

CITY OF EVERMAN, TEXAS

**Annual Financial Report for the Year Ended
September 30, 2017**

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ANNUAL FINANCIAL REPORT
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**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

Report on the Financial Statements

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2017, 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.

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 March 5, 2018, on our consideration of the City of Everman, Texas’ 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, Texas’ internal control over financial reporting and compliance.



Snow Garrett Williams

March 5, 2018

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, 2017. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded liabilities at the close of fiscal year 2017 by \$6,210,256 (*net position*). Of this amount, \$1,484,143 is restricted for specific purposes and \$402,740 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 \$4,323,373 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 \$3,032,115 of which \$2,094,940 or 69% represents restricted fund balance, \$1,042 represents assigned fund balance, \$360 represents non-spendable fund balance, and unassigned fund balance amounted to \$935,773 or 31%.
- The General Fund unassigned fund balance of \$935,773 equals 23% of total General Fund expenditures.
- The City's total debt increased by \$674,713 during the current fiscal year primarily as a result of a new note payable offset against regular scheduled annual debt service payments and 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, deferred outflows of resources, and liabilities, with the difference between these 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, Economic Development Corporation (EDC) Fund, Street Improvement Fund, Debt Service Fund, and Capital Project 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 uses an enterprise fund to account for its water and sewer operations. 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 does not hold any resources for the benefit of parties outside the City government and accordingly neither accounts nor reports for fiduciary funds.

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 41 of this report.

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

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 43 through 47 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 and deferred outflows of resources exceeded liabilities by \$6,210,256 as of September 30, 2017.

	Governmental Activities		Business-type Activities		Total	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 3,386,077	\$ 4,168,854	\$ 115,613	\$ 279,533	\$ 3,501,690	\$ 4,448,387
Capital assets, net of depreciation	4,044,805	4,028,354	3,307,439	2,115,486	7,352,244	6,143,840
Total assets	<u>7,430,882</u>	<u>8,197,208</u>	<u>3,423,052</u>	<u>2,395,019</u>	<u>10,853,934</u>	<u>10,592,227</u>
Deferred outflows of resources	314,929	272,007	29,524	29,156	344,453	301,163
Long-term liabilities	3,130,969	3,295,608	1,370,125	530,773	4,501,094	3,826,381
Other liabilities	209,274	161,028	277,763	238,828	487,037	399,856
Total liabilities	<u>3,340,243</u>	<u>3,456,636</u>	<u>1,647,888</u>	<u>769,601</u>	<u>4,988,131</u>	<u>4,226,237</u>
Net position:						
Net investment in capital assets	2,311,978	2,073,202	2,011,395	1,655,486	4,323,373	3,728,688
Restricted	1,484,143	1,374,929	-	-	1,484,143	1,374,929
Unrestricted	609,447	1,564,448	(206,707)	(912)	402,740	1,563,536
Total net position	<u>\$ 4,405,568</u>	<u>\$ 5,012,579</u>	<u>\$ 1,804,688</u>	<u>\$ 1,654,574</u>	<u>\$ 6,210,256</u>	<u>\$ 6,667,153</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 \$4,323,373. 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 \$1,484,143 (or 24%) 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 (\$402,740) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position decreased by \$456,897 during the current fiscal year. The City's governmental activities decreased net position by \$607,011 which included transfers from the business-type activities of \$180,000. The total cost of all governmental activities this year was \$4,482,325. The amount that taxpayers paid for these activities through property taxes was \$1,791,815 or 40%.

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

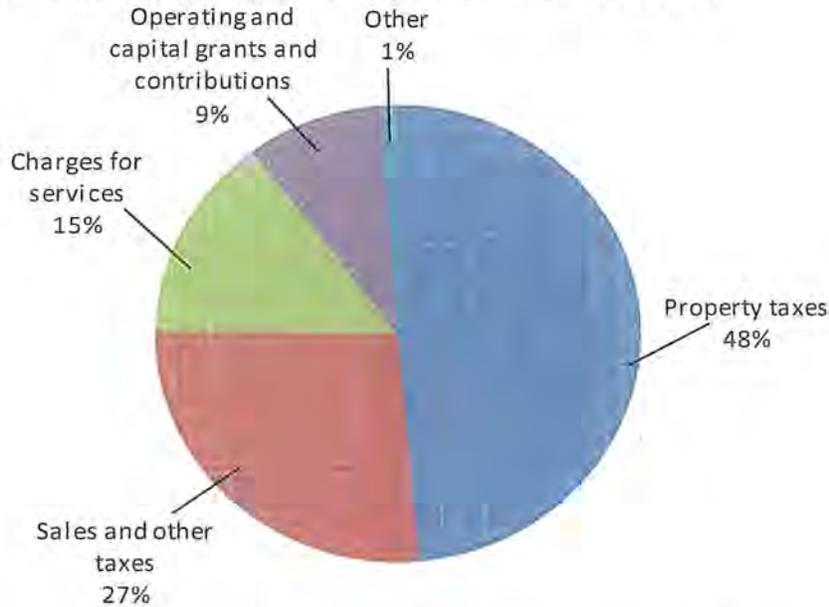
City of Everman's Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 535,676	\$ 494,817	\$ 1,543,701	\$ 1,483,253	\$ 2,079,377	\$ 1,978,070
Operating grants and contributions	339,580	315,046	-	-	339,580	315,046
Capital grants and contributions	-	66,513	118,132	-	118,132	66,513
General revenues:						
Property taxes	1,791,815	1,615,663	-	-	1,791,815	1,615,663
Sales and other taxes	987,598	952,643	-	-	987,598	952,643
Other	40,645	51,656	6,337	635	46,982	52,291
Total revenues	<u>3,695,314</u>	<u>3,496,338</u>	<u>1,668,170</u>	<u>1,483,888</u>	<u>5,363,484</u>	<u>4,980,226</u>
Expenses:						
Administrative	842,349	750,341	-	-	842,349	750,341
Streets	753,241	679,744	-	-	753,241	679,744
Parks and building maintenance	179,500	171,139	-	-	179,500	171,139
Police	1,493,030	1,381,936	-	-	1,493,030	1,381,936
Maintenance garage	167,157	160,867	-	-	167,157	160,867
Emergency medical services	465,090	443,396	-	-	465,090	443,396
Fire	140,090	108,728	-	-	140,090	108,728
Community and activity centers	10,843	18,963	-	-	10,843	18,963
Municipal court	67,620	65,995	-	-	67,620	65,995
Code enforcement	60,807	63,622	-	-	60,807	63,622
Library	136,148	127,037	-	-	136,148	127,037
Animal control	101,693	88,302	-	-	101,693	88,302
Interest on long-term debt	64,757	72,706	-	-	64,757	72,706
Water	-	-	771,438	684,801	771,438	684,801
Sewer	-	-	566,618	527,176	566,618	527,176
Total expenses	<u>4,482,325</u>	<u>4,132,776</u>	<u>1,338,056</u>	<u>1,211,977</u>	<u>5,820,381</u>	<u>5,344,753</u>
Increase (decrease) in net position						
before transfers	(787,011)	(636,438)	330,114	271,911	(456,897)	(364,527)
Transfers	180,000	185,118	(180,000)	(185,118)	-	-
Change in net position	(607,011)	(451,320)	150,114	86,793	(456,897)	(364,527)
Net position, beginning of year	<u>5,012,579</u>	<u>5,463,899</u>	<u>1,654,574</u>	<u>1,567,781</u>	<u>6,667,153</u>	<u>7,031,680</u>
Net position, end of year	<u>\$ 4,405,568</u>	<u>\$ 5,012,579</u>	<u>\$ 1,804,688</u>	<u>\$ 1,654,574</u>	<u>\$ 6,210,256</u>	<u>\$ 6,667,153</u>

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

Governmental activities. Governmental activities decreased the City's net position by \$607,011. This decrease is related to a budgeted decrease in net position due to planned expenditure of accumulated net position.

