

CITY OF EVERMAN, TEXAS

**Annual Financial Report for the Year Ended
September 30, 2013**

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

	<u>PAGE</u>
Principal Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	3
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position - Enterprise Fund	19
Statement of Revenues, Expenses and Changes in Net Position - Enterprise Fund	20
Statement of Cash Flows - Enterprise Fund	21
Notes to Financial Statements	22
Required Supplemental Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	41
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Economic Development Corporation Fund	42
Schedule of Funding Progress for the Retirement Plan for the Employees of City of Everman, Texas	43
Supplemental Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	46
Statement of Revenues - Budget and Actual - General Fund	47
Statement of Expenditures - Budget and Actual - General Fund	48
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Crime Control and Prevention District Fund	50
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Street Improvement Fund	51
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	52
Statement of Expenses - Budget and Actual - Enterprise Fund	53

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

	<u>PAGE</u>
Governmental Activities:	
Schedule of 2007 General Obligation Refunding Bonds Payable	
Debt Service Requirement in Future Years	54
Schedule of 2013 General Obligation Bonds Payable	
Debt Service Requirement in Future Years	55
Schedule of Notes Payable - Texas Forest Service Debt	
Service Requirement in Future Years (Fire Equipment)	56
Schedule of Capital Lease Payable - Canon Financial	
Debt Service Requirement in Future Years (Copier-City Hall)	57
Schedule of Capital Lease Payable - Konica Minolta Premier Finance Debt	
Service Requirement in Future Years (Copier-Police Department)	58
Business-Type Activities	
Schedule of 2007 General Obligation Refunding Bonds Payable	
Debt Service Requirement in Future Years	59
Schedule of Insurance Coverage	60
 OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing</i> Standards	62
Schedule of Findings and Responses	64

**City of Everman, Texas
Principal Officials**

City Council

Ray Richardson, Mayor

Susan Mackey, Mayor Pro-Tem

Michelle Meyer, Council member

Kelly Denison, Council member

Johnnie Allen, Council member

Judy Sellers, Council member

Miriam Davila, Council member

Administrative

Donna Anderson, City Manager

Mindi Parks, City Secretary

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 City of Everman, Texas, as of and for the year ended September 30, 2013, 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, 2013, 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 and the schedule of funding progress for the retirement plan 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 reported dated March 5, 2014, on our consideration of the City of Everman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Everman's internal control over financial reporting and compliance.



Snow Garrett Williams

March 5, 2014

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, 2013. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of fiscal year 2013 by \$7,190,879 (*net position*). Of this amount, \$1,336,885 is restricted for specific purposes and \$2,789,375 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. As required by GASB 34, net position also reflects \$3,064,619 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 \$5,505,345; of which \$3,086,294 or 56% represents restricted fund balance and unassigned fund balance amounted to \$2,419,051 or 44%.
- The General Fund unassigned fund balance of \$2,419,051 equals 75% of total General Fund expenditures.
- The City's total debt increased by a net amount of \$2,348,950 during the current fiscal year primarily as a result of the issuance of bonds netted against scheduled annual debt service payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include administrative, streets, parks and building maintenance, police, maintenance garage, emergency medical services, fire, community and activity centers, municipal court, code enforcement, library, and animal control. The business-type activity of the City is water and sewer operations. All governmental and business-type activities included in the government-wide financial statement 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 six individual governmental funds, which includes three special revenue funds, one debt service fund, one capital project fund, and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Project Fund and the Economic Development Corporation (EDC) Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 39 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary including budgetary comparison information and information concerning pension benefits. The required supplementary information can be found on pages 41 through 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$7,190,879 as of September 30, 2013.

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012 Restated</u>	<u>2013</u>	<u>2012 Restated</u>
Current and other assets	\$ 5,828,857	\$ 4,141,527	\$ 536,389	\$ 815,285	\$ 6,365,246	\$ 4,956,812
Capital assets, net of depreciation	<u>3,312,665</u>	<u>3,220,492</u>	<u>2,192,411</u>	<u>2,269,847</u>	<u>5,505,076</u>	<u>5,490,339</u>
Total assets	<u>9,141,522</u>	<u>7,362,019</u>	<u>2,728,800</u>	<u>3,085,132</u>	<u>11,870,322</u>	<u>10,447,151</u>
Long-term liabilities	3,508,018	1,064,375	769,910	864,603	4,277,928	1,928,978
Other liabilities	<u>187,163</u>	<u>198,029</u>	<u>214,352</u>	<u>220,511</u>	<u>401,515</u>	<u>418,540</u>
Total liabilities	<u>3,695,181</u>	<u>1,262,404</u>	<u>984,262</u>	<u>1,085,114</u>	<u>4,679,443</u>	<u>2,347,518</u>
Net position:						
Net Investment in						
Capital Assets	1,637,208	2,223,496	1,427,411	1,409,847	3,064,619	3,633,343
Restricted	1,336,885	1,351,655	-	-	1,336,885	1,351,655
Unrestricted	<u>2,472,248</u>	<u>2,524,464</u>	<u>317,127</u>	<u>590,171</u>	<u>2,789,375</u>	<u>3,114,635</u>
Total Net Position	<u>\$ 5,446,341</u>	<u>\$ 6,099,615</u>	<u>\$ 1,744,538</u>	<u>\$ 2,000,018</u>	<u>\$ 7,190,879</u>	<u>\$ 8,099,633</u>

Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$3,064,619. 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 \$1,336,885 (or 19%) of the City's net position represents resources that are subject to external restrictions on how they may be used. All restricted assets of the City are being held for purposes established by state and local laws, future construction, and debt service requirements on the City's outstanding debt. The remaining balance of unrestricted net position (\$2,789,375) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's net position includes a prior period adjustment to the business-type activities totaling \$26,739 that resulted in restated amounts for 2012. See Note A on Page 27 of this report.

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

The City's net position decreased by \$908,754 during the current fiscal year. The City's governmental activities decreased net position by \$653,274 which included transfers from the business-type activities of \$378,008. The total cost of all governmental activities this year was \$3,721,370. The amount that taxpayers paid for these activities through property taxes was \$1,347,851 or 36%.

City of Everman's Changes in Net Position

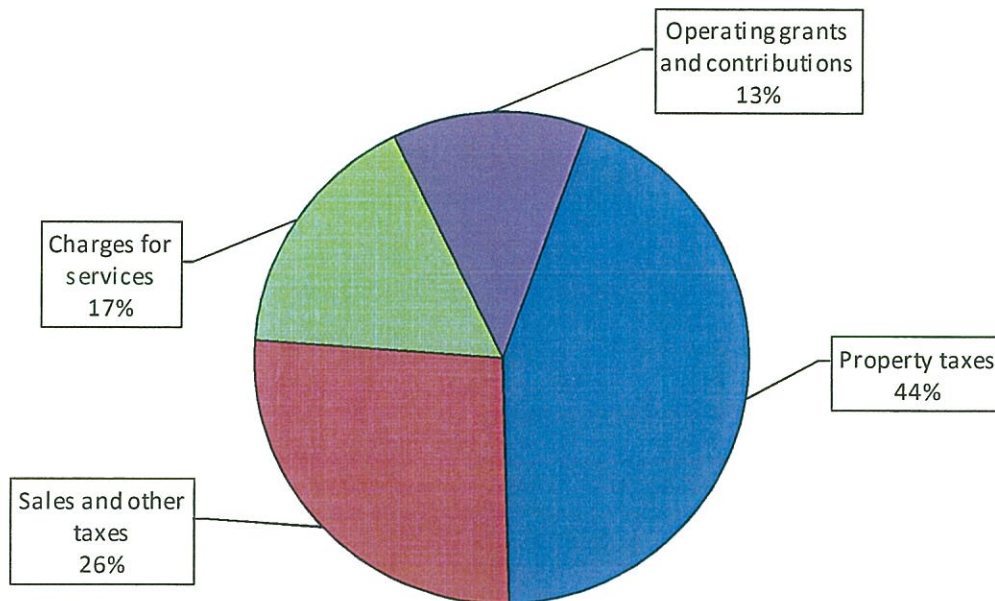
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 509,723	\$ 466,773	\$ 1,426,339	\$ 1,503,875	\$ 1,936,062	\$ 1,970,648
Operating grants and contributions	392,635	349,257	-	-	392,635	349,257
Capital grants and contributions	-	-	142,906	70,390	142,906	70,390
General revenues:					-	-
Property taxes	1,347,851	1,458,371	-	-	1,347,851	1,458,371
Sales and other taxes	812,323	832,127	-	-	812,323	832,127
Loss on disposal of assets	(385,830)	(4,813)	(278,328)	-	(664,158)	(4,813)
Other	13,386	12,440	73,327	7,824	86,713	20,264
Total revenues	<u>2,690,088</u>	<u>3,114,155</u>	<u>1,364,244</u>	<u>1,582,089</u>	<u>4,054,332</u>	<u>4,696,244</u>
Expenses:						
Administrative	651,756	627,168	-	-	651,756	627,168
Streets	655,455	669,425	-	-	655,455	669,425
Parks and building maintenance	66,905	80,212	-	-	66,905	80,212
Police	1,230,784	1,138,718	-	-	1,230,784	1,138,718
Maintenance garage	183,816	169,989	-	-	183,816	169,989
Emergency medical services	365,495	331,881	-	-	365,495	331,881
Fire	131,387	143,752	-	-	131,387	143,752
Community and activity centers	4,233	3,677	-	-	4,233	3,677
Municipal court	59,252	61,532	-	-	59,252	61,532
Code enforcement	51,317	50,358	-	-	51,317	50,358
Library	99,764	90,504	-	-	99,764	90,504
Animal control	68,089	56,368	-	-	68,089	56,368
Interest on long-term debt	153,117	42,182	-	-	153,117	42,182
Water	-	-	668,754	607,978	668,754	607,978
Sewer	-	-	572,962	439,157	572,962	439,157
Total expenses	<u>3,721,370</u>	<u>3,465,766</u>	<u>1,241,716</u>	<u>1,047,135</u>	<u>4,963,086</u>	<u>4,512,901</u>
Increase (decrease) in net position before transfers	(1,031,282)	(351,611)	122,528	534,954	(908,754)	183,343
Transfers	378,008	520,109	(378,008)	(520,109)	-	-
Change in net position	(653,274)	168,498	(255,480)	14,845	(908,754)	183,343
Net position, beginning of year	6,099,615	5,853,692	2,026,757	2,011,912	8,126,372	7,865,604
Prior period adjustment	-	77,425	(26,739)	-	(26,739)	77,425
Net position, beginning of year, restated	<u>6,099,615</u>	<u>5,931,117</u>	<u>2,000,018</u>	<u>2,011,912</u>	<u>8,099,633</u>	<u>7,943,029</u>
Net position, end of year	<u>\$ 5,446,341</u>	<u>\$ 6,099,615</u>	<u>\$ 1,744,538</u>	<u>\$ 2,026,757</u>	<u>\$ 7,190,879</u>	<u>\$ 8,126,372</u>

