 2013 General Obligation Bonds.
- To acquire, repair and construct permanent public improvements, including streets and parks.
- Original balance of \$2,475,000.
- Payable in annual installments of \$75,000 to \$165,000, maturing February 1, 2033.
- Interest payable February 1 and August 1 at 2.00% to 3.50%.
- Outstanding balance of \$2,300,000 at September 30, 2015.

General Obligation Refunding Bonds

- Series 2007 General Obligation Refunding Bonds.
- To refund the 1998 Certificates of Obligation and part of the 2000 Certificates of Obligation.
- Original balance of \$1,560,000.
- Payable in annual installments of \$35,000 to \$180,000, maturing February 1, 2018.
- Interest payable February 1 and August 1 at 3.75%.
- Outstanding balance of \$520,000 at September 30, 2015.

Capital Lease Arrangements

Canon Financial

- To purchase a copier for city hall.
- Principal price of \$9,551.
- Payable in monthly installments of \$180 over five years.
- Outstanding balance of \$1,931 at September 30, 2015, bearing interest at 5.00%.

Konica Minolta Premier Finance

- To purchase a copier for police department.
- Principal price of \$6,253.
- Payable in monthly installments of \$118 over five years.
- Outstanding balance of \$2,476 at September 30, 2015, bearing interest at 5.00%.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note H. Long-Term Debt (Continued)

The following is an analysis of equipment leased under a capital lease as of September 30, 2015:

	Governmental Activities
Equipment	\$ 15,804
Less accumulated depreciation	(11,760)
	\$ 4,044

Future minimum lease payments for the above capital leases are as follows:

Scheduled future minimum lease payments	\$ 4,576
Less amount representing interest	(169)
Present value of future minimum capital lease payments (principal payoff)	\$ 4,407

Business-type activities

General Obligation Refunding Bonds

- Series 2007 General Obligation Refunding Bonds.
- To refund the 1998 Certificates of Obligation and part of the 2000 Certificates of Obligation.
- Original balance of \$1,010,000.
- Payable in annual installments of \$10,000 to \$120,000, maturing February 1, 2020.
- Interest payable February 1 and August 1 at 3.75%.
- Outstanding balance of \$565,000 at September 30, 2015.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note H. Long-Term Debt (Continued)

The following is a summary of the changes by type of debt for the year ended September 30, 2015:

	Restated Balance 9/30/2014	Additions	Retirements	Balance 9/30/2015	Due Within One Year
<u>Governmental activities</u>					
General Obligation Refunding Bonds	\$ 680,000	\$ -	\$ 160,000	\$ 520,000	\$ 170,000
General Obligation Bonds	2,400,000	-	100,000	2,300,000	100,000
Unamortized Bond Premium	108,496	-	9,824	98,672	9,535
Notes Payable	300	-	300	-	-
Capital Leases	7,674	-	3,267	4,407	3,253
Vacation Payable	55,923	51,898	54,344	53,477	53,477
Net Pension Liability (Note R)	448,360	119,526	135,647	432,239	-
Total Governmental activities	<u>3,700,753</u>	<u>171,424</u>	<u>463,382</u>	<u>3,408,795</u>	<u>336,265</u>
<u>Business-type activities</u>					
General Obligation Refunding Bonds	665,000	-	100,000	565,000	105,000
Vacation Payable	3,409	6,867	3,062	7,214	7,214
Net Pension Liability (Note R)	47,873	12,762	14,484	46,151	-
Total Business-type activities	<u>716,282</u>	<u>19,629</u>	<u>117,546</u>	<u>618,365</u>	<u>112,214</u>
Totals	<u>\$4,417,035</u>	<u>\$ 191,053</u>	<u>\$ 580,928</u>	<u>\$4,027,160</u>	<u>\$ 448,479</u>

The annual requirements to amortize long-term debt as of September 30, 2015 are as follows:

Governmental activities

Fiscal Year Ending	General Obligation Refunding Bond		General Obligation Bond		Capital Leases		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2016	\$170,000	\$ 16,313	\$ 100,000	\$ 66,750	\$ 3,253	\$ 142	\$ 356,458
2017	170,000	9,938	100,000	64,750	1,154	27	345,869
2018	180,000	3,375	105,000	62,700	-	-	351,075
2019	-	-	105,000	60,600	-	-	165,600
2020	-	-	110,000	57,900	-	-	167,900
2021-2025	-	-	600,000	237,150	-	-	837,150
2026-2030	-	-	700,000	134,675	-	-	834,675
2031-2035	-	-	480,000	21,900	-	-	501,900
Total	<u>\$520,000</u>	<u>\$ 29,626</u>	<u>\$2,300,000</u>	<u>\$ 706,425</u>	<u>\$ 4,407</u>	<u>\$ 169</u>	<u>\$3,560,627</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note H. Long-Term Debt (Continued)

Business-type activities

Fiscal Year Ending	General Obligation Refunding Bond		Total
	Principal	Interest	
2016	\$ 105,000	\$ 19,219	\$ 124,219
2017	115,000	15,094	130,094
2018	115,000	10,782	125,782
2019	110,000	6,563	116,563
2020	120,000	2,250	122,250
Total	<u>\$ 565,000</u>	<u>\$ 53,908</u>	<u>\$ 618,908</u>

Note I. Accumulated Unpaid Vacation and Sick Leave

Sick leave is recorded when paid because employees are not compensated for unused sick leave. Vacation is earned in varying amounts. Unused vacation leave is carried forward from one year to the next up to certain limits. The City has accrued for the estimated liability for compensated absences in the governmental and business-type activities in the government-wide financial statements and in the proprietary fund financial statements. The City's aggregate liability for accrued vacation payable as of September 30, 2015 was \$60,691.