Revenues by Source - Governmental Activities



Business-type activities. Business-type activities increased the City's net position by \$150,114. Key elements of this increase are related to a budgeted increase in net position due to changes in water rates and better maintenance of non-working meters.

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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,032,115, a decrease of \$760,534 in comparison with the prior year. Approximately \$935,773 or 31% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance has been assigned for employee appreciation fund (\$1,042), or restricted to indicate that it is not available for new spending because it has already been set aside to fund capital projects (\$627,063), economic development (\$885,662), tax increment financing (\$11,753), street improvements (\$413,621), crime control and prevention (\$55,184), debt service (\$54,679), LEOCE training and court related expenditures (\$37,409), and celebration expenditures (\$9,569).

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

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 \$984,153, of which \$935,773 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 23%, or slightly more than 83 days of total fund expenditures.

The fund balance of the City's general fund decreased by \$820,288 during the current fiscal year. Key factors in this decrease are as follows:

- Increase in salaries and benefits;
- Increase in health insurance expenses; and
- Budgeted use of fund reserves for capital outlay expenditures.

The debt service fund has a fund balance of \$54,679. The net increase in fund balance during the current year in the debt service fund was \$31,833.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City approved budget amendments to the original 2016-2017 general fund annual budget. The significant amendments were an increase in intergovernmental and donation revenues and an increase in administrative expenditures, fire expenditures, and capital outlay expenditures.

Comparing budget to actual amounts, the City was over the final budgeted revenue estimate by \$13,136. The primary revenues that came in over the estimated budget amounts were taxes.

Total expenditures were 2.4% less than the final budgeted amounts. Actual expenditures were less than budgeted primarily due to less expenditures than expected in administrative, emergency medical services, and capital outlay.

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, 2017, amounts to \$7,352,244 (net of accumulated depreciation). The investment in capital assets related to governmental activities (\$4,044,805) includes land, infrastructure, buildings and improvements, machinery and equipment, and vehicles. The City's investment in capital assets related to business-type activities (\$3,307,439) 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 a police vehicle and surveillance system for the police department;
- Replacement of all lighting fixtures; and
- Replacement of all City water meters.

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

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

	Governmental Activities	Business-type Activities	Total
Land	\$ 265,786	\$ 53,425	\$ 319,211
Buildings and improvements	1,825,296	-	1,825,296
Infrastructure	1,353,699	-	1,353,699
Water and sewer system	-	3,171,405	3,171,405
Machinery and equipment	183,564	82,609	266,173
Vehicles	416,460	-	416,460
Total	\$ 4,044,805	\$ 3,307,439	\$ 7,352,244

Additional information on the City's capital assets can be found in Note G on pages 30 and 31 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$4,501,094. Of this amount, \$2,100,000 represents general obligation bonds secured by property tax collections, \$79,890 in unamortized bond premium related to the general obligation bonds, \$180,000 represents general obligation refunding bonds secured by property tax collections, and \$345,000 represents general obligation refunding bonds secured solely by revenue from the City's combined water and sewer system. In addition, the City has a note payable of \$951,044, vacation payable of \$101,377, and net pension liability of \$743,783.

City of Everman's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
General obligation refunding bonds	\$ 180,000	\$ 345,000	\$ 525,000
General obligation bonds	2,100,000	-	2,100,000
Unamortized bond premium	79,890	-	79,890
Note payable	-	951,044	951,044
Vacation payable	94,302	7,075	101,377
Net pension liability	676,777	67,006	743,783
Total	\$ 3,130,969	\$ 1,370,125	\$ 4,501,094

The City's total long-term debt increased by a net amount of \$674,713 during the current fiscal year. Debt related to governmental activities decreased by \$164,639 primarily as a result of scheduled debt service payments. Debt related to business-type activities increased by \$839,352 primarily as a result of a new note payable. 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 2016-2017 was \$1.23 per \$100 assessed valuation, of which \$0.267457 was for annual debt service.

Additional information on the City's long-term debt can be found in Note H on pages 32 through 34 of this report.

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

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 2018, the City Council and management considered the following factors:

- Increase in property taxes, even with a decreased rate of over 7.13 cents per \$100 of value, due to higher appraised values; change is approximately \$114,000;
- Increase in sales tax due to new retail businesses; estimated at 9%;
- Increase in court fines due to better collection process; estimated 39%;
- Decrease in capital expenditures for several departments
- Increase in salaries and benefits due to the approved 5% raises; and
- Increase in health insurance expense for all departments; estimated increase is 4%;

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, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,953,355	\$ -	\$ 2,953,355
Receivables			
Taxes, net of allowances for uncollectibles	124,697	-	124,697
Accounts, net of allowances for uncollectibles	131,638	144,922	276,560
Prepaid expenses	360	-	360
Internal balances	176,027	(176,027)	-
Restricted assets			
Cash and cash equivalents	-	146,718	146,718
Capital assets			
Land and construction in progress	265,786	53,425	319,211
Other capital assets, net of depreciation	3,779,019	3,254,014	7,033,033
Total capital assets	4,044,805	3,307,439	7,352,244
Total assets	7,430,882	3,423,052	10,853,934
Deferred outflows of resources			
Deferred outflows of resources- pension	314,929	29,524	344,453
Liabilities			
Accounts payable and accrued expenses	161,554	122,851	284,405
Due to State	35,970	-	35,970
Interest payable	11,750	-	11,750
Payable from restricted assets			
Customer deposits	-	147,169	147,169
Accrued interest payable	-	7,743	7,743
Long-term liabilities			
Due within one year	388,248	180,470	568,718
Due in more than one year	2,742,721	1,189,655	3,932,376
Total liabilities	3,340,243	1,647,888	4,988,131
Net position			
Net investment in capital assets	2,311,978	2,011,395	4,323,373
Restricted for:			
Debt service	70,945	-	70,945
Economic development	885,662	-	885,662
Street improvement	413,621	-	413,621
Crime control and prevention district	55,184	-	55,184
Tax increment financing zone	11,753	-	11,753
Court security and technology	33,270	-	33,270
LEOCE training	4,139	-	4,139
Celebration and other donations	9,569	-	9,569
Unrestricted	609,447	(206,707)	402,740
Total net position	\$ 4,405,568	\$ 1,804,688	\$ 6,210,256

CITY OF EVERMAN, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2017

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes In Net Position		
	Expenses	Operating	Capital	Primary Government		
		Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities						
Administrative	\$ 842,349	\$ 16,410	\$ 10,361	\$ -	\$ (815,578)	\$ (815,578)
Streets	753,241	302,659	-	-	(450,582)	(450,582)
Parks and building maintenance	179,500	1,886	-	-	(177,614)	(177,614)
Police	1,493,030	-	187,317	-	(1,305,713)	(1,305,713)
Maintenance garage	167,157	-	-	-	(167,157)	(167,157)
Emergency medical services	465,090	81,269	35,508	-	(348,313)	(348,313)
Fire	140,090	-	106,294	-	(33,796)	(33,796)
Community and activity centers	10,843	3,820	-	-	(7,023)	(7,023)
Municipal court	67,620	98,114	-	-	30,494	30,494
Code enforcement	60,807	29,969	-	-	(30,838)	(30,838)
Library	136,148	-	-	-	(136,148)	(136,148)
Animal control	101,693	1,549	100	-	(100,044)	(100,044)
Interest on long-term debt	64,757	-	-	-	(64,757)	(64,757)
Total governmental activities	4,482,325	535,676	339,580	-	(3,607,069)	(3,607,069)
Business-type activities						
Water	771,438	840,970	-	118,132	-	187,664
Sewer	566,618	702,731	-	-	-	136,113
Total business-type activities	1,338,056	1,543,701	-	118,132	-	323,777
Total primary government	\$ 5,820,381	\$ 2,079,377	\$ 339,580	\$ 118,132	(3,607,069)	(3,283,292)
General revenues:						
Taxes						
Property taxes				1,791,815	-	1,791,815
Sales tax				675,135	-	675,135
Mixed beverage tax				11,575	-	11,575
Franchise taxes				281,469	-	281,469
Bingo tax				19,419	-	19,419
Investment earnings				36,908	6,337	43,245
Miscellaneous				3,737	-	3,737
Transfers				180,000	(180,000)	-
Total general revenues and transfers				3,000,058	(173,663)	2,826,395
Change in net position				(607,011)	150,114	(456,897)
Net position, beginning of year				5,012,579	1,654,574	6,667,153
Net position, end of year				\$ 4,405,568	\$ 1,804,688	\$ 6,210,256