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

Governmental activities. Governmental activities decreased the City of Everman's net position by \$653,274. Key elements of this decrease are as follows:

- Decrease in property tax revenue due to a decrease in assessed values;
- Increase in loss on disposal of assets; and
- Increase in interest expense on long term debt.

Revenues by Source - Governmental Activities



The above graph does not include loss on disposal of assets.

Business-type activities. Business-type activities decreased the City's net position by \$255,480. Key elements of this decrease are as follows:

- Decrease in both water and sewer charges for services;
- Increase in water and sewer expenses in fiscal year 2013; and
- Increase in loss on disposal of assets.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The general government functions are reported in the General, Special Revenue, and Debt Service Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,505,345, an increase of \$1,740,646 in comparison with the prior year. Approximately \$2,419,051 or 44% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been set aside to fund capital projects (\$1,762,149), economic development (\$834,820), street improvements (\$363,495), crime control and prevention (\$94,104), debt service (\$7,739), and other miscellaneous and court related expenditures (\$23,987).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the general fund was \$2,443,038, of which \$2,419,051 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 75%, or slightly more than 273 days of total fund expenditures.

The fund balance of the City's general fund increased by \$7,351 during the current fiscal year. Key factors in this increase are as follows:

- Increase in donation, rental and royalty revenue;
- Increase in administrative services paid by other funds; and
- Decreases in capital outlay and debt service expenditures.

The debt service fund has a fund balance of \$7,739. The net increase in fund balance during the current year in the debt service fund was \$1,123.

GENERAL FUND BUDGETARY HIGHLIGHTS

Amendments to the original 2012-2013 general fund annual budget were relatively minor and can be briefly summarized as follows:

- Increase in intergovernmental revenue;
- Increase in salaries for police;
- Increase in supplies for administrative and animal control;
- Increase in services for police and animal control;
- Increase in maintenance for maintenance garage, emergency medical service, and fire;
- Increase in capital outlay for police;
- Decrease in salaries for administrative, maintenance garage, emergency medical service and animal control; and
- Decrease in supplies for fire and library.

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, 2013, amounts to \$5,505,076 (net of accumulated depreciation). The investment in capital assets related to governmental activities (\$3,312,665) includes land, construction in progress, infrastructure, buildings and improvements, machinery and equipment, and vehicles. The City's investment in capital assets related to business-type activities (\$2,192,411) 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:

- Maintenance building remodel;
- Improvements to parks; and
- Improvements to the water and sewer systems.

**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	\$ 200,274	\$ 53,425	\$ 253,699
Construction in progress	727,784	-	727,784
Buildings and improvements	1,094,153	-	1,094,153
Infrastructure	759,044	-	759,044
Water and sewer system	-	2,105,962	2,105,962
Machinery and equipment	112,608	33,024	145,632
Vehicles	418,802	-	418,802
Total	\$ 3,312,665	\$ 2,192,411	\$ 5,505,076

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

Long-term debt. At the end of the current fiscal year, the City of Everman had total debt outstanding of \$4,277,928. Of this amount, \$2,475,000 represents general obligation bonds secured by property tax collections, \$120,024 in unamortized bond premium related to the general obligation bonds, \$830,000 represents general obligation refunding bonds secured by property tax collections, and \$765,000 represents general obligation refunding bonds secured solely by revenue from the City's combined water and sewer system. In addition, the City had notes payable of \$1,800, capital leases payable of \$10,782, and net pension obligation of \$75,322.

City of Everman's Outstanding Debt

	Governmental Activities	Business-Type Activities	Total
General obligation refunding bonds	\$ 830,000	\$ 765,000	\$ 1,595,000
General obligation bonds	2,475,000	-	2,475,000
Unamortized bond premium	120,024	-	120,024
Notes payable	1,800	-	1,800
Capital lease agreements	10,782	-	10,782
Net Pension Obligation	70,412	4,910	75,322
Total	\$ 3,508,018	\$ 769,910	\$ 4,277,928

The City of Everman's total long-term debt increased by a net amount of \$2,348,950 (121.8%) during the current fiscal year. Debt related to governmental activities increased by \$2,443,643 primarily as a result of the issuance of general obligation revenue bonds net against scheduled debt service payments. Debt related to business-type activities decreased by \$94,693 primarily as a result of scheduled debt service payments. The City's bonds are rated "A-" by Standard and Poor's Corporation.

State statutes limit the total property tax rate to \$2.50 per \$100 assessed valuation. The City's total property tax rate for 2012-2013 was \$1.1054127 per \$100 assessed valuation, of which \$.152847 was for annual debt service.

Additional information on the City's long-term debt can be found in Note I on pages 33 through 35 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 2014, the City Council and management considered the following factors:

- Increase in property taxes due to the increase in the Interest and Sinking tax rate;
- Increase in sanitation fees based on anticipated rate increase;
- Increase in health insurance expense for all departments;
- Decrease in building maintenance and increase in capital equipment for the police department;
- Increase in professional services for the code enforcement department for extensive city zoning upgrades;
- Increase in water department professional services related to the five year renewal of the MS4 Storm Water permit; and
- Scheduled debt payments.

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, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,520,268	\$ 208,815	\$ 5,729,083
Receivables			
Taxes, net of allowance for uncollectibles	140,220	-	140,220
Accounts, net of allowances for uncollectibles	168,369	191,799	360,168
Restricted assets			
Cash and cash equivalents	-	135,775	135,775
Capital assets			
Land and construction in progress	928,058	53,425	981,483
Other capital assets, net of depreciation	2,384,607	2,138,986	4,523,593
Total capital assets	3,312,665	2,192,411	5,505,076
Total assets	9,141,522	2,728,800	11,870,322
Liabilities			
Accounts payable and accrued expenses	105,165	70,428	175,593
Due to State	1,804	-	1,804
Interest payable	26,379	-	26,379
Payable from restricted assets			
Customer deposits	-	135,291	135,291
Accrued interest payable	-	5,258	5,258
Vacation payable	53,815	3,375	57,190
Noncurrent liabilities			
Due within one year	229,908	100,000	329,908
Due in more than one year	3,278,110	669,910	3,948,020
Total liabilities	3,695,181	984,262	4,679,443
Net position			
Net Investment in Capital Assets	1,637,208	1,427,411	3,064,619
Restricted for:			
Debt service	20,479	-	20,479
Other purposes	1,316,406	-	1,316,406
Unrestricted	2,472,248	317,127	2,789,375
Total net position	\$ 5,446,341	\$ 1,744,538	\$ 7,190,879