Note J. Restricted Net Position

The government-wide statement of net position reports \$1,517,788 of restricted net position, of which \$1,441,751 is restricted by enabling legislation for the following:

Economic development	\$ 902,474
Street improvements	420,659
Crime control and prevention district	118,384
Tax increment financing zone	<u>234</u>
Total	<u>\$ 1,441,751</u>

Note K. Defined Benefit Pension Plan

Plan Description

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

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

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note K. Defined Benefit Pension Plan (Continued)

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. Plan provisions for the City are as follows:

Employee deposit rate	5.00%
Matching ratio (city to employee)	2 to 1
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

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.

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	32
Active employees	<u>50</u>
 Total	 <u><u>101</u></u>

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 were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 8.93% and 8.59% in calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015 were \$151,299, and were equal to the required contributions.

Net Pension Liability

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

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note K. Defined Benefit Pension Plan (Continued)

Actuarial assumptions:

The TPL in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2014 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period. There were no changes between the measurement date of the NPL and the City's reporting date that are expected to have a significant effect on the NPL.

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

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

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note K. Defined Benefit Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	17.50%	4.80%
International Equity	17.50%	6.05%
Core Fixed Income	30.00%	1.50%
Non-Core Fixed Income	10.00%	3.50%
Real Return	5.00%	1.75%
Real Estate	10.00%	5.25%
Absolute Return	5.00%	4.25%
Private Equity	5.00%	8.50%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be 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 EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note K. Defined Benefit Pension Plan (Continued)

Changes in the NPL	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 5,212,243	\$ 4,716,010	\$ 496,233
Changes for the year:			
Service cost	149,731	-	149,731
Interest	359,272	-	359,272
Change of benefit terms	-	-	-
Difference between expected and actual experience	(25,895)	-	(25,895)
Changes of assumptions	-	-	-
Contributions - employer	-	150,131	(150,131)
Contributions - employee	-	84,060	(84,060)
Net investment income	-	269,809	(269,809)
Benefit payments, including refunds of employee contributions	(309,317)	(309,317)	-
Administrative expense	-	(2,817)	2,817
Other Changes	-	(232)	232
Net Changes	<u>173,791</u>	<u>191,634</u>	<u>(17,843)</u>
Balance at 12/31/2014	<u>\$ 5,386,034</u>	<u>\$ 4,907,644</u>	<u>\$ 478,390</u>

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate (6.0%)	Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's NPL	\$ 1,211,447	\$ 478,390	\$ (121,832)

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note K. Defined Benefit Pension Plan (Continued)

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.thrs.com. The City's plan's fiduciary net position has been determined on the same basis as that used by TMRS. The TMRS plan is reported on the accrual basis of accounting. Benefits are recorded when payable in accordance with TMRS's plan terms. Refunds are recorded and paid upon receipt of an approved application for refund. Investments are reported at fair value.

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

For the year ended September 30, 2015, the City recognized pension expense of \$102,070.

At September 30, 2015, 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 economic experience	\$ (18,032)	\$ -
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	48,250	-
Contributions subsequent to the measurement date	67,063	-
Total	\$ 97,281	\$ -

The net amounts of the City's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30th:		
2016	\$	71,262
2017		4,199
2018		9,756
2019		12,064
2020		-
Total	\$	97,281

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note L. Other Postemployment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). TMRS issues a publicly available comprehensive annual financial report (CAFR) that includes the Pension Trust Fund and the Supplemental Death Benefits Fund that can be obtained at www.tmr.com. 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.

Contributions

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 one-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 term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended September 30, 2015, 2014, and 2013 were \$3,343, \$3,762, and \$3,619, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates:
 (RETIREE - only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution Rate	Actual Contribution Rate	Percentage of ARC Contributed
2013	0.02%	0.02%	100.00%
2014	0.03%	0.03%	100.00%
2015	0.03%	0.03%	100.00%

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note M. Commitments

The City has a contract with the City of Fort Worth, Texas, for the purchase of treated water and sewage treatment. The contract for water, dated, December 2, 2010 for a 20 year period, is used to supplement the water wells operated by the City. The contract for sewer is dated May 8, 1987 for a 30 year period. Charges are incurred when actual delivery occurs and the rates are adjusted periodically. For the fiscal year ended September 30, 2015, the City's expenses in Water and Sewer Fund for water and sewer treatment were \$20,591 and \$503,726, respectively.

Note N. Expenditures Exceeding Budget

For the year ended September 30, 2015, total expenditures exceeded final amended budget for the Crime Control and Prevention District Fund by \$7,528.

Note O. Everman Economic Development Corporation

In October 1999, the Everman Economic Development Corporation was created, upon approval of the voters of a half-penny sales and use tax, pursuant to Section 4B of the Development Corporation Act of 1979, as amended, Article 5190.6, Vernon's Texas Civil Statutes. The City maintains all accounting records for the Corporation. The Corporation is considered to be a component unit of the City of Everman and is treated as a special revenue fund of the City. The expenditures of the half-penny sales tax can only be spent on projects and improvements that promote economic development activities within the City of Everman.