CITY OF EVERMAN, TEXAS
Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Economic Development Corporation Fund	Street Improvement Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 927,950	\$ 875,999	\$ 407,454	\$ 54,679	\$ 627,063	\$ 60,210	\$ 2,953,355
Receivables							
Taxes, net of allowances for uncollectibles of \$69,044	83,203	12,334	6,167	16,266	-	6,727	124,697
Accounts, net of allowance for uncollectibles of \$1,017	50,000	-	-	-	-	-	50,000
Due from other funds	176,027	-	-	-	-	-	176,027
Prepaid expenses	360	-	-	-	-	-	360
Total assets	\$ 1,237,540	\$ 888,333	\$ 413,621	\$ 70,945	\$ 627,063	\$ 66,937	\$ 3,304,439
Liabilities							
Accounts payable and accrued expenses	\$ 158,883	\$ 2,671	\$ -	\$ -	\$ -	\$ -	\$ 161,554
Due to State	35,970	-	-	-	-	-	35,970
Total liabilities	194,853	2,671	-	-	-	-	197,524
Deferred inflows of resources							
Unavailable revenue- property taxes	58,534	-	-	16,266	-	-	74,800
Fund Balances							
Nonspendable for prepaid expense	360	-	-	-	-	-	360
Restricted for:							
Street improvement	-	-	413,621	-	-	-	413,621
Crime control and prevention district	-	-	-	-	-	55,184	55,184
Capital projects	-	-	-	-	627,063	-	627,063
Economic development	-	885,662	-	-	-	-	885,662
Tax increment financing zone	-	-	-	-	-	11,753	11,753
Debt service	-	-	-	54,679	-	-	54,679
LEOCE training	4,139	-	-	-	-	-	4,139
Security fees	16,781	-	-	-	-	-	16,781
Technology fees	16,489	-	-	-	-	-	16,489
Celebration and other donations	9,569	-	-	-	-	-	9,569
Assigned for employee appreciation fund	1,042	-	-	-	-	-	1,042
Unassigned	935,773	-	-	-	-	-	935,773
Total fund balances	984,153	885,662	413,621	54,679	627,063	66,937	3,032,115
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,237,540	\$ 888,333	\$ 413,621	\$ 70,945	\$ 627,063	\$ 66,937	
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.							4,044,805
Deferred outflows of resources are not financial resources and, therefore, are not reported in the funds.							314,929
Property tax receivables, net of allowances are not available to pay for current period expenditures and, therefore, are deferred in the funds.							74,800
Accounts receivable for ambulance services are not measurable and available in the current period and are not reported in the funds.							81,638
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.							(3,142,719)
Net position of governmental activities - statement of net position							\$ 4,405,568

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2017

	General Fund	Economic Development Corporation Fund	Street Improvement Fund	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 2,078,770	\$ 170,661	\$ 85,331	\$ 376,400	\$ -	\$ 77,819	\$ 2,788,981
Licenses, permits, and fees for services	339,245	-	-	-	-	-	339,245
Intergovernmental revenue	198,277	-	-	-	-	10,361	208,638
Donations	130,942	-	-	-	-	-	130,942
Fines and fees	248,125	-	-	-	-	-	248,125
Interest income	17,099	8,500	3,665	521	6,698	425	36,908
Other revenues	14,075	-	-	-	-	-	14,075
Administrative services - other funds	264,000	-	-	-	-	-	264,000
Total revenues	3,290,533	179,161	88,996	376,921	6,698	88,605	4,030,914
Expenditures							
Administrative	690,806	144,685	24,000	-	-	25,668	885,159
Streets	632,128	-	-	-	-	-	632,128
Parks and building maintenance	107,175	-	-	-	-	-	107,175
Police	1,375,399	-	-	-	-	-	1,375,399
Maintenance garage	154,977	-	-	-	-	-	154,977
Emergency medical services	429,313	-	-	-	-	-	429,313
Fire	65,808	-	-	-	-	-	65,808
Community and activity centers	10,843	-	-	-	-	-	10,843
Municipal court	66,687	-	-	-	-	-	66,687
Code enforcement	59,648	-	-	-	-	-	59,648
Library	119,799	-	-	-	-	-	119,799
Animal control	92,699	-	-	-	-	-	92,699
Capital outlay	304,358	-	-	-	64,774	76,412	445,544
Debt service	1,181	-	-	345,088	-	-	346,269
Total expenditures	4,110,821	144,685	24,000	345,088	64,774	102,080	4,791,448
Net change in fund balances	(820,288)	34,476	64,996	31,833	(58,076)	(13,475)	(760,534)
Fund balances, beginning of year	1,804,441	851,186	348,625	22,846	685,139	80,412	3,792,649
Fund balances, end of year	\$ 984,153	\$ 885,662	\$ 413,621	\$ 54,679	\$ 627,063	\$ 66,937	\$ 3,032,115

CITY OF EVERMAN, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Change in
Net Position of Governmental Activities in the Statement of Activities
For the Fiscal Year Ended September 30, 2017

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

Net change in fund balances - total governmental funds \$ (760,534)

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	\$	445,544	
Depreciation		<u>(429,093)</u>	16,451

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

Property tax revenue	\$	(9,568)	
Ambulance revenue		<u>(62,032)</u>	(71,600)

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	\$	(25,023)	
Accrued interest		1,110	
Amortization of bond premium		<u>9,247</u>	(14,666)

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. (47,816)

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	\$	270,000	
Capital leases		<u>1,154</u>	<u>271,154</u>

Change in net position of governmental activities - statement of activities \$ (607,011)

CITY OF EVERMAN, TEXAS
Statement of Net Position
Enterprise Fund
September 30, 2017

	Water and Sewer Fund
Assets	
Current assets	
Receivables	
Accounts, net of allowance for uncollectibles of \$5,376	\$ 144,922
Total current assets	144,922
Restricted assets	
Cash and cash equivalents	146,718
Noncurrent assets	
Capital assets	
Land	53,425
Buildings and improvements	630,200
Waterworks and sewer system	5,691,754
Machinery and equipment	306,407
Accumulated depreciation	(3,374,347)
Total noncurrent assets	3,307,439
Total assets	3,599,079
Deferred Outflows of Resources	
Deferred outflows of resources- pension	29,524
Liabilities	
Current liabilities	
Payable from current assets	
Accounts payable and accrued expenses	122,851
Due to general fund	176,027
Vacation payable	7,075
Total payable from current assets	305,953
Payable from restricted assets	
Current portion of bonds payable	115,000
Current portion of note payable	58,395
Customer deposits	147,169
Accrued interest	7,743
Total payable from restricted assets	328,307
Total current liabilities	634,260
Noncurrent liabilities	
Net pension liability	67,006
Bonds payable	230,000
Note payable	892,649
Total noncurrent liabilities	1,189,655
Total liabilities	1,823,915
Net position	
Net investment in capital assets	2,011,395
Unrestricted	(206,707)
Total net position	\$ 1,804,688