CITY OF EVERMAN, TEXAS
Statement of Activities
For the Fiscal Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities							
Administrative	\$ 651,756	\$ 55,426	\$ -	\$ -	\$ (596,330)	\$ -	\$ (596,330)
Streets	655,455	190,217	-	-	(465,238)	-	(465,238)
Parks and building maintenance	66,905	-	-	-	(66,905)	-	(66,905)
Police	1,230,784	-	119,876	-	(1,110,908)	-	(1,110,908)
Maintenance garage	183,816	61,644	-	-	(122,172)	-	(122,172)
Emergency medical services	365,495	176,823	189,353	-	681	-	681
Fire	131,387	-	80,000	-	(51,387)	-	(51,387)
Community and activity centers	4,233	-	-	-	(4,233)	-	(4,233)
Municipal court	59,252	-	-	-	(59,252)	-	(59,252)
Code enforcement	51,317	22,672	-	-	(28,645)	-	(28,645)
Library	99,764	1,550	3,406	-	(94,808)	-	(94,808)
Animal control	68,089	1,391	-	-	(66,698)	-	(66,698)
Interest on long-term debt	153,117	-	-	-	(153,117)	-	(153,117)
Total governmental activities	3,721,370	509,723	392,635	-	(2,819,012)	-	(2,819,012)
Business-type activities							
Water	668,754	821,274	-	142,906	-	295,426	295,426
Sewer	572,962	605,065	-	-	-	32,103	32,103
Total business-type activities	1,241,716	1,426,339	-	142,906	-	327,529	327,529
Total primary government	\$ 4,963,086	\$ 1,936,062	\$ 392,635	\$ 142,906	(2,819,012)	327,529	(2,491,483)
General revenues:							
Taxes							
Property					1,347,851	-	1,347,851
Sales tax					522,922	-	522,922
Mixed beverage tax					7,997	-	7,997
Franchise taxes					263,029	-	263,029
Bingo tax					18,375	-	18,375
Investment earnings					12,116	558	12,674
Loss on disposal of assets					(385,830)	(278,328)	(664,158)
Miscellaneous					1,270	72,769	74,039
Transfers					378,008	(378,008)	-
Total general revenues and transfers					2,165,738	(583,009)	1,582,729
Change in net position					(663,274)	(255,480)	(908,754)
Net position, beginning of year					6,099,615	2,026,757	8,126,372
Prior period adjustment					-	(26,739)	(26,739)
Net position, beginning of year, restated					6,099,615	2,000,018	8,099,633
Net position, end of year					\$ 5,446,341	\$ 1,744,538	\$ 7,190,879

CITY OF EVERMAN, TEXAS
Balance Sheet
Governmental Funds
September 30, 2013

	General	Capital Project Fund	Economic Development Corporation	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,477,110	\$ 1,762,149	\$ 824,561	\$ 456,448	\$ 5,520,268
Receivables					
Taxes, net of allowances for uncollectibles of \$79,699	105,053	-	11,869	23,298	140,220
Accounts, net of allowance for uncollectibles of \$3,792	36,806	-	-	-	36,806
Unbilled accounts	7,162	-	-	-	7,162
Total assets	\$ 2,626,131	\$ 1,762,149	\$ 836,430	\$ 479,746	\$ 5,704,456
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY					
Liabilities					
Accounts payable and accrued expenses	\$ 101,887	\$ -	\$ 1,610	\$ 1,668	\$ 105,165
Due to State	1,804	-	-	-	1,804
Total liabilities	103,691	-	1,610	1,668	106,969
Deferred inflows of resources					
Property tax revenue	79,402	-	-	12,740	92,142
Fund equity					
Fund Balance					
Restricted for:					
Street improvement	-	-	-	363,495	363,495
Crime control and prevention district	-	-	-	94,104	94,104
Capital projects	-	1,762,149	-	-	1,762,149
Economic development	-	-	834,820	-	834,820
Debt service	-	-	-	7,739	7,739
Child safety fund	58	-	-	-	58
LEOCE training fund	3,554	-	-	-	3,554
Security fees	10,213	-	-	-	10,213
Technology fees	7,732	-	-	-	7,732
Miscellaneous	2,430	-	-	-	2,430
Unassigned	2,419,051	-	-	-	2,419,051
Total fund equity	2,443,038	1,762,149	834,820	465,338	5,505,345
Total liabilities, deferred inflows of resources, and fund equity	\$ 2,626,131	\$ 1,762,149	\$ 836,430	\$ 479,746	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources expenditures and, therefore, are not reported in the funds.					3,312,665
Property tax receivables net of allowances are not available to pay for current period expenditures and, therefore, are deferred in the funds.					92,142
Other assets are not measurable and available in the current period and are not reported in the funds.					124,401
Some liabilities, including bonds, notes, leases, interest, net pension obligation and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds.					(3,588,212)
Net position of governmental activities - statement of net assets					\$ 5,446,341

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended September 30, 2013

	General	Capital Project Fund	Economic Development Corporation	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,736,622	\$ -	\$ 134,648	\$ 304,231	\$ 2,175,501
Licenses, permits, and fees for services	402,232	-	-	-	402,232
Intergovernmental revenue	123,282	-	-	-	123,282
Donations	269,353	-	-	-	269,353
Fines and fees	67,405	-	-	-	67,405
Interest income	3,123	7,438	1,121	434	12,116
Other revenues	51,735	-	-	-	51,735
Administrative services - other funds	551,198	-	-	-	551,198
Total revenues	3,204,950	7,438	135,769	304,665	3,652,822
Expenditures					
Administrative	540,828	-	78,101	35,204	654,133
Streets	545,054	-	-	-	545,054
Parks and building maintenance	57,290	-	-	-	57,290
Police	1,169,403	-	-	-	1,169,403
Maintenance garage	180,637	-	-	-	180,637
Emergency medical services	323,629	-	-	-	323,629
Fire	57,845	-	-	-	57,845
Community and activity centers	4,233	-	-	-	4,233
Municipal court	58,357	-	-	-	58,357
Code enforcement	51,392	-	-	-	51,392
Library	85,501	-	-	-	85,501
Animal control	60,729	-	-	-	60,729
Capital outlay	91,339	745,289	16,698	39,149	892,475
Debt service	5,117	101,307	-	183,937	290,361
Total expenditures	3,231,354	846,596	94,799	258,290	4,431,039
Excess (deficiency) of revenues over (under) expenditures	(26,404)	(839,158)	40,970	46,375	(778,217)
Other financing sources and uses					
Transfers in	33,755	-	-	-	33,755
Bond Proceeds	-	2,475,000	-	-	2,475,000
Premium on long term debt issued	-	126,307	-	-	126,307
Transfers out	-	-	(116,199)	-	(116,199)
Total other financing sources and uses	33,755	2,601,307	(116,199)	-	2,518,863
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,351	1,762,149	(75,229)	46,375	1,740,646
Fund balances, beginning of year	2,435,687	-	910,049	418,963	3,764,699
Fund balances, end of year	\$ 2,443,038	\$ 1,762,149	\$ 834,820	\$ 465,338	\$ 5,505,345

CITY OF EVERMAN, TEXAS
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Fiscal Year Ended September 30, 2013

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

Net change in fund balances - total governmental funds	\$	1,740,646
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.		532,749
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to decrease net position.		(440,576)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(25,706)
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.		(13,494)
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.		(2,446,893)
Change in net position of governmental activities - statement of activities	\$	<u>(653,274)</u>

CITY OF EVERMAN, TEXAS
Statement of Net Position
Enterprise Fund
September 30, 2013

	<u>Water and Sewer Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 208,815
Receivables	
Accounts, net of allowance for uncollectibles of \$15,794	167,174
Unbilled accounts	<u>24,625</u>
Total current assets	400,614
Restricted assets	
Cash and cash equivalents	135,775
Noncurrent assets	
Capital assets	
Land	53,425
Buildings and improvements	635,200
Waterworks and sewer system	4,308,615
Machinery and equipment	265,050
Accumulated depreciation	<u>(3,069,879)</u>
Total noncurrent assets	<u>2,192,411</u>
Total assets	<u>2,728,800</u>
LIABILITIES	
Current liabilities	
Payable from current assets	
Accounts payable and accrued expenses	70,428
Vacation payable	<u>3,375</u>
Total payable from current assets	73,803
Payable from restricted assets	
Current portion of bonds payable	100,000
Customer deposits	135,291
Accrued interest	<u>5,258</u>
Total payable from restricted assets	<u>240,549</u>
Total current liabilities	314,352
Noncurrent liabilities	
Net pension obligation	4,910
Bonds payable	<u>665,000</u>
Total noncurrent liabilities	<u>669,910</u>
Total liabilities	<u>984,262</u>
NET POSITION	
Net investment in capital assets	1,427,411
Unrestricted	<u>317,127</u>
Total net position	<u>\$ 1,744,538</u>

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

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenses and Changes in
Net Position - Enterprise Fund
For the Fiscal Year Ended September 30, 2013