Note P. Everman Crime Control and Prevention District

In May 2002, the Everman Crime Control and Prevention District was created, upon approval of the voters of a quarter-penny sales and use tax. The City maintains all accounting records for the District. The District is considered to be a component unit of the City of Everman and is treated as a special revenue fund of the City. The expenditures of the quarter-penny sales tax can only be used to provide supplemental funding to the police department in order to provide funding for law enforcement.

Note Q. Everman Tax Increment Financing Reinvestment Zone Number One (TIF)

In January 2014, the Everman Tax Increment Financing Reinvestment Zone Number One (TIF) was created, upon approval by City Council with the creation of a reinvestment zone, as authorized by the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code, Vernon's Texas Codes Annotated. The City maintains all accounting records for the TIF. The TIF is considered to be a component unit of the City of Everman and is treated as a special revenue fund of the City. The revenue from the real property taxes captured by the TIF are to be used to fund public improvement project costs within the TIF as specified in the Financing Plan.

Note R. Prior Period Adjustment

In the year of implementation of GASB Statement No. 68, as amended by GASB Statement No. 71, a restatement to beginning net position will be required for the recording of the beginning net pension assets and for the recording of deferred outflows of resources for contributions made after the measurement date of the beginning net pension assets and the beginning of the reporting entity's fiscal year.

Beginning net positions as of October 1, 2014 have been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2015

Note R. Prior Period Adjustment (Continued)

	Governmental Activities	Water and Sewer
Beginning net position	\$ 5,815,999	\$ 1,334,554
Prior period adjustment - implementation of GASB No. 68:		
Net pension liability (measurement date as of December 31, 2014)	(448,360)	(47,873)
Deferred outflows - City contributions made during fiscal year 2014	103,002	10,998
Removal of net pension obligation	71,377	5,015
Total prior period adjustment	(273,981)	(31,860)
Beginning net position, as restated	\$ 5,542,018	\$ 1,302,694

**REQUIRED SUPPLEMENTAL
INFORMATION**

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
General Fund
For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 1,769,517	\$ 1,769,517	\$ 1,852,966	\$ 83,449
Licenses, permits, and fees for services	443,450	443,450	433,407	(10,043)
Intergovernmental revenue	153,537	153,537	166,205	12,668
Donations	120,000	120,000	141,486	21,486
Fines and fees	154,900	154,900	288,792	133,892
Interest income	2,100	2,100	5,550	3,450
Other revenues	14,250	14,250	51,092	36,842
Administrative services - Other Funds	563,354	563,354	283,710	(279,644)
Total revenues	<u>3,221,108</u>	<u>3,221,108</u>	<u>3,223,208</u>	<u>2,100</u>
Expenditures				
Administrative	647,762	647,762	589,892	57,870
Streets	627,785	627,785	481,116	146,669
Parks and building maintenance	91,856	91,856	88,715	3,141
Police	1,307,337	1,307,337	1,211,009	96,328
Maintenance garage	200,638	200,638	171,364	29,274
Emergency medical services	381,937	381,937	356,336	25,601
Fire	66,730	66,730	46,239	20,491
Community and activity centers	32,720	32,720	14,080	18,640
Municipal court	68,860	68,860	61,251	7,609
Code enforcement	91,843	91,843	75,559	16,284
Library	116,235	116,235	88,011	28,224
Animal control	70,998	70,998	64,477	6,521
Capital outlay	14,040	14,040	121,336	(107,296)
Debt service	1,550	1,550	3,613	(2,063)
Total expenditures	<u>3,720,291</u>	<u>3,720,291</u>	<u>3,372,998</u>	<u>347,293</u>
Net change in fund balance	<u>(499,183)</u>	<u>(499,183)</u>	<u>(149,790)</u>	<u>\$ 349,393</u>
Fund balances, beginning of year	<u>2,653,639</u>	<u>2,653,639</u>	<u>2,653,639</u>	
Fund balances, end of year	<u>\$ 2,154,456</u>	<u>\$ 2,154,456</u>	<u>\$ 2,503,849</u>	

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Economic Development Corporation Fund
For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Sales tax	\$ 128,000	\$ 128,000	\$ 160,977	\$ 32,977
Interest income	700	700	11,729	11,029
Other income	-	-	5,040	5,040
Total revenues	128,700	128,700	177,746	49,046
Expenditures				
Administrative	153,450	153,450	151,214	2,236
Total expenditures	153,450	153,450	151,214	2,236
Excess (deficiency) of revenues over (under) expenditures	(24,750)	(24,750)	26,532	51,282
Other financing sources				
Gain on sale of assets	42,877	42,877	484,180	441,303
Net change in fund balance	18,127	18,127	510,712	<u>\$ 492,585</u>
Fund balances, beginning of year	391,762	391,762	391,762	
Fund balances, end of year	\$ 409,889	\$ 409,889	\$ 902,474	

CITY OF EVERMAN
Schedule of Changes in the Net Pension Liability and Related Ratios