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenses, and Changes in Net Position
Enterprise Fund
For the Fiscal Year Ended September 30, 2017

	Water and Sewer Fund
Operating revenues	
Water and sewer sales	\$ 1,532,103
Other income	11,598
	1,543,701
Operating expenses	
Water	596,036
Sewer	539,016
Administrative services - General Fund	180,000
Depreciation	171,358
	1,486,410
Total operating expenses	1,486,410
Operating income	57,291
Non-operating revenues (expenses)	
Intergovernmental revenue	118,132
Interest revenue	6,337
Interest expense and fiscal charge	(31,646)
	92,823
Total non-operating revenues (expenses)	92,823
Change in net position	150,114
Net position, beginning of year	1,654,574
Net position, end of year	\$ 1,804,688

CITY OF EVERMAN, TEXAS
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended September 30, 2017

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers	\$ 1,533,730
Cash paid to suppliers	(822,049)
Cash paid to employees	(280,257)
Cash paid to other funds	(3,973)
Net cash provided by operating activities	427,451
Cash flows from capital and related financing activities:	
Purchase of capital assets	(1,245,181)
Proceeds from long-term debt	1,017,249
Principal payments on long-term debt	(181,205)
Interest payments and fiscal charge	(29,161)
Increase in customer deposits	(1,085)
Net cash used in capital and related financing activities	(439,383)
Cash flows from investing activities:	
Interest income	6,337
Net cash provided by investing activities	6,337
Net decrease in cash and cash equivalents	(5,595)
Cash and cash equivalents at beginning of year	152,313
Cash and cash equivalents at end of year	\$ 146,718
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 57,291
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation	171,358
(Increase) decrease in:	
Accounts receivable	(17,702)
Deferred outflows of resources	(368)
Increase (decrease) in:	
Accounts payable and accrued expenses	37,537
Due to general fund	176,027
Net pension liability	4,314
Accrued vacation	(1,006)
Net cash provided by operating activities	\$ 427,451
Noncash capital and related financing activities:	
Contributions of capital assets	\$ 118,132

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note A. Summary of Significant Accounting Policies

The accounting policies of the City of Everman, Texas (the "City") 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 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 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. The 10-year extension of the Crime Control and Prevention District and the supporting sales tax of 0.25% was approved by a special election held November 8, 2016. The Crime Control and Prevention District provides all of its services to the City, and upon its dissolution, all assets shall be distributed to the City.

Everman Economic Development Corporation (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. The Corporation provides all of its services to the City, and upon its dissolution, all assets shall be distributed to the City.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

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 the City Council, the City 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 directors consists of five board members, of which three members are appointed by the City'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, Economic Development Corporation fund, Street Improvement fund, the Debt Service fund, and the Capital Project 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 and the Tax Increment Financing Zone 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, 2017

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 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 Street Improvement Fund is reported as a special revenue fund of the City and is utilized to account for a quarter-penny sales tax which can only be spent on street improvements or maintenance within the City.

The Debt Service Fund accounts for the accumulation of financial resources for the payment of principal, interest, and related costs on long-term obligations paid primarily from taxes levied and collected by the City.

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 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.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note A. Summary of Significant Accounting Policies (Continued)

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.
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.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note A. Summary of Significant Accounting Policies (Continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet 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 reported in the statement of net position. See additional information in Note K.

In addition to liabilities, the statement of net position or balance sheet will sometimes include 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 currently has deferred inflows of resources related to unavailable revenue from property taxes reported in the governmental fund balance sheet.

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.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note A. Summary of Significant Accounting Policies (Continued)

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.

Pensions

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

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."

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note B. Reconciliation of Government-wide and Fund Financial Statements (Continued)

The details of this \$3,142,719 difference are as follows:

General obligation refunding bonds	\$ (180,000)
General obligation bonds	(2,100,000)
Unamortized bond premium	(79,890)
Accrued interest payable	(11,750)
Net pension liability	(676,777)
Vacation payable	<u>(94,302)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ (3,142,719)</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.

The City's deposits and investments are invested pursuant to the Investment Policy.

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

1. Certificates of Deposit of a single issuer, not to exceed the FDIC insurable amount at any time;
2. Local Government Investment Cooperative is to be used for all invested funds that require a high degree of liquidity; and
3. City's Frost checking account is to be used for un-invested funds within 60 days of receipt.

The Local Government Investment Cooperative (LOGIC) is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member board of trustees and is 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 are FirstSouthwest, a division of Hilltop Securities Inc., and J.P. Morgan Investment Management Inc. LOGIC is rated AAAM by Standard and Poor's.

LOGIC reports its financial statements in accordance with Financial Accounting Standards Boards, follows ASC 820 *Fair Value Measurement and Disclosure Requirements* in reporting its investments, and is categorized as Level 2. For pricing and redeeming shares, LOGIC maintains a stable net asset value of \$1.00 per share using the fair value method.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

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

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure the assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices include within Level 1, that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

As of September 30, 2017, the City has the following investments included in cash and cash equivalents:

	Weighted Average Maturity	Market Value Level 2	% of Total
LOGIC investment pool	40 days	\$3,026,942	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, 2017, the City’s investments included investment pools, and therefore were not exposed to interest rate risk.

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, 2017, the LOGIC investment pool was rated AAAM by Standard & Poor’s.

Concentration of Credit Risk – The City’s Investment policy does not place a limit on the amount that may be invested.

As of September 30, 2017, 100.00% of the City’s portfolio was invested in Local Government Investment Pools.

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, 2017, 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.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

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 unearned revenue 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 \$146,718 are held for customers' meter deposits.

Note F. Interfund Activity

Interfund receivables and payables at September 30, 2017 consisted of the following:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Water and Sewer Fund	\$176,027	Short-term loan

Interfund transactions for the fiscal year ended September 30, 2017 are as follows:

Administrative overhead reimbursement from Enterprise Fund	\$ 180,000
Administrative overhead reimbursement	
from Street Improvement Fund	24,000
from Economic Development Corporation (EDC) Fund	36,000
from Crime Control and Prevention District Fund	24,000
Total reimbursements to General Fund	264,000
Total interfund transactions	\$ 264,000

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.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note G. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	Balance 9/30/2016	Additions/ Adjustments	Disposals/ Adjustments	Balance 9/30/2017
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 265,786	\$ -	\$ -	\$ 265,786
Total capital assets not being depreciated	265,786	-	-	265,786
Other capital assets				
Buildings and improvements	3,660,613	206,198	-	3,866,811
Infrastructure	2,006,587	69,773	-	2,076,360
Machinery and equipment	698,651	114,457	-	813,108
Vehicles	1,701,861	55,116	-	1,756,977
Total other capital assets	8,067,712	445,544	-	8,513,256
Less accumulated depreciation for:				
Buildings and improvements	1,889,128	152,387	-	2,041,515
Infrastructure	624,492	98,169	-	722,661
Machinery and equipment	593,548	35,996	-	629,544
Vehicles	1,197,976	142,541	-	1,340,517
Total accumulated depreciation	4,305,144	429,093	-	4,734,237
Other capital assets, net	3,762,568	16,451	-	3,779,019
Governmental activities capital assets, net	<u>\$ 4,028,354</u>	<u>\$ 16,451</u>	<u>\$ -</u>	<u>\$ 4,044,805</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note G. Capital Assets (Continued)

	Balance 9/30/2016	Additions/ Adjustments	Disposals/ Adjustments	Balance 9/30/2017
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 53,425	\$ -	\$ -	\$ 53,425
Total capital assets not being depreciated	53,425	-	-	53,425
Other capital assets				
Buildings and improvements	630,200	-	-	630,200
Water and sewer system	4,328,443	1,363,311	-	5,691,754
Machinery and equipment	306,407	-	-	306,407
Total other capital assets	5,265,050	1,363,311	-	6,628,361
Less accumulated depreciation for:				
Building and improvements	630,200	-	-	630,200
Water and sewer system	2,363,198	157,151	-	2,520,349
Machinery and equipment	209,591	14,207	-	223,798
Total accumulated depreciation	3,202,989	171,358	-	3,374,347
Other capital assets, net	2,062,061	1,191,953	-	3,254,014
Business-type activities capital assets, net	<u>\$ 2,115,486</u>	<u>\$ 1,191,953</u>	<u>\$ -</u>	<u>\$ 3,307,439</u>

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

Governmental activities:

Administrative	\$ 23,542
Streets	112,688
Parks and building maintenance	71,736
Police	84,297
Maintenance garage	7,327
Emergency medical services	33,490
Fire	74,282
Library	14,263
Animal control	7,468
Total Governmental activities	<u>\$ 429,093</u>

Business-type activities:

Water	\$ 159,579
Sewer	11,779
Total Business-type activities	<u>\$ 171,358</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note H. Long-Term Debt

Long-term debt of the City consists of bonds payable and a note payable. 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, 2017 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 \$2,100,000 at September 30, 2017.