	Water and Sewer Fund
Operating revenues	
Water and sewer sales	\$ 1,426,339
Other income	72,769
Total operating revenues	1,499,108
Operating expenses	
Water	496,012
Sewer	548,946
Administrative services - General Fund	515,198
Depreciation	166,366
Total operating expenses	1,726,522
Operating loss	(227,414)
Non-operating revenues (expenses)	
Intergovernmental revenue	142,906
Interest revenue	558
Other non-operating revenue	54,746
Loss on disposal of asset	(278,328)
Interest expense and fiscal charge	(30,392)
Transfers out - Payment in lieu of taxes	(33,755)
Total non-operating revenues (expenses)	(144,265)
Loss before transfers	(371,679)
Transfers in	116,199
Change in net position	(255,480)
Net position, beginning of year	2,026,757
Prior period adjustment	(26,739)
Net position, beginning of year, adjusted	2,000,018
Net position, end of year	\$ 1,744,538

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

CITY OF EVERMAN, TEXAS
Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended September 30, 2013

	Water and Sewer Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,490,508
Cash paid to suppliers	(824,065)
Cash paid to employees	(231,733)
Cash paid to other funds	(515,198)
	<u>(80,488)</u>
Net cash used in operating activities	
Cash Flows from Non Capital Financing Activities:	
Transfers to other funds	(33,755)
	<u>(33,755)</u>
Net cash used in non capital financing activities	
Cash Flows from Capital and Related Financing Activities:	
Purchase of Capital Assets	(53,407)
Principal payments on long-term debt	(95,000)
Interest payments and fiscal charge	(30,392)
Increase in customer deposits	4,988
	<u>(173,811)</u>
Net cash used in capital and related financing activities	
Cash Flows from Investing Activities:	
Interest income	558
	<u>558</u>
Net cash provided by investing activities	
Net decrease in cash and cash equivalents	
	(287,496)
Cash and cash equivalents at beginning of year	
	632,086
Cash and cash equivalents at end of year	
	\$ 344,590
RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM THE STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION	
Cash and cash equivalents	\$ 208,815
Restricted cash and cash equivalents	135,775
	\$ 344,590
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (227,414)
Adjustments to reconcile operating loss to net cash used in operations:	
Depreciation	166,366
Provision for bad debt	-
(Increase) decrease in:	
Accounts receivable	(8,600)
Increase (decrease) in:	
Accounts payable and accrued expenses	(9,057)
Net pension obligation	307
Accrued vacation	(2,090)
	<u>(80,488)</u>
Net cash used in operating activities	
NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets with - Intergovernmental revenue	\$ 142,906
Transfer from EDC Fund	116,199
	\$ 259,105

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note A. Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

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

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

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

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

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

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

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

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note A. Summary of Significant Accounting Policies (Continued)

Government-wide and fund financial statements

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

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. Separate financial statements are provided for governmental and proprietary funds. The General fund, Capital Project fund and the Economic Development Corporation fund meet criteria as *major governmental funds*. Each major fund is reported in a separate column in the fund financial statements. Non-major funds include the Crime Control and Prevention District, Street Improvement Tax, and Debt Service funds. The combined amounts for these funds are reflected in a single column in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Supplemental Information.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, investment earnings, and various other revenues.

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

The City reports the following major governmental funds:

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

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

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note A. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary funds:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Budgets and Budgetary Accounting

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

1. On or before the first day of September of each year and at least thirty days prior to adoption of a tax rate for the current fiscal year, the City Manager submits to the City Council a balanced budget for the ensuing fiscal year.
2. The City Council holds one or more public hearings on the proposed budget prior to the final adoption.
3. The City Council adopts the proposed budget, with or without amendment, after public hearings and before the first day of the ensuing fiscal year.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Fund.
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 by her 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.
9. During the fiscal year, the Council authorized and approved amendments to the budget for the 2012-2013 fiscal year, which provided for and approved all expenditures and transfers.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note A. Summary of Significant Accounting Policies (Continued)

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 assets lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

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

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any of this type of item.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently only has one item that qualify for reporting in this category in the governmental fund financial statements. The deferred inflow of property tax revenues are reported in the governmental fund financial statements.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note A. Summary of Significant Accounting Policies (Continued)

Fund Equity

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

Governmental funds 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.

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.

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 generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note A. Summary of Significant Accounting Policies (Continued)

New GASB Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several new pronouncements that the City has reviewed for application to their accounting and reporting.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, is effective for periods beginning after December 15, 2011. This standard improves financial reporting by contributing to the GASB's effort to codify all sources of generally accepted accounting principles for state and local governments so that they are derived from a single source. The City has implemented this statement in the year ended September 30, 2013. The City will not disclose that the City has elected to follow Pre-November 30, 1989 FASB and AICPA Pronouncement that did not conflict with GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. This standard provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The City has implemented this reporting for the year ended September 30, 2013. The components of net position were renamed to reflect the requirements of this statement and the financial statement elements of deferred outflows of resources and deferred inflows of resources were added to the financial statements, where applicable.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, is effective for financial statements for periods beginning after December 15, 2012 with earlier application encouraged. This statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The City has implemented this statement in the year ended September 30, 2013. As a result, the deferred property taxes were classified as deferred inflows of resources.

Prior Period Adjustment

The City recorded a prior period adjustment in accordance with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, to recognize debt issuances costs in the year in which the cost was incurred. This decreased beginning net position of the business-type activities by \$26,739.

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, notes, leases, interest, net pension obligation, and vacation payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$3,588,212 difference are as follows:

General Obligation Refunding Bonds	\$ (830,000)
General Obligation Bonds	(2,475,000)
Unamortized Bond Premium	(120,024)
Notes payable	(1,800)
Capital leases payable	(10,782)
Accrued interest payable	(26,379)
Net pension obligation	(70,412)
Compensated absences	(53,815)
	<hr/>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (3,588,212)</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

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

The following is an explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation indicates that "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." The details of this \$532,749 difference are as follows:

Capital outlay	\$ 892,475
Depreciation expense	<u>(359,726)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ 532,749</u>

Another element of the reconciliation states "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." The details of this \$2,446,893 difference are as follows:

Proceeds from bond issuance, including bond premium	\$ (2,601,307)
Principal repayments	
Bonds	150,000
Notes	1,458
Capital leases	<u>2,956</u>
 Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ (2,446,893)</u>

Another element of the reconciliation states "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." The details of this \$13,494 difference are as follows:

Net pension obligation	\$ (3,033)
Compensated absences	6,709
Accrued interest	(23,453)
Amortization of bond premium	<u>6,283</u>
 Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	 <u>\$ (13,494)</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

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

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

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

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

As of September 30, 2013, the City had the following investments included in cash and cash equivalents:

	Weighted Average Maturity	Market Value	% of Total
LOGIC Investment Pool	62 days	\$5,561,259	100.00%

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

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

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, 2013, 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, 2013, the LOGIC investment pool was rated AAAM by Standard and Poor's.

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

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

As of September 30, 2013, 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, 2013 the City's cash and cash equivalents were insured or collateralized with securities held by the City or by its agent in the City's name.

Note E. Local Tax Revenues and Receivables

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

Note F. Restricted Assets

Restricted assets in the Enterprise Fund of \$135,775 are held for customers' meter deposits.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note G. Interfund Activity

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

These interfund transactions for the fiscal year ended September 30, 2013 are as follows:

Administrative overhead reimbursement from enterprise fund	\$ 515,198
Administrative overhead reimbursement	
from Street Improvement Tax Fund	12,000
from Economic Development Corporation (EDC) Fund	12,000
from Crime Control and Prevention District Fund	12,000
Payment in lieu of taxes from enterprise fund	33,755
Capital asset addition from EDC to enterprise fund	(116,199)
Capital asset transfer from governmental activities to business-type activities	<u>(54,746)</u>
Total interfund transfers	<u>\$ 414,008</u>

Note H. Capital Assets

Capital asset activity for the year ended September 30, 2013 was as follows:

	Balance 9/30/2012	Additions	Disposals/ Adjustments	Balance 9/30/2013
Governmental activities				
Capital assets not being depreciated				
Land	\$ 200,274	\$ -	\$ -	\$ 200,274
Construction in progress	-	727,784	-	727,784
Total capital assets not being depreciated	<u>200,274</u>	<u>727,784</u>	<u>-</u>	<u>928,058</u>
Other capital assets				
Buildings and improvements	2,590,440	68,945	18,701	2,640,684
Infrastructure	2,684,960	-	1,503,648	1,181,312
Machinery and equipment	610,248	70,587	66,205	614,630
Vehicles	1,801,016	25,159	286,246	1,539,929
Total other capital assets	7,686,664	164,691	1,874,800	5,976,555
Less accumulated depreciation for:				
Building and improvements	1,485,171	74,767	13,407	1,546,531
Infrastructure	1,411,601	106,070	1,095,403	422,268
Machinery and equipment	524,842	40,306	63,126	502,022
Vehicles	1,244,832	138,583	262,288	1,121,127
Total accumulated depreciation	4,666,446	359,726	1,434,224	3,591,948
Other capital assets, net	<u>3,020,218</u>	<u>(195,035)</u>	<u>440,576</u>	<u>2,384,607</u>
Governmental activities capital assets, net	<u>\$ 3,220,492</u>	<u>\$ 532,749</u>	<u>\$ 440,576</u>	<u>\$ 3,312,665</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note H. Capital Assets (Continued)