Measurement Date - December 31st:	2014
Total Pension Liability (a)	
Beginning Balance	\$5,212,243
Service cost	149,731
Interest	359,272
Difference between expected and actual experience	(25,895)
Benefit payments, including refunds of employee contributions	<u>(309,317)</u>
End of Year Balance	<u>\$5,386,034</u>
Plan Fiduciary Net Position (b)	
Beginning Balance	\$4,716,010
Contributions - employer	150,131
Contributions - employee	84,060
Net investment income	269,809
Benefit payments, including refunds of employee contributions	(309,317)
Administrative expense	(2,817)
Other changes	<u>(232)</u>
End of Year Balance	<u>\$4,907,644</u>
Net Pension Liability (a) - (b)	
Beginning Balance	\$496,233
Service cost	149,731
Interest	359,272
Difference between expected and actual experience	(25,895)
Contributions - employer	(150,131)
Contributions - employee	(84,060)
Net investment income	(269,809)
Administrative expense	2,817
Other changes	<u>232</u>
End of Year Balance	<u>\$478,390</u>
Plan's fiduciary net position as a percentage of the total pension liability	91.12%
Covered-employee payroll	\$1,681,201
Net pension liability as a percentage of covered-employee payroll	28.46%

* The amounts presented above are as of the measurement date of the collective net pension asset (liability).

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF EVERMAN
Schedule of Employer Contributions and Related Ratios

Year Ended September 30th:	2015
The City's actuarially determined contribution	\$151,299
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	151,299
The difference between the City's actuarially determined contribution and the amount of contributions recognized by the plan in relation to the City's actuarially determined contribution	\$0
 Covered-employee payroll	 \$1,745,348
 The amount of contributions recognized by the plan in relation to the City's actuarially determined contribution as a percentage of covered-payroll	 8.67%

Notes to Schedule of Contributions

- 1) The amounts presented above are as of the City's fiscal year-end.
- 2) Actuarially determined contribution rates are calculated as of December 31 and become effective in January - 13 months later.
- 3) *Methods and Assumptions Used to Determine Contribution Rates:*

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
 Mortality	 RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
- 4) There were no benefit changes during the year.
- 5) Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SUPPLEMENTAL INFORMATION

CITY OF EVERMAN, TEXAS
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2015

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Crime Control and Prevention District	Street Improvement Fund	Tax Increment Financing Zone	Debt Service Fund	
Assets					
Cash and cash equivalents	\$ 113,396	\$ 423,469	\$ 234	\$ 16,957	\$ 554,056
Taxes receivable, net of allowances for uncollectibles of \$18,049	4,988	7,190	-	20,042	32,220
Total assets	<u>\$ 118,384</u>	<u>\$ 430,659</u>	<u>\$ 234</u>	<u>\$ 36,999</u>	<u>\$ 586,276</u>
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ -	\$ 10,000	\$ -	\$ -	\$ 10,000
Unearned revenue- property taxes	-	-	-	20,042	20,042
Total liabilities	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>20,042</u>	<u>30,042</u>
Fund balances					
Restricted for:					
Street improvement	-	420,659	-	-	420,659
Crime control and prevention district	118,384	-	-	-	118,384
Tax increment financing zone	-	-	234	-	234
Debt service	-	-	-	16,957	16,957
Total fund balances	<u>118,384</u>	<u>420,659</u>	<u>234</u>	<u>16,957</u>	<u>556,234</u>
Total liabilities and fund balances	<u>\$ 118,384</u>	<u>\$ 430,659</u>	<u>\$ 234</u>	<u>\$ 36,999</u>	<u>\$ 586,276</u>

CITY OF EVERMAN, TEXAS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2015

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Crime Control and Prevention District	Street Improvement Fund	Tax Increment Financing Zone	Debt Service Fund	
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ 351,845	\$ 351,845
Sales tax	64,063	80,781	-	-	144,844
Intergovernmental	-	-	234	-	234
Interest income	92	394	-	35	521
Total revenues	<u>64,155</u>	<u>81,175</u>	<u>234</u>	<u>351,880</u>	<u>497,444</u>
Expenditures					
Administrative	14,668	12,000	-	-	26,668
Maintenance	-	928	-	-	928
Capital outlay	9,640	74,918	-	-	84,558
Debt service	-	-	-	351,650	351,650
Total expenditures	<u>24,308</u>	<u>87,846</u>	<u>-</u>	<u>351,650</u>	<u>463,804</u>
Net change in fund balance	<u>39,847</u>	<u>(6,671)</u>	<u>234</u>	<u>230</u>	<u>33,640</u>
Fund balances, beginning of year	<u>78,537</u>	<u>427,330</u>	<u>-</u>	<u>16,727</u>	<u>522,594</u>
Fund balances, end of year	<u>\$ 118,384</u>	<u>\$ 420,659</u>	<u>\$ 234</u>	<u>\$ 16,957</u>	<u>\$ 556,234</u>

CITY OF EVERMAN, TEXAS
Statement of Revenues - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2015
(With Comparative Totals For the Fiscal Year Ending September 30, 2014)