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 \$180,000 at September 30, 2017.

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 \$345,000 at September 30, 2017.

Note Payable

Government Capital Corporation

- To finance an energy savings project.
- Principal price of \$1,017,249.
- Payable in annual installments of \$58,000 to \$96,000, maturing July 1, 2029.
- Outstanding balance of \$951,044 at September 30, 2017, bearing interest at 2.35%.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note H. Long-Term Debt (Continued)

The following is a summary of the changes by type of debt for the year ended September 30, 2017:

	Balance 9/30/2016	Additions	Retirements	Balance 9/30/2017	Due Within One Year
Governmental activities					
General obligation refunding bonds	\$ 350,000	\$ -	\$ 170,000	\$ 180,000	\$ 180,000
General obligation bonds	2,200,000	-	100,000	2,100,000	105,000
Unamortized bond premium	89,137	-	9,247	79,890	8,946
Capital leases	1,154	-	1,154	-	-
Vacation payable	69,279	86,130	61,107	94,302	94,302
Net pension liability	586,038	262,390	171,651	676,777	-
Total governmental activities	<u>3,295,608</u>	<u>348,520</u>	<u>513,159</u>	<u>3,130,969</u>	<u>388,248</u>
Business-type activities					
General obligation refunding bonds	460,000	-	115,000	345,000	115,000
Note payable	-	1,017,249	66,205	951,044	58,395
Vacation payable	8,081	8,224	9,230	7,075	7,075
Net pension liability	62,692	21,652	17,338	67,006	-
Total business-type activities	<u>530,773</u>	<u>1,047,125</u>	<u>207,773</u>	<u>1,370,125</u>	<u>180,470</u>
Totals	<u><u>\$ 3,826,381</u></u>	<u><u>\$ 1,395,645</u></u>	<u><u>\$ 720,932</u></u>	<u><u>\$ 4,501,094</u></u>	<u><u>\$ 568,718</u></u>

The annual requirements to amortize long-term debt as of September 30, 2017 are as follows:

Governmental Activities

Fiscal Year Ending	General Obligation Refunding Bond		General Obligation Bond		Total
	Principal	Interest	Principal	Interest	
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	-	-	115,000	54,525	169,525
2022	-	-	115,000	51,075	166,075
2023-2027	-	-	635,000	199,838	834,838
2028-2032	-	-	750,000	85,812	835,812
2033	-	-	165,000	2,475	167,475
Total	<u><u>\$ 180,000</u></u>	<u><u>\$ 3,375</u></u>	<u><u>\$ 2,100,000</u></u>	<u><u>\$ 574,925</u></u>	<u><u>\$ 2,858,300</u></u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note H. Long-Term Debt (Continued)

Business-type Activities

Fiscal Year Ending	General Obligation Refunding Bond		Note Payable		Total
	Principal	Interest	Principal	Interest	
2018	\$ 115,000	\$ 10,782	\$ 58,395	\$ 22,350	\$ 206,527
2019	110,000	6,563	61,970	20,977	199,510
2020	120,000	2,250	65,696	19,521	207,467
2021	-	-	69,578	17,977	87,555
2022	-	-	73,621	16,342	89,963
2023-2027	-	-	434,724	53,547	488,271
2028-2029	-	-	187,060	6,545	193,605
Total	<u>\$ 345,000</u>	<u>\$ 19,595</u>	<u>\$ 951,044</u>	<u>\$ 157,259</u>	<u>\$ 1,472,898</u>

Note I. Accumulated Unpaid Vacation and Sick Leave

If an employee is eligible for retirement under the City's defined benefit pension plan, sick leave is carried forward from one year to the next up to 160 hours and will be paid out upon retirement from the City. However, for the remaining employees, sick leave is recorded when paid and 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, 2017 was \$101,377.

Note J. Restricted Net Position

The government-wide statement of net position reports \$1,484,143 of restricted net position, of which \$1,366,220 is restricted by enabling legislation for the following:

Economic development	\$ 885,662
Street improvements	413,621
Crime control and prevention district	55,184
Tax increment financing zone	<u>11,753</u>
Total	<u>\$ 1,366,220</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note K. Defined Benefit Pension Plan

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. 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	5
Service retirement eligibility (expressed as age/years of service)	60/5, 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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	43
Active employees	<u>52</u>
Total	<u><u>112</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.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note K. Defined Benefit Pension Plan (Continued)

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 8.45% and 8.87% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were \$178,759, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TPL in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note K. Defined Benefit Pension Plan (Continued)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.50%	4.55%
International Equity	17.50%	6.35%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	4.15%
Real Return	10.00%	4.15%
Real Estate	10.00%	4.75%
Absolute Return	10.00%	4.00%
Private Equity	5.00%	7.75%
Total	<u>100.00%</u>	

Discount Rate

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

Changes in the NPL	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	\$ 5,570,609	\$ 4,921,878	\$ 648,731
Changes for the year:			
Service cost	224,202	-	224,202
Interest	377,178	-	377,178
Change of benefit terms including substantively automatic status	4,947	-	4,947
Difference between expected and actual experience	76,486	-	76,486
Changes of assumptions	-	-	-
Contributions - employer	-	162,758	(162,758)
Contributions - employee	-	96,307	(96,307)
Net investment income	-	332,651	(332,651)
Benefit payments, including refunds of employee contributions	(199,664)	(199,664)	-
Administrative expense	-	(3,757)	3,757
Other Changes	-	(198)	198
Net Changes	<u>483,149</u>	<u>388,097</u>	<u>95,052</u>
Balance at 12/31/2016	<u>\$ 6,053,758</u>	<u>\$ 5,309,975</u>	<u>\$ 743,783</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note K. Defined Benefit Pension Plan (Continued)

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's NPL	\$ 1,565,574	\$ 743,783	\$ 70,323

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com. 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' 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, 2017, the City recognized pension expense of \$230,524.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 53,857	\$ 91,321
Changes in actuarial assumptions	24,336	-
Difference between projected and actual investment earnings	225,901	339
Contributions subsequent to the measurement date	132,019	-
Total	\$ 436,113	\$ 91,660

\$132,019 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30th:	
2018	\$ 54,329
2019	82,418
2020	75,771
2021	(84)
Total	\$ 212,434

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

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.tmrs.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, 2017, 2016, and 2015 were \$4,640, \$3,919, and \$3,343, 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
2015	0.03%	0.18%	100.00%
2016	0.03%	0.22%	100.00%
2017	0.02%	0.23%	100.00%

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, 2017, the City's expenses in Water and Sewer Fund for water and sewer treatment were \$23,993 and \$537,076, respectively.