	Balance 9/30/2012	Additions/ Adjustments	Disposals/ Adjustments	Balance 9/30/2013
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	641,264	-	6,064	635,200
Water and sewer system	4,944,818	450,628	1,086,831	4,308,615
Machinery and equipment	252,106	12,944	-	265,050
Total other capital assets	5,838,188	463,572	1,092,895	5,208,865
Less accumulated depreciation for:				
Building and improvements	636,816	-	1,616	635,200
Water and sewer system	2,863,824	147,334	808,505	2,202,653
Machinery and equipment	121,126	110,900	-	232,026
Total accumulated depreciation	3,621,766	258,234	810,121	3,069,879
Other capital assets, net	2,216,422	205,338	282,774	2,138,986
Business-type activities capital assets, net	<u>\$ 2,269,847</u>	<u>\$ 205,338</u>	<u>\$ 282,774</u>	<u>\$ 2,192,411</u>

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

Governmental activities:

Administrative	\$ 34,148
Streets	110,806
Parks and building maintenance	9,681
Police	63,174
Maintenance garage	3,280
Emergency medical services	42,403
Fire	73,542
Municipal court	961
Library	14,263
Animal control	7,468
Total Governmental activities	<u>\$ 359,726</u>

Business-type activities:

Water	\$ 157,546
Sewer	8,820
Total Business-type activities	<u>\$ 166,366</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note I. Long-Term Debt

Long-term debt of the City consists of bonds payable, notes payable, and long-term capital leases. Retirement of the governmental funds debt is provided from the debt service tax together with interest earned within the Debt Service fund. Retirement of the enterprise fund debt is provided from the revenue of the system. Long-term debt at September 30, 2013 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 \$2,475,000 at September 30, 2013.

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 \$830,000 at September 30, 2013.

Notes Payable

Texas Forest Service

- Secured by fire equipment.
- Payable in annual installments of \$1,541 over twenty years.
- Outstanding balance of \$1,800 at September 30, 2013, bearing interest at 2.5%.

Capital Lease Arrangements

Canon Financial

- To purchase a copier for city hall.
- Principal price of \$9,551.
- Payable in monthly installments of \$180 over five years.
- Outstanding balance of \$5,851 at September 30, 2013, bearing interest at 5.00%.

Konica Minolta Premier Finance

- To purchase a copier for police department.
- Principal price of \$6,253.
- Payable in monthly installments of \$118 over five years.
- Outstanding balance of \$4,931 at September 30, 2013, bearing interest at 5.00%.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note I. Long-Term Debt (Continued)

The following is an analysis of equipment leased under a capital lease as of September 30, 2013:

	<u>Governmental</u>
	<u>Activites</u>
Equipment	\$ 15,804
Less accumulated depreciation	(5,439)
	<u>\$ 10,365</u>

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

Scheduled future minimum lease payments	\$ 11,730
Less amount representing interest	(948)
Present value of future minimum capital lease payments (principal payoff)	<u>\$ 10,782</u>

The following is the future annual requirements for capitalized leases:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 3,108	\$ 469	\$ 3,577
2015	3,267	310	3,577
2016	3,253	142	3,395
2017	1,154	27	1,181
Total	<u>\$ 10,782</u>	<u>\$ 948</u>	<u>\$ 11,730</u>

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 \$25,000 to \$120,000, maturing February 1, 2020.
- Interest payable February 1 and August 1 at 3.75%.
- Outstanding balance of \$765,000 at September 30, 2013.

The following is a summary of the changes by type of debt for the year ended September 30, 2013:

	<u>Balance</u> <u>9/30/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/2013</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental activities</u>					
General Obligation Refunding Bonds	\$ 980,000	\$ -	\$ 150,000	\$ 830,000	\$ 150,000
General Obligation Bonds	-	2,475,000	-	2,475,000	75,000
Unamortized Bond Premium	-	126,307	6,283	120,024	11,528
Notes Payable	3,258	-	1,458	1,800	1,800
Capital Leases	13,738	-	2,956	10,782	3,108
Net Pension Obligation	67,379	3,033	-	70,412	-
Total Governmental activities	<u>1,064,375</u>	<u>2,604,340</u>	<u>160,697</u>	<u>3,508,018</u>	<u>241,436</u>
<u>Business-type activities</u>					
General Obligation Refunding Bonds	860,000	-	95,000	765,000	100,000
Net Pension Obligation	4,603	307	-	4,910	-
Total Business-type activities	<u>864,603</u>	<u>307</u>	<u>95,000</u>	<u>769,910</u>	<u>100,000</u>
Totals	<u>\$ 1,928,978</u>	<u>\$ 2,604,647</u>	<u>\$ 255,697</u>	<u>\$ 4,277,928</u>	<u>\$ 341,436</u>

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note I. Long-Term Debt (Continued)

The annual requirements to amortize long-term debt as of September 30, 2013 are as follows:

Governmental activities

Fiscal Year Ending	General Obligation Refunding Bond		General Obligation Bond		Notes Payable		Capital Leases		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 150,000	\$ 28,312	\$ 75,000	\$ 100,188	\$ 1,800	\$ 46	\$ 3,108	\$ 469	\$ 358,923
2015	160,000	22,500	100,000	68,750	-	-	3,267	310	354,827
2016	170,000	16,313	100,000	66,750	-	-	3,253	142	356,458
2017	170,000	9,937	100,000	64,750	-	-	1,154	27	345,868
2018	180,000	3,375	105,000	62,700	-	-	-	-	351,075
2019-2023	-	-	565,000	271,650	-	-	-	-	836,650
2024-2028	-	-	655,000	179,463	-	-	-	-	834,463
2029-2033	-	-	775,000	61,112	-	-	-	-	836,112
Total	\$ 830,000	\$ 80,437	\$ 2,475,000	\$ 875,363	\$ 1,800	\$ 46	\$ 10,782	\$ 948	\$ 4,274,376

Business-type activities

Fiscal Year Ending	General Obligation Refunding Bond		Total
	Principal	Interest	
2014	\$ 100,000	\$ 26,813	\$ 126,813
2015	100,000	23,063	123,063
2016	105,000	19,219	124,219
2017	115,000	15,094	130,094
2018	115,000	10,782	125,782
2019-2020	230,000	8,813	238,813
Total	\$ 765,000	\$ 103,784	\$ 868,784

Note J. Accumulated Unpaid Vacation and Sick Leave

Sick leave is recorded when paid because employees are not compensated for unused sick leave. Vacation is earned in varying amounts. Unused vacation leave is carried forward from one year to the next up to certain limits. The City has accrued for the estimated liability for compensated absences in the governmental and business-type activities in the government-wide financial statements and in the proprietary fund financial statements. The City's aggregate liability for accrued vacation payable as of September 30, 2013 was \$57,190.

The following is a summary of the net changes in the liability for compensated absences for the year ended September 30, 2013:

	Balance 9/30/2012	Increase	Decrease	Balance 9/30/2013
Governmental activities	\$ 60,524	\$ -	\$ (6,709)	\$ 53,815
Business-type activities	5,465	-	(2,090)	3,375
Total	\$ 65,989	\$ -	\$ (8,799)	\$ 57,190

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note K. Restricted Net Position

The government-wide statement of net position reports \$1,336,885 of restricted net position, of which \$1,292,419 are restricted by enabling legislation for the following:

Economic development	\$ 834,820
Street improvements	363,495
Crime control and prevention district	<u>94,104</u>
 Total	 <u><u>\$ 1,292,419</u></u>

Note L. Pension Plan

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

The plan 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 were as follows:

	<u>Plan Year</u> 2012	<u>Plan Year</u> 2013
Employee deposit rate	5.0%	5.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10,0/20	60/10,0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note L. Pension Plan (Continued)

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation are as follows:

1. Annual Required Contribution (ARC)	\$145,069
2. Interest on Net Pension Obligation	5,039
3. Adjustment to the ARC	<u>(4,427)</u>
4. Annual Pension Cost	145,681
5. Contributions Made	<u>142,341</u>
6. Increase in net pension obligation	3,340
7. Net Pension Obligation, beginning of year	<u>71,982</u>
8. Net Pension Obligation, end of year	<u><u>\$75,322</u></u>

Trend Information
for the Retirement Plan for the Employees of
City of Everman

<u>Fiscal Year Ending</u>	<u>Annual Pension Costs (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2011	\$149,585	\$128,137	86%	\$62,944
9/30/2012	\$145,226	\$136,188	94%	\$71,982
9/30/2013	\$145,681	\$142,341	98%	\$75,322

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Actuarial Valuation Information

Actuarial Valuation Date	<u>12/31/2010</u>	<u>12/31/2011</u>	<u>12/31/2012</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	27.5 years - Closed Period	26.5 years - Closed Period	25.6 years - Closed Period
Amortization Period for new Gain/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return *	7.00%	7.00%	7.00%
Projected Salary Increases *	Varies by age and service	Varies by age and service	Varies by age and service
* Includes Inflation at	3.00%	3.00%	3.00%
Cost-of-living Adjustments	2.10%	2.10%	2.10%

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note L. Pension Plan (Continued)

The funded status as of December 31, 2012, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage Covered of Payroll ((b-a)/c)
12/31/2012	\$4,059,233	\$4,651,489	\$ 592,256	87.27%	\$1,462,110	40.51%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Note M. 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). 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.