	Budgeted Amounts		2015 Actual	Variance with Final Budget	2014 Actual
	Original	Final		Favorable (Unfavorable)	
Taxes					
General property taxes					
Current	\$ 1,165,917	\$ 1,165,917	\$ 1,161,538	\$ (4,379)	\$ 1,139,670
Delinquent	30,000	30,000	26,210	(3,790)	32,238
Penalty and interest	24,000	24,000	30,335	6,335	36,940
Sales tax	255,000	255,000	322,488	67,488	316,117
Mixed beverage tax	6,700	6,700	10,673	3,973	10,160
Franchise tax	270,000	270,000	282,142	12,142	355,153
Bingo revenue tax	17,900	17,900	19,580	1,680	19,544
Totals	<u>1,769,517</u>	<u>1,769,517</u>	<u>1,852,966</u>	<u>83,449</u>	<u>1,909,822</u>
Licenses and permits					
Ambulance fees	195,000	195,000	156,811	(38,189)	193,571
Sanitation fees	234,000	234,000	208,429	(25,571)	207,360
Animal adoption fees	350	350	1,085	735	1,150
Animal control fees	2,000	2,000	352	(1,648)	3,260
Building permits	4,000	4,000	46,446	42,446	14,715
Amusement machine permits	700	700	945	245	735
Other licenses and permits	7,400	7,400	19,339	11,939	9,517
Totals	<u>443,450</u>	<u>443,450</u>	<u>433,407</u>	<u>(10,043)</u>	<u>430,308</u>
Intergovernmental					
Local grant	153,537	153,537	166,205	12,668	112,536
Totals	<u>153,537</u>	<u>153,537</u>	<u>166,205</u>	<u>12,668</u>	<u>112,536</u>
Donations					
County runs - fire	80,000	80,000	80,000	-	80,000
County runs - EMS	40,000	40,000	44,322	4,322	46,392
County runs - police	-	-	15,548	15,548	-
Animal control	-	-	20	20	3,673
Other donations	-	-	1,596	1,596	1,422
Totals	<u>120,000</u>	<u>120,000</u>	<u>141,486</u>	<u>21,486</u>	<u>131,487</u>
Fines and fees					
Court fines	56,000	56,000	91,917	35,917	36,894
Ambulance fees - insurance	95,000	95,000	190,061	95,061	162,545
Parks	-	-	83	83	-
Security alarm fee	2,000	2,000	3,306	1,306	3,119
Open records request fee	-	-	25	25	-
Labor liens recovery	500	500	1,767	1,267	-
Library fines and fees	1,400	1,400	1,633	233	1,655
Totals	<u>154,900</u>	<u>154,900</u>	<u>288,792</u>	<u>133,892</u>	<u>204,213</u>
Interest Income	<u>2,100</u>	<u>2,100</u>	<u>5,550</u>	<u>3,450</u>	<u>2,274</u>
Other revenues					
Pay phone commissions	50	50	185	135	-
Garage sale permits	2,500	2,500	2,600	100	3,955
Land rental	2,400	2,400	31,770	29,370	-
Confiscated properties income	-	-	-	-	-
Oil and gas royalties	6,500	6,500	14,509	8,009	184,990
Miscellaneous	2,800	2,800	2,028	(772)	3,805
Totals	<u>14,250</u>	<u>14,250</u>	<u>51,092</u>	<u>36,842</u>	<u>192,750</u>
Administrative services - Other Funds	<u>563,354</u>	<u>563,354</u>	<u>283,710</u>	<u>(279,644)</u>	<u>552,014</u>
Total Revenues	<u>\$ 3,221,108</u>	<u>\$ 3,221,108</u>	<u>\$ 3,223,208</u>	<u>\$ 2,100</u>	<u>\$ 3,535,404</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2015
(With Comparative Totals For the Fiscal Year Ending September 30, 2014)

	Budgeted Amounts		2015 Actual	Variance with Final Budget Favorable (Unfavorable)	2014 Actual
	Original	Final			
Administrative					
Salaries	\$ 367,527	\$ 367,527	\$ 345,569	\$ 21,958	\$ 367,871
Supplies	24,800	24,800	19,224	5,576	17,133
Services	231,885	231,885	201,854	30,031	220,971
Maintenance	23,550	23,550	23,245	305	26,940
Capital outlay	6,800	6,800	3,548	3,252	-
Debt service	-	-	2,160	(2,160)	2,160
Totals	654,562	654,562	595,600	58,962	635,075
Streets					
Salaries	273,405	273,405	146,329	127,076	205,948
Supplies	3,450	3,450	7,018	(3,568)	5,822
Services	315,140	315,140	303,176	11,964	275,013
Maintenance	35,790	35,790	24,593	11,197	25,869
Totals	627,785	627,785	481,116	146,669	512,652
Parks and building maintenance					
Salaries	45,256	45,256	45,797	(541)	38,914
Supplies	20,600	20,600	21,562	(962)	21,182
Services	26,000	26,000	21,356	4,644	24,262
Totals	91,856	91,856	88,715	3,141	84,358
Police					
Salaries	1,197,355	1,197,355	1,110,600	86,755	1,119,278
Supplies	23,800	23,800	22,364	1,436	10,756
Services	65,182	65,182	53,924	11,258	54,729
Maintenance	21,000	21,000	24,121	(3,121)	16,944
Capital outlay	7,240	7,240	27,077	(19,837)	-
Debt service	-	-	1,145	(1,145)	1,416
Totals	1,314,577	1,314,577	1,239,231	75,346	1,203,123
Maintenance garage					
Salaries	71,170	71,170	65,970	5,200	64,796
Supplies	76,188	76,188	50,543	25,645	24,099
Services	6,280	6,280	5,355	925	5,417
Maintenance	47,000	47,000	49,496	(2,496)	53,500
Capital outlay	-	-	19,490	(19,490)	51,440
Totals	200,638	200,638	190,854	9,784	199,252
Emergency medical service					
Salaries	329,072	329,072	317,710	11,362	303,497
Supplies	17,600	17,600	12,713	4,887	16,254
Services	23,765	23,765	22,336	1,429	28,646
Maintenance	11,500	11,500	3,577	7,923	2,133
Capital outlay	-	-	-	-	6,300
Totals	\$ 381,937	\$ 381,937	\$ 356,336	\$ 25,601	\$ 356,830