Note N. Economic Development Program Agreement

The City negotiated an Economic Development Program Agreement with Advanced Capital Resources, Inc. (Company) that purchased property from the City for the purpose of renovating the shopping center on the property and leasing the center to commercial retail businesses. The Company is also planning to construct a building on the property which will serve as a grocery store. This agreement is structured in accordance with Chapter 380 of the Texas Local Government Code. Under this agreement, the City is to provide incentives to the Company to make the improvements and renovations to the property and the shopping center. Provided that the Company is in full compliance with the terms and conditions of this agreement, the City will waive several permit and related fees for renovation work to the shopping center and construction of the grocery store.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2017

Note N. Economic Development Program Agreement (Continued)

The City will also make program grant payments to the Company as follows:

- For a period of three years beginning on the ad valorem tax effective date, the following percentages of the incremental ad valorem revenues for the corresponding tax year will become due and payable to the Company. According to the agreement, "incremental" means the increase in the ad valorem tax revenues over the ad valorem tax revenues that would be due on the value of the property and any improvements as of the effective date of the agreement.

Tax Year 1	60% of incremental Ad Valorem Revenues
Tax Year 2	40% of incremental Ad Valorem Revenues
Tax Year 3	20% of incremental Ad Valorem Revenues

- The City will make the program grant payments to the Company on an annual basis on or before the first day of March following the applicable tax year for which ad valorem taxes on the property were paid.

The Company is still in the renovation phase at September 30, 2017 in order to obtain a certificate of occupancy for the shopping center. The ad valorem tax effective date will be the first January 1st following the issuance of a certificate of occupancy for the shopping center.

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 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.

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 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 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. Subsequent Events

The City evaluated subsequent events through March 5, 2018, the date the financial statements were available to be issued, and nothing significant requiring disclosure was noted.

**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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 2,020,926	\$ 2,020,926	\$ 2,078,770	\$ 57,844
Licenses, permits, and fees for services	331,000	331,000	339,245	8,245
Intergovernmental revenue	218,000	238,286	198,277	(40,009)
Donations	130,500	136,200	130,942	(5,258)
Fines and fees	286,576	286,576	248,125	(38,451)
Interest income	8,500	8,500	17,099	8,599
Other revenues	9,909	9,909	14,075	4,166
Administrative services - other funds	246,000	246,000	264,000	18,000
Total revenues	3,251,411	3,277,397	3,290,533	13,136
Expenditures				
Administrative	688,960	713,251	690,806	22,445
Streets	616,782	616,782	632,128	(15,346)
Parks and building maintenance	97,040	97,040	107,175	(10,135)
Police	1,325,059	1,325,059	1,375,399	(50,340)
Maintenance garage	174,075	174,075	154,977	19,098
Emergency medical services	484,856	484,856	429,313	55,543
Fire	64,100	84,386	65,808	18,578
Community and activity centers	22,700	22,700	10,843	11,857
Municipal court	68,948	68,948	66,687	2,261
Code enforcement	68,657	68,657	59,648	9,009
Library	128,509	128,509	119,799	8,710
Animal control	95,786	95,786	92,699	3,087
Capital outlay	100,000	329,611	304,358	25,253
Debt service	3,500	3,500	1,181	2,319
Total expenditures	3,938,972	4,213,160	4,110,821	102,339
Net change in fund balance	(687,561)	(935,763)	(820,288)	\$ 115,475
Fund balance, beginning of year	1,804,441	1,804,441	1,804,441	
Fund balance, end of year	\$ 1,116,880	\$ 868,678	\$ 984,153	

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, 2017

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)
	Original and Final	Actual Amounts	
Revenues			
Sales tax	\$ 157,000	\$ 170,661	\$ 13,661
Interest income	5,000	8,500	3,500
Total revenues	162,000	179,161	17,161
Expenditures			
Administrative	236,434	144,685	91,749
Total expenditures	236,434	144,685	91,749
Excess (deficiency) of revenues over (under) expenditures	(74,434)	34,476	108,910
Other financing sources			
Gain on sale of assets	66,000	-	(66,000)
Net change in fund balance	(8,434)	34,476	\$ 42,910
Fund balance, beginning of year	851,186	851,186	
Fund balance, end of year	\$ 842,752	\$ 885,662	

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, 2017

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)
	Original and Final	Actual Amounts	
Revenues			
Sales tax	\$ 78,000	\$ 85,331	\$ 7,331
Interest income	624	3,665	3,041
Total revenues	78,624	88,996	10,372
Expenditures			
Administrative	24,000	24,000	-
Total expenditures	24,000	24,000	-
Net change in fund balance	54,624	64,996	\$ 10,372
Fund balance, beginning of year	348,625	348,625	
Fund balance, end of year	\$ 403,249	\$ 413,621	

CITY OF EVERMAN
Schedule of Changes in the Net Pension Liability and Related Ratios
Last Three Fiscal Years **

<u>Measurement Date - December 31st: *</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability (a)			
Beginning Balance	\$ 5,570,609	\$ 5,386,034	\$ 5,212,243
Service cost	224,202	202,453	149,731
Interest	377,178	375,761	359,272
Change in benefit terms including substantively automatic status	4,947	-	-
Difference between expected and actual experience	76,486	(213,513)	(25,895)
Changes of assumptions	-	58,374	-
Benefit payments, including refunds of employee contributions	(199,664)	(238,500)	(309,317)
End of Year Balance	<u>\$ 6,053,758</u>	<u>\$ 5,570,609</u>	<u>\$ 5,386,034</u>
Plan Fiduciary Net Position (b)			
Beginning Balance	\$ 4,921,878	\$ 4,907,644	\$ 4,716,010
Contributions - employer	162,758	158,097	150,131
Contributions - employee	96,307	92,024	84,060
Net investment income	332,651	7,242	269,809
Benefit payments, including refunds of employee contributions	(199,664)	(238,500)	(309,317)
Administrative expense	(3,757)	(4,411)	(2,817)
Other changes	(198)	(218)	(232)
End of Year Balance	<u>\$ 5,309,975</u>	<u>\$ 4,921,878</u>	<u>\$ 4,907,644</u>
Net Pension Liability (a) - (b)			
Beginning Balance	\$ 648,731	\$ 478,390	\$ 496,233
Service cost	224,202	202,453	149,731
Interest	377,178	375,761	359,272
Change in benefit terms including substantively automatic status	4,947	-	-
Difference between expected and actual experience	76,486	(213,513)	(25,895)
Changes of assumptions	-	58,374	-
Contributions - employer	(162,758)	(158,097)	(150,131)
Contributions - employee	(96,307)	(92,024)	(84,060)
Net investment income	(332,651)	(7,242)	(269,809)
Administrative expense	3,757	4,411	2,817
Other changes	198	218	232
End of Year Balance	<u>\$ 743,783</u>	<u>\$ 648,731</u>	<u>\$ 478,390</u>
Plan's fiduciary net position as a percentage of the total pension liability	87.71%	88.35%	91.12%
Covered payroll	\$ 1,926,134	\$ 1,840,484	\$ 1,681,201
Net pension liability as a percentage of covered payroll	38.62%	35.25%	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
Last Three Fiscal Years **

<u>Year Ended September 30th: *</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The City's actuarially determined contribution	\$ 178,759	\$ 158,902	\$ 151,299
The amount of contributions recognized by the plan in relation to the actuarially determined contribution	<u>178,759</u>	<u>158,902</u>	<u>151,299</u>
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	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,041,511	\$ 1,872,220	\$ 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	8.76%	8.49%	8.67%

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Calculate the Actuarially Determined Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 Years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Benefit Changes Adopted 5 year vesting effective October 1, 2016.

* The amounts presented above are as of the City's applicable fiscal year-end.