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

Plan/ Calendar Year	Annual Required Contribution Rate	Actual Contribution Rate	Percentage of ARC Contributed
2011	0.02%	0.02%	100.0%
2012	0.02%	0.02%	100.0%
2013	0.02%	0.02%	100.0%

CITY OF EVERMAN, TEXAS
Notes to Financial Statements
September 30, 2013

Note N. 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, 2013, the City's expenses in Water and Sewer Fund for water and sewer treatment were \$17,503 and \$546,013, respectively.

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 Corporation is considered to be a component unit of the City of Everman and is treated as a special revenue fund of the City. The expenditures of the half-penny sales tax can only be spent on projects and improvements that promote economic development activities within the City of Everman.

Note P. Everman Crime Control and Prevention District

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

**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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 1,735,571	\$ 1,735,571	\$ 1,736,622	\$ 1,051
Licenses, permits, and fees for services	409,750	409,750	402,232	(7,518)
Intergovernmental revenue	30,000	149,718	123,282	(26,436)
Donations	197,000	197,000	269,353	72,353
Fines and fees	58,700	58,700	67,405	8,705
Interest income	4,500	4,500	3,123	(1,377)
Other revenues	16,525	16,525	51,735	35,210
Administrative services - Other Funds	550,118	550,118	551,198	1,080
	3,002,164	3,121,882	3,204,950	83,068
Expenditures				
Administrative	606,982	606,982	540,828	66,154
Streets	618,241	618,241	545,054	73,187
Parks and building maintenance	85,282	85,282	57,290	27,992
Police	1,107,998	1,207,577	1,169,403	38,174
Maintenance garage	224,599	224,599	180,637	43,962
Emergency medical services	371,570	371,570	323,629	47,941
Fire	77,300	77,300	57,845	19,455
Community and activity centers	4,640	4,640	4,233	407
Municipal court	69,315	69,315	58,357	10,958
Code enforcement	67,967	67,967	51,392	16,575
Library	112,102	111,439	85,501	25,938
Animal control	66,324	66,324	60,729	5,595
Capital outlay	33,500	54,302	91,339	(37,037)
Debt service	1,550	1,550	5,117	(3,567)
	3,447,370	3,567,088	3,231,354	335,734
Excess (deficiency) of revenues over (under) expenditures	(445,206)	(445,206)	(26,404)	418,802
Other financing sources				
Transfers in - Payment in lieu of taxes	36,824	36,824	33,755	(3,069)
	36,824	36,824	33,755	(3,069)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(408,382)	(408,382)	7,351	415,733
Carryover from prior year fund balance	408,382	408,382	-	(408,382)
Fund balances, beginning of year	2,435,687	2,435,687	2,435,687	-
Fund balances, end of year	<u>\$ 2,435,687</u>	<u>\$ 2,435,687</u>	<u>\$ 2,443,038</u>	<u>\$ 7,351</u>

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balance
- Budget and Actual -
Economic Development Corporation Fund
For the Fiscal Year Ended September 30, 2013

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)
	Original and Final	Actual Amounts	
Revenues			
Sales tax	\$ 125,000	\$ 134,648	\$ 9,648
Interest income	1,700	1,121	(579)
Total revenues	<u>126,700</u>	<u>135,769</u>	<u>9,069</u>
Expenditures			
Administrative	263,800	78,101	185,699
Capital outlay	50,000	16,698	33,302
Total expenditures	<u>313,800</u>	<u>94,799</u>	<u>219,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(187,100)</u>	<u>40,970</u>	<u>228,070</u>
Other financing uses			
Transfers out	-	(116,199)	(116,199)
Excess (deficiency) of revenues over (under) expenditures and other financing uses	<u>(187,100)</u>	<u>(75,229)</u>	<u>111,871</u>
Fund balances, beginning of year	<u>910,049</u>	<u>910,049</u>	<u>-</u>
Fund balances, end of year	<u>\$ 722,949</u>	<u>\$ 834,820</u>	<u>\$ 111,871</u>

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

CITY OF EVERMAN, TEXAS
Schedule of Funding Progress for the Retirement Plan
for the Employees of City of Everman, Texas
Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage Covered of Payroll ((b-a)/c)
12/31/2010	\$ 3,408,432	\$ 4,053,692	\$ 645,260	84.08%	\$ 1,418,516	45.49%
12/31/2011	3,703,248	4,372,411	669,163	84.70%	1,402,236	47.72%
12/31/2012	4,059,233	4,651,489	592,256	87.27%	1,462,110	40.51%

SUPPLEMENTAL INFORMATION

CITY OF EVERMAN, TEXAS
Combining Balance Sheet -
Nonmajor Governmental Funds
September 30, 2013

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Crime Control and Prevention District	Street Improvement Tax	Debt Service Fund	
Assets				
Cash and cash equivalents	\$ 90,944	\$ 357,765	\$ 7,739	\$ 456,448
Taxes receivable, net of allowances for uncollectibles of \$11,020	4,828	5,730	12,740	23,298
Total assets	<u>\$ 95,772</u>	<u>\$ 363,495</u>	<u>\$ 20,479</u>	<u>\$ 479,746</u>
Liabilities, deferred inflows of resources and fund balances				
Liabilities:				
Accounts payable	\$ 1,668	\$ -	\$ -	\$ 1,668
Total liabilities	<u>1,668</u>	<u>-</u>	<u>-</u>	<u>1,668</u>
Deferred inflows of resources				
Property tax revenue	-	-	12,740	12,740
Fund balances				
Restricted for:				
Street improvement	-	363,495	-	363,495
Crime control district	94,104	-	-	94,104
Debt service	-	-	7,739	7,739
Total fund balances	<u>94,104</u>	<u>363,495</u>	<u>7,739</u>	<u>465,338</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 95,772</u>	<u>\$ 363,495</u>	<u>\$ 20,479</u>	<u>\$ 479,746</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, 2013

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Crime Control and Prevention District	Street Improvement Tax	Debt Service Fund	
Revenues				
Property taxes	\$ -	\$ -	\$ 185,055	\$ 185,055
Sales tax	51,881	67,295	-	119,176
Interest income	86	343	5	434
	<u>51,967</u>	<u>67,638</u>	<u>185,060</u>	
Total revenues				<u>304,665</u>
Expenditures				
Administrative	23,204	12,000	-	35,204
Capital outlay	39,149	-	-	39,149
Debt service	-	-	183,937	183,937
	<u>62,353</u>	<u>12,000</u>	<u>183,937</u>	
Total expenditures				<u>258,290</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,386)</u>	<u>55,638</u>	<u>1,123</u>	<u>46,375</u>
Fund balances, beginning of year	<u>104,490</u>	<u>307,857</u>	<u>6,616</u>	<u>418,963</u>
Fund balances, end of year	<u>\$ 94,104</u>	<u>\$ 363,495</u>	<u>\$ 7,739</u>	<u>\$ 465,338</u>

CITY OF EVERMAN, TEXAS
Statement of Revenues - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2013
(With Comparative Totals For the Fiscal Year Ending September 30, 2012)

	Budgeted Amounts		2013 Actual	Variance with Final Budget Favorable (Unfavorable)	2012 Actual
	Original	Final			
Taxes					
General property taxes					
Current	\$ 1,158,971	\$ 1,158,971	\$ 1,118,524	\$ (40,447)	\$ 1,151,366
Delinquent	21,000	21,000	27,732	6,732	33,508
Penalty and interest	24,000	24,000	31,867	7,867	41,833
Sales tax	240,000	240,000	269,098	29,098	266,073
Mixed beverage tax	8,600	8,600	7,997	(603)	7,594
Gross receipts tax	266,000	266,000	263,029	(2,971)	292,323
Bingo revenue tax	17,000	17,000	18,375	1,375	17,832
Totals	1,735,571	1,735,571	1,736,622	1,051	1,810,529
Licenses and permits					
Ambulance fees	180,000	180,000	187,202	7,202	194,106
Sanitation fees	216,250	216,250	190,217	(26,033)	198,157
Animal adoption fees	500	500	595	95	-
Animal control fees	600	600	796	196	651
Building permits	3,000	3,000	13,183	10,183	4,785
Amusement machine permits	500	500	750	250	765
Other licenses and permits	8,900	8,900	9,489	589	11,559
Totals	409,750	409,750	402,232	(7,518)	410,023
Intergovernmental					
State grant	10,000	10,000	3,406	(6,594)	-
Local grant	20,000	139,718	119,876	(19,842)	121,917
Totals	30,000	149,718	123,282	(26,436)	121,917
Donations					
County runs - fire	80,000	80,000	80,000	-	80,000
County runs - EMS	35,000	35,000	36,519	1,519	38,223
Ambulance fees - insurance	82,000	82,000	152,834	70,834	109,117
Totals	197,000	197,000	269,353	72,353	227,340
Fines and fees					
Court fines	56,000	56,000	61,644	5,644	60,938
Security alarm fee	700	700	2,320	1,620	830
Labor liens recovery	500	500	1,891	1,391	310
Library fines and fees	1,500	1,500	1,550	50	1,515
Totals	58,700	58,700	67,405	8,705	63,593
Other revenues					
Pay phone commissions	25	25	41	16	44
Garage sale permits	3,500	3,500	1,785	(1,715)	2,966
Land rental	2,400	2,400	15,958	13,558	1,810
Confiscated properties income	-	-	843	843	1,788
Oil and gas royalties	8,000	8,000	31,838	23,838	9,465
Miscellaneous	2,600	2,600	1,270	(1,330)	4,407
Totals	\$ 16,525	\$ 16,525	\$ 51,735	\$ 35,210	\$ 20,480