The accompanying notes are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2015
(With Comparative Totals For the Fiscal Year Ending September 30, 2014)

	Budgeted Amounts		2015 Actual	Variance with Final Budget Favorable (Unfavorable)	2014 Actual
	Original	Final			
Fire					
Volunteer benefits	\$ 12,100	\$ 12,100	\$ 8,006	\$ 4,094	\$ 2,428
Supplies	19,580	19,580	14,026	5,554	12,766
Services	17,800	17,800	16,363	1,437	16,476
Maintenance	17,250	17,250	7,844	9,406	20,813
Capital outlay	-	-	71,221	(71,221)	-
Debt service	1,550	1,550	308	1,242	1,541
Totals	68,280	68,280	117,768	(49,488)	54,024
Community and activity centers					
Services	5,520	5,520	6,094	(574)	5,572
Maintenance	27,200	27,200	7,986	19,214	568
Totals	32,720	32,720	14,080	18,640	6,140
Municipal court					
Salaries	43,835	43,835	36,191	7,644	34,194
Supplies	1,200	1,200	1,917	(717)	2,474
Services	22,325	22,325	21,406	919	22,813
Maintenance	1,500	1,500	1,737	(237)	3,616
Totals	68,860	68,860	61,251	7,609	63,097
Code enforcement					
Salaries	50,603	50,603	43,008	7,595	46,140
Supplies	4,200	4,200	1,453	2,747	6,215
Services	32,350	32,350	27,142	5,208	19,319
Maintenance	4,690	4,690	3,956	734	3,902
Totals	91,843	91,843	75,559	16,284	75,576
Library					
Salaries	90,415	90,415	67,261	23,154	64,547
Supplies	8,300	8,300	8,425	(125)	3,924
Services	14,370	14,370	9,478	4,892	11,426
Maintenance	3,150	3,150	2,847	303	4,152
Totals	116,235	116,235	88,011	28,224	84,049
Animal control					
Salaries	52,545	52,545	51,954	591	39,023
Supplies	6,973	6,973	4,314	2,659	3,853
Services	6,980	6,980	4,871	2,109	4,059
Maintenance	4,500	4,500	3,338	1,162	3,692
Totals	70,998	70,998	64,477	6,521	50,627
Total Expenditures	<u>\$ 3,720,291</u>	<u>\$ 3,720,291</u>	<u>\$ 3,372,998</u>	<u>\$ 347,293</u>	<u>\$ 3,324,803</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balance
- Budget and Actual -
Crime Control and Prevention District Fund
For the Fiscal Year Ended September 30, 2015
(With Comparative Totals For the Fiscal Year Ending September 30, 2014)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2014 Actual
	Original and Final	2015 Actual		
Revenues				
Sales tax	\$ 48,000	\$ 64,063	\$ 16,063	\$ 62,717
Interest income	55	92	37	60
Total revenues	48,055	64,155	16,100	62,777
Expenditures				
Administrative	13,000	14,668	(1,668)	13,668
Capital outlay	3,780	9,640	(5,860)	64,676
Total expenditures	16,780	24,308	(7,528)	78,344
Net change in fund balance	31,275	39,847	<u>\$ 8,572</u>	<u>(15,567)</u>
Fund balances, beginning of year	78,537	78,537		94,104
Fund balances, end of year	<u>\$ 109,812</u>	<u>\$ 118,384</u>		<u>\$ 78,537</u>

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balance
- Budget and Actual -
Street Improvement Fund
For the Fiscal Year Ended September 30, 2015
(With Comparative Totals For the Fiscal Year Ending September 30, 2014)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2014 Actual
	Original and Final	2015 Actual		
Revenues				
Sales tax	\$ 68,000	\$ 80,781	\$ 12,781	\$ 79,026
Interest income	250	394	144	274
Total revenues	<u>68,250</u>	<u>81,175</u>	<u>12,925</u>	<u>79,300</u>
Expenditures				
Administrative	12,000	12,000	-	15,465
Maintenance	-	928	(928)	-
Capital outlay	80,000	74,918	5,082	-
Total expenditures	<u>92,000</u>	<u>87,846</u>	<u>4,154</u>	<u>15,465</u>
Net change in fund balance	<u>(23,750)</u>	<u>(6,671)</u>	<u>\$ 17,079</u>	<u>63,835</u>
Fund balances, beginning of year	<u>427,330</u>	<u>427,330</u>		<u>363,495</u>
Fund balances, end of year	<u>\$ 403,580</u>	<u>\$ 420,659</u>		<u>\$ 427,330</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Debt Service Fund
For the Fiscal Year Ended September 30, 2015
(With Comparative Totals For the Fiscal Year Ending September 30, 2014)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2014 Actual
	Original and Final	2015 Actual		
Revenues				
Property taxes	\$ 353,320	\$ 351,845	\$ (1,475)	\$ 362,884
Interest Income	3	35	32	4
Total revenues	353,323	351,880	(1,443)	362,888
Expenditures				
Debt and capitalized lease debt service:				
Principal retirement	260,000	260,000	-	225,000
Interest and fiscal charges	93,250	91,650	1,600	128,900
Total expenditures	353,250	351,650	1,600	353,900
Net change in fund balance	73	230	\$ 157	8,988
Fund balances, beginning of year	16,727	16,727		7,739
Fund balances, end of year	\$ 16,800	\$ 16,957		\$ 16,727