** 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, 2017

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Crime Control and Prevention District	Tax Increment Financing Zone	
Assets			
Cash and cash equivalents	\$ 49,684	\$ 10,526	\$ 60,210
Taxes receivable	5,500	1,227	6,727
Total assets	<u>\$ 55,184</u>	<u>\$ 11,753</u>	<u>\$ 66,937</u>
Fund balances			
Restricted for:			
Crime control and prevention district	\$ 55,184	-	\$ 55,184
Tax increment financing zone	-	11,753	11,753
Total fund balances	<u>\$ 55,184</u>	<u>\$ 11,753</u>	<u>\$ 66,937</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, 2017

	Special Revenue Funds		Total Nonmajor Governmental Funds
	Crime Control and Prevention District	Tax Increment Financing Zone	
Revenues			
Sales tax	\$ 77,819	\$ -	\$ 77,819
Intergovernmental revenue	-	10,361	10,361
Interest income	425	-	425
Total revenues	<u>78,244</u>	<u>10,361</u>	<u>88,605</u>
Expenditures			
Administrative	25,668	-	25,668
Capital outlay	76,412	-	76,412
Total expenditures	<u>102,080</u>	<u>-</u>	<u>102,080</u>
Net change in fund balances	<u>(23,836)</u>	<u>10,361</u>	<u>(13,475)</u>
Fund balances, beginning of year	<u>79,020</u>	<u>1,392</u>	<u>80,412</u>
Fund balances, end of year	<u>\$ 55,184</u>	<u>\$ 11,753</u>	<u>\$ 66,937</u>

CITY OF EVERMAN, TEXAS
Statement of Revenues - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2017
(With Comparative Totals For the Fiscal Year Ending September 30, 2016)

	Budgeted Amounts		2017 Actual	Variance with Final Budget	2016 Actual
	Original	Final		Favorable (Unfavorable)	
Taxes					
General property taxes					
Current	\$ 1,241,926	\$ 1,241,926	\$ 1,354,970	\$ 113,044	\$ 1,186,905
Delinquent	25,000	25,000	37,076	12,076	28,055
Penalty and interest	42,000	42,000	32,937	(9,063)	44,914
Sales tax	340,000	340,000	341,324	1,324	323,618
Mixed beverage tax	12,000	12,000	11,575	(425)	11,447
Franchise tax	340,000	340,000	281,469	(58,531)	289,548
Bingo tax	20,000	20,000	19,419	(581)	18,697
Totals	2,020,926	2,020,926	2,078,770	57,844	1,903,184
Licenses, permits, and fees for services					
Ambulance fees	-	-	-	-	16
Sanitation fees	281,000	281,000	302,659	21,659	290,081
Animal adoption fees	600	600	565	(35)	931
Animal control fees	1,000	1,000	984	(16)	2,151
Building permits	30,000	30,000	14,854	(15,146)	11,710
Amusement machine permits	1,000	1,000	648	(352)	810
Other licenses and permits	17,400	17,400	19,535	2,135	13,263
Totals	331,000	331,000	339,245	8,245	318,962
Intergovernmental revenue					
Local grant	218,000	238,286	198,277	(40,009)	241,402
Donations					
County runs - fire	84,000	84,000	84,000	-	83,000
County runs - EMS	45,000	45,000	35,508	(9,492)	44,611
County runs - police	1,000	6,700	9,040	2,340	11,100
Animal control	400	400	100	(300)	208
Other donations	100	100	2,294	2,194	80
Totals	130,500	136,200	130,942	(5,258)	138,999
Fines and fees					
Court fines	80,086	80,086	98,114	18,028	77,692
Ambulance fees - insurance	200,000	200,000	144,547	(55,453)	150,654
Parks	-	-	40	40	-
Security alarm fee	3,700	3,700	3,660	(40)	3,200
Open records request fee	-	-	50	50	50
Labor liens recovery	1,790	1,790	1,714	(76)	1,223
Library fines and fees	1,000	1,000	-	(1,000)	627
Totals	286,576	286,576	248,125	(38,451)	233,446
Interest income	8,500	8,500	17,099	8,599	12,698
Other revenues					
Vending commissions	121	121	123	2	115
Garage sale permits	3,000	3,000	2,890	(110)	2,750
Oil and gas royalties	6,788	6,788	7,325	537	6,295
Miscellaneous	-	-	3,737	3,737	38,293
Totals	9,909	9,909	14,075	4,166	47,453
Administrative services - other funds	246,000	246,000	264,000	18,000	308,001
Total revenues	\$ 3,251,411	\$ 3,277,397	\$ 3,290,533	\$ 13,136	\$ 3,204,145

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2017
(With Comparative Totals For the Fiscal Year Ending September 30, 2016)

	Budgeted Amounts		2017 Actual	Variance with Final Budget Favorable (Unfavorable)	2016 Actual
	Original	Final			
Administrative					
Salaries	\$ 382,645	\$ 382,645	\$ 372,690	\$ 9,955	\$ 352,207
Supplies	27,915	52,206	46,889	5,317	19,768
Services	245,900	245,900	240,457	5,443	214,107
Maintenance	32,500	32,500	30,770	1,730	31,595
Capital outlay	38,000	238,466	221,035	17,431	37,041
Debt service	1,500	1,500	-	1,500	1,980
Totals	728,460	953,217	911,841	41,376	656,698
Streets					
Salaries	204,582	204,582	206,397	(1,815)	189,002
Supplies	3,200	3,200	6,329	(3,129)	7,027
Services	359,000	359,000	400,326	(41,326)	364,166
Maintenance	50,000	50,000	19,076	30,924	34,789
Capital outlay	-	-	2,792	(2,792)	61,436
Totals	616,782	616,782	634,920	(18,138)	656,420
Parks and building maintenance					
Salaries	54,540	54,540	57,843	(3,303)	44,673
Supplies	13,500	13,500	20,016	(6,516)	29,250
Services	29,000	29,000	29,316	(316)	26,302
Capital outlay	10,000	10,000	5,000	5,000	-
Totals	107,040	107,040	112,175	(5,135)	100,225
Police					
Salaries	1,216,259	1,216,259	1,263,307	(47,048)	1,172,017
Supplies	30,000	30,000	36,030	(6,030)	42,412
Services	57,800	57,800	59,974	(2,174)	70,418
Maintenance	21,000	21,000	16,088	4,912	28,819
Capital outlay	52,000	57,700	52,086	5,614	-
Debt service	2,000	2,000	1,181	819	1,415
Totals	1,379,059	1,384,759	1,428,666	(43,907)	1,315,081
Maintenance garage					
Salaries	70,875	70,875	69,877	998	69,146
Supplies	54,000	54,000	42,882	11,118	45,068
Services	5,200	5,200	4,571	629	4,332
Maintenance	44,000	44,000	37,647	6,353	35,605
Totals	174,075	174,075	154,977	19,098	154,151
Emergency medical service					
Salaries	434,556	434,556	392,756	41,800	378,778
Supplies	16,450	16,450	14,028	2,422	8,766
Services	29,150	29,150	19,884	9,266	21,823
Maintenance	4,700	4,700	2,645	2,055	1,168
Capital outlay	-	19,245	19,245	-	89,584
Totals	\$ 484,856	\$ 504,101	\$ 448,558	\$ 55,543	\$ 500,119

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2017
(With Comparative Totals For the Fiscal Year Ending September 30, 2016)