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2013
(With Comparative Totals For the Fiscal Year Ending September 30, 2012)

	Budgeted Amounts		2013 Actual	Variance with Final Budget Favorable (Unfavorable)	2012 Actual
	Original	Final			
Administrative					
Salaries	\$ 347,703	\$ 343,624	\$ 325,192	\$ 18,432	\$ 306,597
Supplies	12,000	16,079	19,357	(3,278)	9,878
Services	230,029	230,029	183,236	46,793	215,677
Maintenance	17,250	17,250	13,043	4,207	11,201
Capital outlay	11,700	11,700	-	11,700	6,253
Debt service	-	-	2,160	(2,160)	2,159
Totals	<u>618,682</u>	<u>618,682</u>	<u>542,988</u>	<u>75,694</u>	<u>551,765</u>
Streets					
Salaries	290,611	290,611	230,180	60,431	228,294
Supplies	4,750	4,750	4,122	628	6,961
Services	287,090	287,090	296,775	(9,685)	287,177
Maintenance	35,790	35,790	13,977	21,813	15,647
Debt service	-	-	-	-	12,861
Totals	<u>618,241</u>	<u>618,241</u>	<u>545,054</u>	<u>73,187</u>	<u>550,940</u>
Parks and building maintenance					
Salaries	40,282	40,282	34,731	5,551	33,281
Supplies	17,000	17,000	5,370	11,630	8,175
Services	28,000	28,000	17,189	10,811	20,107
Capital outlay	-	-	-	-	19,242
Totals	<u>85,282</u>	<u>85,282</u>	<u>57,290</u>	<u>27,992</u>	<u>80,805</u>
Police					
Salaries	989,516	1,088,720	1,061,782	26,938	954,286
Supplies	23,800	23,800	15,684	8,116	14,250
Services	61,332	61,707	59,873	1,834	60,501
Maintenance	33,350	33,350	32,064	1,286	21,601
Capital outlay	10,000	30,139	20,139	10,000	-
Debt service	-	-	1,416	(1,416)	-
Totals	<u>1,117,998</u>	<u>1,237,716</u>	<u>1,190,958</u>	<u>46,758</u>	<u>1,050,638</u>
Maintenance garage					
Salaries	67,574	64,419	60,736	3,683	58,227
Supplies	68,653	68,653	68,922	(269)	68,820
Services	5,400	5,400	4,487	913	4,043
Maintenance	82,972	86,127	46,492	39,635	38,054
Capital outlay	-	-	51,440	(51,440)	-
Totals	<u>224,599</u>	<u>224,599</u>	<u>232,077</u>	<u>(7,478)</u>	<u>169,144</u>
Emergency medical service					
Salaries	333,762	331,262	273,722	57,540	260,458
Supplies	14,250	14,250	19,559	(5,309)	13,252
Services	21,390	21,390	25,416	(4,026)	23,214
Maintenance	2,168	4,668	4,932	(264)	591
Capital outlay	9,800	9,800	-	9,800	81,301
Totals	<u>\$ 381,370</u>	<u>\$ 381,370</u>	<u>\$ 323,629</u>	<u>\$ 47,941</u>	<u>\$ 378,816</u>

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

CITY OF EVERMAN, TEXAS
Statement of Expenditures - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2013
(With Comparative Totals For the Fiscal Year Ending September 30, 2012)

	Budgeted Amounts		2013 Actual	Variance with Final Budget Favorable (Unfavorable)	2012 Actual
	Original	Final			
Fire					
Volunteer Benefits	\$ 11,350	\$ 11,350	\$ 15,298	\$ (3,948)	\$ 5,290
Supplies	36,950	36,201	12,791	23,410	33,664
Services	16,250	16,250	13,366	2,884	11,538
Maintenance	12,750	13,499	16,390	(2,891)	18,052
Capital outlay	-	-	19,760	(19,760)	-
Debt service	1,550	1,550	1,541	9	1,541
Totals	78,850	78,850	79,146	(296)	70,085
Community and activity centers					
Services	3,640	3,640	3,466	174	3,497
Maintenance	1,000	1,000	767	233	180
Totals	4,640	4,640	4,233	407	3,677
Municipal court					
Salaries	43,140	43,140	35,933	7,207	35,002
Supplies	2,000	2,000	1,695	305	2,337
Services	22,675	22,675	18,992	3,683	21,305
Maintenance	1,500	1,500	1,737	(237)	1,654
Totals	69,315	69,315	58,357	10,958	60,298
Code enforcement					
Salaries	47,877	47,877	42,532	5,345	41,001
Supplies	4,200	4,200	2,269	1,931	3,175
Services	11,200	11,200	2,079	9,121	2,273
Maintenance	4,690	4,690	4,512	178	3,591
Totals	67,967	67,967	51,392	16,575	50,040
Library					
Salaries	90,432	90,432	60,683	29,749	62,209
Supplies	4,700	4,037	7,860	(3,823)	1,556
Services	15,170	15,170	14,223	947	14,443
Maintenance	1,800	1,800	2,735	(935)	1,373
Capital outlay	2,000	2,663	-	2,663	-
Totals	114,102	114,102	85,501	28,601	79,581
Animal control					
Salaries	51,177	50,633	49,895	738	42,646
Supplies	6,729	6,973	3,090	3,883	2,788
Services	4,603	4,903	4,771	132	1,728
Maintenance	3,815	3,815	2,973	842	1,448
Totals	\$ 66,324	\$ 66,324	\$ 60,729	\$ 5,595	\$ 48,610

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, 2013
(With Comparative Totals For the Fiscal Year Ending September 30, 2012)

	Budeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2012 Actual
	Original and Final	2013 Actual		
Revenues				
Sales tax	\$ 45,000	\$ 51,881	\$ 6,881	\$ 48,559
Interest income	140	86	(54)	156
Total revenues	45,140	51,967	6,827	48,715
Expenditures				
Administrative	14,668	23,204	(8,536)	20,728
Capital outlay	51,140	39,149	11,991	25,184
Total expenditures	65,808	62,353	3,455	45,912
Excess (deficiency) of revenues over (under) expenditures	(20,668)	(10,386)	10,282	2,803
Fund balances, beginning of year	104,490	104,490	-	101,687
Fund balances, end of year	<u>\$ 83,822</u>	<u>\$ 94,104</u>	<u>\$ 10,282</u>	<u>\$ 104,490</u>

CITY OF EVERMAN, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balance
- Budget and Actual -
Street Improvement Fund
For the Fiscal Year Ended September 30, 2013
(With Comparative Totals For the Fiscal Year Ending September 30, 2012)

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2012 Actual
	Original and Final	2013 Actual		
Revenues				
Sales tax	\$ 63,500	\$ 67,295	\$ 3,795	\$ 66,465
Interest income	500	343	(157)	527
Total revenues	64,000	67,638	3,638	66,992
Expenditures				
Administrative	12,000	12,000	-	12,000
Capital outlay	80,000	-	80,000	-
Total expenditures	92,000	12,000	80,000	12,000
Excess (deficiency) of revenues over (under) expenditures	(28,000)	55,638	83,638	54,992
Fund balances, beginning of year	307,857	307,857	-	252,865
Fund balances, end of year	\$ 279,857	\$ 363,495	\$ 83,638	\$ 307,857

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, 2013
(With Comparative Totals For the Fiscal Year Ending September 30, 2012)