CITY OF EVERMAN, TEXAS
Statement of Operating Expenses - Budget and Actual
Enterprise Fund
For the Fiscal Year Ended September 30, 2015
(With Comparative Totals For the Fiscal Year Ending September 30, 2014)

	Budgeted Amounts		2015 Actual	Variance with Final Budget	2014 Actual
	Original	Final		Favorable (Unfavorable)	
Water					
Salaries	\$ 274,591	\$ 274,591	\$ 261,385	\$ 13,206	\$ 246,825
Supplies	76,215	76,215	64,397	11,818	45,557
Services	161,390	161,390	226,515	(65,125)	144,066
Maintenance	34,500	34,500	29,448	5,052	31,979
Equipment	101,700	101,700	14,032	87,668	7,903
Totals	<u>648,396</u>	<u>648,396</u>	<u>595,777</u>	<u>52,619</u>	<u>476,330</u>
Sewer					
Supplies	15,000	15,000	3,164	11,836	15,166
Services	471,000	471,000	504,366	(33,366)	531,437
Totals	<u>486,000</u>	<u>486,000</u>	<u>507,530</u>	<u>(21,530)</u>	<u>546,603</u>
Administrative services - General Fund	<u>527,354</u>	<u>527,354</u>	<u>247,710</u>	<u>279,644</u>	<u>516,014</u>
Depreciation	<u>-</u>	<u>-</u>	<u>131,960</u>	<u>(131,960)</u>	<u>139,051</u>
Total operating expenses	<u>\$ 1,661,750</u>	<u>\$ 1,661,750</u>	<u>\$ 1,482,977</u>	<u>\$ 178,773</u>	<u>\$ 1,677,998</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2015

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2016	\$ 170,000	\$ 16,313	\$ 186,313
2017	170,000	9,938	179,938
2018	<u>180,000</u>	<u>3,375</u>	<u>183,375</u>
	<u>\$ 520,000</u>	<u>\$ 29,626</u>	<u>\$ 549,626</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2013 General Obligation Bonds Payable
Debt Service Requirement in Future Years
September 30, 2015

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2016	\$ 100,000	\$ 66,750	\$ 166,750
2017	100,000	64,750	164,750
2018	105,000	62,700	167,700
2019	105,000	60,600	165,600
2020	110,000	57,900	167,900
2021	115,000	54,525	169,525
2022	115,000	51,075	166,075
2023	120,000	47,550	167,550
2024	125,000	43,875	168,875
2025	125,000	40,125	165,125
2026	130,000	36,300	166,300
2027	135,000	31,988	166,988
2028	140,000	27,175	167,175
2029	145,000	22,187	167,187
2030	150,000	17,025	167,025
2031	155,000	12,075	167,075
2032	160,000	7,350	167,350
2033	165,000	2,475	167,475
	<u>\$ 2,300,000</u>	<u>\$ 706,425</u>	<u>\$ 3,006,425</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Capital Lease Payable -
Canon Financial
Debt Service Requirement in Future Years
September 30, 2015

COPIER - CITY HALL

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2016	<u>\$ 1,931</u>	<u>\$ 49</u>	<u>\$ 1,980</u>
	<u><u>\$ 1,931</u></u>	<u><u>\$ 49</u></u>	<u><u>\$ 1,980</u></u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Capital Lease Payable -
Konica Minolta Premier Finance
Debt Service Requirement in Future Years
September 30, 2015

COPIER - POLICE DEPARTMENT

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2016	\$ 1,322	\$ 93	\$ 1,415
2017	<u>1,154</u>	<u>27</u>	<u>1,181</u>
	<u>\$ 2,476</u>	<u>\$ 120</u>	<u>\$ 2,596</u>

CITY OF EVERMAN, TEXAS
Business-Type Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2015

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2016	\$ 105,000	\$ 19,219	\$ 124,219
2017	115,000	15,094	130,094
2018	115,000	10,782	125,782
2019	110,000	6,563	116,563
2020	<u>120,000</u>	<u>2,250</u>	<u>122,250</u>
	<u>\$ 565,000</u>	<u>\$ 53,908</u>	<u>\$ 618,908</u>