	Budgeted Amounts		2017 Actual	Variance with Final Budget Favorable (Unfavorable)	2016 Actual
	Original	Final			
Fire					
Volunteer benefits	\$ 12,000	\$ 12,000	\$ 5,648	\$ 6,352	\$ 8,654
Supplies	24,700	44,986	36,876	8,110	17,344
Services	13,900	13,900	13,292	608	11,206
Maintenance	13,500	13,500	9,992	3,508	8,478
Capital outlay	-	4,200	4,200	-	131,274
Totals	64,100	88,586	70,008	18,578	176,956
Community and activity centers					
Supplies	-	-	182	(182)	-
Services	5,700	5,700	5,962	(262)	5,464
Maintenance	17,000	17,000	4,699	12,301	13,499
Totals	22,700	22,700	10,843	11,857	18,963
Municipal court					
Salaries	43,698	43,698	41,601	2,097	38,046
Supplies	4,250	4,250	1,835	2,415	1,199
Services	21,000	21,000	21,428	(428)	26,534
Maintenance	-	-	1,823	(1,823)	1,832
Totals	68,948	68,948	66,687	2,261	67,611
Code enforcement					
Salaries	50,332	50,332	49,495	837	45,652
Supplies	1,525	1,525	1,465	60	1,088
Services	12,800	12,800	4,848	7,952	13,386
Maintenance	4,000	4,000	3,840	160	4,035
Totals	68,657	68,657	59,648	9,009	64,161
Library					
Salaries	111,109	111,109	97,272	13,837	90,168
Supplies	6,700	6,700	7,549	(849)	7,159
Services	10,700	10,700	13,410	(2,710)	12,592
Maintenance	-	-	1,568	(1,568)	2,343
Totals	128,509	128,509	119,799	8,710	112,262
Animal control					
Salaries	79,286	79,286	82,094	(2,808)	70,909
Supplies	8,000	8,000	5,656	2,344	3,722
Services	4,000	4,000	2,866	1,134	3,225
Maintenance	4,500	4,500	2,083	2,417	3,050
Totals	95,786	95,786	92,699	3,087	80,906
Total Expenditures	\$ 3,938,972	\$ 4,213,160	\$ 4,110,821	\$ 102,339	\$ 3,903,553

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, 2017
(With Comparative Totals For the Fiscal Year Ending September 30, 2016)

	Budgeted Amounts		2017 Actual	Variance with Final Budget Favorable (Unfavorable)	2016 Actual
	Original	Final			
Revenues					
Sales tax	\$ 61,000	\$ 61,000	\$ 77,819	\$ 16,819	\$ 66,620
Interest income	200	200	425	225	268
Total revenues	61,200	61,200	78,244	17,044	66,888
Expenditures					
Administrative	28,500	28,500	25,668	2,832	31,559
Capital outlay	70,000	76,412	76,412	-	74,693
Total expenditures	98,500	104,912	102,080	2,832	106,252
Net change in fund balance	(37,300)	(43,712)	(23,836)	\$ 19,876	(39,364)
Fund balance, beginning of year	79,020	79,020	79,020		118,384
Fund balance, end of year	\$ 41,720	\$ 35,308	\$ 55,184		\$ 79,020

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, 2017
(With Comparative Totals For the Fiscal Year Ending September 30, 2016)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2016 Actual
	Original and Final	2017 Actual		
Revenues				
Property taxes	\$ 353,588	\$ 376,400	\$ 22,812	\$ 359,229
Interest Income	75	521	446	120
Total revenues	353,663	376,921	23,258	359,349
Expenditures				
Debt and capitalized lease debt service:				
Principal retirement	270,000	270,000	-	270,000
Interest and fiscal charges	75,088	75,088	-	83,460
Total expenditures	345,088	345,088	-	353,460
Net change in fund balance	8,575	31,833	\$ 23,258	5,889
Fund balance, beginning of year	22,846	22,846		16,957
Fund balance, end of year	\$ 31,421	\$ 54,679		\$ 22,846

CITY OF EVERMAN, TEXAS
Statement of Operating Expenses
- Budget and Actual -
Enterprise Fund
For the Fiscal Year Ended September 30, 2017
(With Comparative Totals For the Fiscal Year Ending September 30, 2016)

	Budgeted Amounts		2017 Actual	Variance with Final Budget Favorable (Unfavorable)	2016 Actual
	Original	Final			
Water					
Salaries	\$ 297,457	\$ 297,457	\$ 283,197	\$ 14,260	\$ 271,781
Supplies	41,750	41,750	51,273	(9,523)	43,157
Services	172,675	202,675	219,420	(16,745)	188,069
Maintenance	28,700	27,500	42,541	(15,041)	25,941
Equipment	50,000	58,025	(395)	58,420	4,820
Totals	590,582	627,407	596,036	31,371	533,768
Sewer					
Supplies	13,500	13,500	1,598	11,902	4,007
Services	526,000	526,000	537,075	(11,075)	503,123
Maintenance	1,200	1,200	343	857	1,008
Totals	540,700	540,700	539,016	1,684	508,138
Administrative services - General fund	180,000	180,000	180,000	-	185,118
Depreciation	150,000	150,000	171,358	(21,358)	151,069
Total operating expenses	\$ 1,461,282	\$ 1,498,107	\$ 1,486,410	\$ 11,697	\$ 1,378,093

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2017

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2018	<u>\$ 180,000</u>	<u>\$ 3,375</u>	<u>\$ 183,375</u>
	<u><u>\$ 180,000</u></u>	<u><u>\$ 3,375</u></u>	<u><u>\$ 183,375</u></u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2013 General Obligation Bonds Payable
Debt Service Requirement in Future Years
September 30, 2017

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
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>\$ 2,100,000</u>	<u>\$ 574,925</u>	<u>\$ 2,674,925</u>

CITY OF EVERMAN, TEXAS
Business-Type Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2017

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
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>\$ 345,000</u>	<u>\$ 19,595</u>	<u>\$ 364,595</u>

CITY OF EVERMAN, TEXAS
Business-Type Activities
Schedule of Note Payable
Debt Service Requirement in Future Years
September 30, 2017

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2018	\$ 58,395	\$ 22,350	\$ 80,745
2019	61,970	20,977	82,947
2020	65,696	19,521	85,217
2021	69,578	17,977	87,555
2022	73,621	16,342	89,963
2023	78,103	14,612	92,715
2024	82,770	12,777	95,547
2025	89,172	10,831	100,003
2026	91,267	8,736	100,003
2027	93,412	6,591	100,003
2028	95,607	4,396	100,003
2029	91,453	2,149	93,602
	<u>\$ 951,044</u>	<u>\$ 157,259</u>	<u>\$ 1,108,303</u>

CITY OF EVERMAN, TEXAS
Schedule of Insurance Coverage
September 30, 2017

Type of Coverage	Effective Dates		Premium	Policy #	Amount of Coverage	Insurer
	From	To				
General Liability	10/1/2016	10/1/2017	\$ 1,977	3663	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
Real and Personal Property	10/1/2016	10/1/2017	10,600	3663	9,509,920	Texas Municipal League Intergovernmental Risk Pool
Mobile Equipment	10/1/2016	10/1/2017	938	3663	228,768	Texas Municipal League Intergovernmental Risk Pool
Boiler & Machinery	10/1/2016	10/1/2017	Included	3663	500,000	Texas Municipal League Intergovernmental Risk Pool
Cyber Liability Info Security and Privacy	10/1/2016	10/1/2017	Included	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Cyber Liability Breach Response	10/1/2016	10/1/2017	Included	3663	50,000	Texas Municipal League Intergovernmental Risk Pool
Law Enforcement Liability	10/1/2016	10/1/2017	6,918	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Errors & Omissions Liability	10/1/2016	10/1/2017	3,403	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Automobile Liability	10/1/2016	10/1/2017	20,332	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Auto Physical Damage	10/1/2016	10/1/2017	12,894	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Public Employee Dishonesty	10/1/2016	10/1/2017	631	3663	100,000	Texas Municipal League Intergovernmental Risk Pool
Workers Compensation	10/1/2016	10/1/2017	<u>41,973</u>	3663	Statutory Limits	Texas Municipal League Intergovernmental Risk Pool
Total Premiums			<u>\$ 99,666</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**



SNOWGARRETT 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, 2017, 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 March 5, 2018.

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.

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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Snow Garrett Williams

Snow Garrett Williams

March 5, 2018