	Budgeted Amounts	2013 Actual	Variance with Final Budget	2012 Actual
	Original and Final		Favorable (Unfavorable)	
Revenues				
Property taxes	\$ 190,666	\$ 185,055	\$ (5,611)	\$ 233,877
Interest Income	8	5	(3)	10
Total revenues	<u>190,674</u>	<u>185,060</u>	<u>(5,614)</u>	<u>233,887</u>
Expenditures				
Debt and capitalized lease debt service:				
Principal retirement	150,000	150,000	-	170,000
Interest and fiscal charges	35,938	33,937	2,001	41,077
Total expenditures	<u>185,938</u>	<u>183,937</u>	<u>2,001</u>	<u>211,077</u>
Excess of revenues over expenditures	<u>4,736</u>	<u>1,123</u>	<u>(3,613)</u>	<u>22,810</u>
Fund balance (deficit), beginning of year	<u>6,616</u>	<u>6,616</u>	<u>-</u>	<u>(16,194)</u>
Fund balance, end of year	<u>\$ 11,352</u>	<u>\$ 7,739</u>	<u>\$ (3,613)</u>	<u>\$ 6,616</u>

CITY OF EVERMAN, TEXAS
Statement of Expenses - Budget and Actual
Enterprise Fund
For the Fiscal Year Ended September 30, 2013
(With Comparative Totals For the Fiscal Year Ending September 30, 2012)

	Budgeted Amounts		2013 Actual	Variance with Final Budget	2012 Actual
	Original	Final		Favorable (Unfavorable)	
Water					
Salaries	\$ 266,094	\$ 250,594	\$ 229,950	\$ 20,644	\$ 225,943
Supplies	93,720	73,288	36,769	36,519	37,878
Services	153,970	153,970	122,166	31,804	122,814
Maintenance	37,500	72,932	89,371	(16,439)	28,732
Equipment	9,000	9,500	17,756	(8,256)	18,006
Totals	<u>560,284</u>	<u>560,284</u>	<u>496,012</u>	<u>64,272</u>	<u>433,373</u>
Sewer					
Supplies	49,242	49,242	2,438	46,804	3,258
Services	471,000	471,000	546,508	(75,508)	387,970
Totals	<u>\$ 520,242</u>	<u>\$ 520,242</u>	<u>\$ 548,946</u>	<u>\$ (28,704)</u>	<u>\$ 391,228</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2013

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2014	\$ 150,000	\$ 28,312	\$ 178,312
2015	160,000	22,500	182,500
2016	170,000	16,313	186,313
2017	170,000	9,937	179,937
2018	<u>180,000</u>	<u>3,375</u>	<u>183,375</u>
	<u>\$ 830,000</u>	<u>\$ 80,437</u>	<u>\$ 910,437</u>

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

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2014	\$ 75,000	\$ 100,188	\$ 200,188
2015	100,000	68,750	168,750
2016	100,000	66,750	166,750
2017	100,000	64,750	169,750
2018	105,000	62,700	167,700
2019	105,000	60,600	170,600
2020	110,000	57,900	172,900
2021	115,000	54,525	169,525
2022	115,000	51,075	171,075
2023	120,000	47,550	172,550
2024	125,000	43,875	168,875
2025	125,000	40,125	170,125
2026	130,000	36,300	171,300
2027	135,000	31,988	171,988
2028	140,000	27,175	172,175
2029	145,000	22,187	172,187
2030	150,000	17,025	172,025
2031	155,000	12,075	172,075
2032	160,000	7,350	172,350
2033	165,000	2,475	2,475
	<u>\$ 2,475,000</u>	<u>\$ 875,363</u>	<u>\$ 3,275,363</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Notes Payable -
Texas Forest Service
Debt Service Requirement in Future Years
September 30, 2013

FIRE EQUIPMENT

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2014	<u>\$ 1,800</u>	<u>\$ 46</u>	<u>\$ 1,846</u>
	<u><u>\$ 1,800</u></u>	<u><u>\$ 46</u></u>	<u><u>\$ 1,846</u></u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Capital Lease Payable -
Canon Financial
Debt Service Requirement in Future Years
September 30, 2013

COPIER - CITY HALL

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2014	\$ 1,911	\$ 249	\$ 2,160
2015	2,009	151	2,160
2016	<u>1,931</u>	<u>49</u>	<u>1,980</u>
	<u>\$ 5,851</u>	<u>\$ 449</u>	<u>\$ 6,300</u>

CITY OF EVERMAN, TEXAS
Governmental Activities
Schedule of Capital Lease Payable -
Konica Minolta Premier Finance
Debt Service Requirement in Future Years
September 30, 2013

COPIER - POLICE DEPARTMENT

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2014	\$ 1,197	\$ 220	\$ 1,417
2015	1,258	159	1,417
2016	1,322	93	1,415
2017	<u>1,154</u>	<u>27</u>	<u>1,181</u>
	<u>\$ 4,931</u>	<u>\$ 499</u>	<u>\$ 5,430</u>

CITY OF EVERMAN, TEXAS
Business-Type Activities
Schedule of 2007 General Obligation Refunding Bonds Payable
Debt Service Requirement in Future Years
September 30, 2013

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2014	\$ 100,000	\$ 26,813	\$ 126,813
2015	100,000	23,063	123,063
2016	105,000	19,219	124,219
2017	115,000	15,094	130,094
2018	115,000	10,782	125,782
2019	110,000	6,563	116,563
2020	120,000	2,250	122,250
	<u>\$ 765,000</u>	<u>\$ 103,784</u>	<u>\$ 868,784</u>

CITY OF EVERMAN, TEXAS
Schedule of Insurance Coverage
September 30, 2013

Type of Coverage	Effective Dates		Premium	Policy #	Amount of Coverage	Insurer
	From	To				
General Liability	10/1/2012	10/1/2013	\$ 2,486	3663	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
Real and Personal Property	10/1/2012	10/1/2013	9,775	3663	10,309,727	Texas Municipal League Intergovernmental Risk Pool
Mobile Equipment	10/1/2012	10/1/2013	965	3663	235,268	Texas Municipal League Intergovernmental Risk Pool
Boiler & Machinery	10/1/2012	10/1/2013	Included	3663	500,000	Texas Municipal League Intergovernmental Risk Pool
Law Enforcement Liability	10/1/2012	10/1/2013	6,364	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Errors & Omissions Liability	10/1/2012	10/1/2013	4,388	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Automobile Liability	10/1/2012	10/1/2013	19,797	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Auto Physical Damage	10/1/2012	10/1/2013	10,933	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Public Employee Dishonesty	10/1/2012	10/1/2013	582	3663	100,000	Texas Municipal League Intergovernmental Risk Pool
Animal Mortality and Theft	10/1/2012	10/1/2013	990	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Workers Compensation	10/1/2012	10/1/2013	<u>38,150</u>	3663	Statutory Limits	Texas Municipal League Intergovernmental Risk Pool
	Total Premiums		<u>\$ 94,430</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 City of Everman, Texas, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Everman, Texas' basic financial statements and have issued our report thereon dated March 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City of Everman, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Everman, Texas' internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2013-001 described in the accompanying schedule of findings and responses to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency 2013-002 described in the accompany schedule of findings and responses to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

City of Everman, Texas' Response to Findings

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

Purpose of this Report

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



Snow Garrett Williams

March 5, 2014

CITY OF EVERMAN, TEXAS
Schedule of Findings and Responses
For the Fiscal Year Ended September 30, 2013

Internal Control over Financial Reporting

Finding 2013-001 – Material Weakness

Criteria: Timely and accurate financial reports are essential to perform analysis of financial condition, review data for accuracy and completeness, and prepare long-range financial plans.

Condition: Several general ledger accounts were overstated or understated in the City's unadjusted trial balance.

Cause: The City's policies and procedures are not appropriately designed or implemented to create a strong internal control environment related to financial reporting.

Effect: Material adjusting entries were necessary to correct and adjust the balances and transactions reported in the general ledger in order to prepare accurate financial statements.

Recommendation: The City should develop and implement policies and procedures to include strong internal controls related to financial reporting and monitoring, preparation of reconciliations, and recording financial transactions in the general ledger as they occur to produce more useful and accurate financial reports.

Response: The City is developing policies and procedures to strengthen controls in order to produce more useful and accurate financial reports.

Schedule of Property Additions and Disposals

Finding 2013-002 – Significant Deficiency

Criteria: A detailed schedule of capital asset activity is necessary for the City to prepare timely and accurate financial reports and long-range financial plans.

Condition: Capital asset additions, disposals, and transfers were not properly tracked or recorded during the year. Also, several departmental and fund transfers had not been documented or recorded in the past several fiscal years.

Cause: The City does not maintain a listing of capital asset activity including property additions, disposals, or transfers that occur throughout the fiscal year.

Effect: Significant adjusting entries were necessary to correct and adjust the balances and transactions reported in the general ledger for capital assets in order to prepare accurate financial statements.

Recommendation: The City should prepare a schedule of capital asset additions as assets are purchased to simplify the process of maintaining property and equipment additions for the year. Additionally, formal controls should be adopted so that all capital asset disposals and transfers are reported to management to ensure that these transactions are recorded accurately in the City's accounting system.

Response: The City staff is currently designing a form for additions, deletions, and transfers for capital activities. Once this form is in place, any new acquisitions will be turned in with an invoice and purchase order before the payment is made.