CITY OF EVERMAN, TEXAS
Schedule of Insurance Coverage
September 30, 2015

Type of Coverage	Effective Dates		Premium	Policy #	Amount of Coverage	Insurer
	From	To				
General Liability	10/1/2014	10/1/2015	\$ 1,882	3663	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
Real and Personal Property	10/1/2014	10/1/2015	10,323	3663	10,599,349	Texas Municipal League Intergovernmental Risk Pool
Mobile Equipment	10/1/2014	10/1/2015	965	3663	235,268	Texas Municipal League Intergovernmental Risk Pool
Boiler & Machinery	10/1/2014	10/1/2015	Included	3663	500,000	Texas Municipal League Intergovernmental Risk Pool
Law Enforcement Liability	10/1/2014	10/1/2015	6,904	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Errors & Omissions Liability	10/1/2014	10/1/2015	3,745	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Automobile Liability	10/1/2014	10/1/2015	16,520	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Auto Physical Damage	10/1/2014	10/1/2015	9,557	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Public Employee Dishonesty	10/1/2014	10/1/2015	582	3663	100,000	Texas Municipal League Intergovernmental Risk Pool
Animal Mortality and Theft	10/1/2014	10/1/2015	1,980	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Workers Compensation	10/1/2014	10/1/2015	<u>41,389</u>	3663	Statutory Limits	Texas Municipal League Intergovernmental Risk Pool
Total Premiums			<u>\$ 93,847</u>			

Note: This statement is presented for information only and is not intended as an expression as to adequacy of coverage.

**OVERALL COMPLIANCE AND
INTERNAL CONTROL SECTION**



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Honorable Mayor and Members of the City Council
City of Everman, Texas

We 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Everman, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Everman, Texas' basic financial statements and have issued our report thereon dated February 29, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Everman, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Everman, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Everman, Texas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We consider the deficiencies 2015-001 and 2015-002 which are described in the accompanying schedule of findings and responses to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Everman, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be

reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2015-003.

City of Everman, Texas' Response to Findings

The City of Everman, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Everman, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Snow Garrett Williams

Snow Garrett Williams

February 29, 2016

CITY OF EVERMAN, TEXAS
Schedule of Findings and Responses
For the Fiscal Year Ended September 30, 2015

2015-001 Significant Deficiency: Accounts Payable Reporting

Criteria: The City's financial statements are required to be reported in accordance with Generally Accepted Accounting Principles (GAAP) and on the accrual basis of accounting. As a result, goods or services incurred prior to September 30th and not paid as of that date should be recorded as accounts payable.

Condition: Although the City accrued \$142,386 of goods and services incurred prior to September 30, 2015, an additional \$47,125, including \$40,262 in the water and sewer fund, of fiscal year 2015 expenses were not properly accrued at year end and were recorded when paid.

Cause: The City did not properly identify and record all expenses incurred prior to September 30th as current year accounts payable. The September 2015 wastewater treatment invoice of \$40,262 was the largest invoice of the expenses not accrued.

Effect: Not implementing proper cut off procedures and accruing expenses at year end could result in accounts payable and related expenses being understated in the City's financial statements.

Recommendation: The City should develop and implement policies and procedures related to recording and accruing year end financial transactions to produce more useful and accurate financial reports.

Response: Fiscal year 2015 was the first year that the City implemented a procedure for year-end accruals of unpaid expenses and unpaid revenues without the assistance of the audit team. A list of significant vendors has been compiled to assist in identifying the unpaid invoices at year end. While most invoices were captured and accrued, the invoice from the City of Fort Worth was overlooked. This vendor has been added to the list of significant vendors and we expect no repeat of this oversight.

2015-002 Significant Deficiency: Sales Tax Revenue and Receivable Reporting

Criteria: The City's financial statements are required to be reported in accordance with Generally Accepted Accounting Principles (GAAP) and on the accrual basis of accounting. As a result, revenues are recognized as soon as they are both measurable and available. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends.

Condition: September sales tax revenue received in October 2015 was not properly recorded as revenue in fiscal year 2015 or as receivable at September 30, 2015.

Cause: The City did not properly identify and recognize all sales tax revenues received after the fiscal year end that pertained to the current fiscal year.

Effect: The financial statements were misstated prior to the City's approval and recording of the proposed audit adjustments related to sales tax revenue and related receivable.

Recommendation: The City should record the receivable for sales tax at fiscal year end to properly report the City's sales tax revenue and receivables.

Response: State sales tax revenue distributed to the City is two months behind actual sales tax collections. For example, sales tax revenue that the City receives in October is for sales tax collections from August. The City will adjust sales tax receivable and revenue as recommended for fiscal year 2015. Additionally, the City will consider accruing two months of sales tax revenue in future fiscal years.

CITY OF EVERMAN, TEXAS
Schedule of Findings and Responses
For the Fiscal Year Ended September 30, 2015

2015-003 Non-Compliance: Investment Policy

Criteria: According to Section 2256.005(e) of the Texas Public Funds Investment Act (PFIA), the City is to review its investment policy and investment strategies not less than annually. The City is to also adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed the investment policy and investment strategies and the written instrument adopted is to record any changes made to either the investment policy or investment strategies.

Condition: The City did not review or adopt a written instrument stating that it had reviewed the investment policy or investment strategies in the 2015 fiscal year.

Cause: The investment policy was not formally reviewed and approved during the 2015 fiscal year.

Effect: The City is not in compliance with PFIA Section 2256.005(e).

Recommendation: The City should review and adopt a written instrument stating that it has reviewed the investment policy and investment strategies not less than annually as required by the PFIA.

Response: A new Investment Policy was written in November 2015 and approved by Council in December 2015. A procedure is now in place to review the Investment Policy at every December Council meeting or, in the case of cancellation of the December meeting, the first meeting in the new calendar year.

