

# **CITY OF EVERMAN, TEXAS**

**Annual Financial Report for the Year Ended  
September 30, 2014**

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

Michael Box, City Manager

Mindi Parks, City Secretary

Michael Gunderson, Finance Director

**FINANCIAL SECTION**



**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Everman, Texas, as of and for the year ended September 30, 2014, 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, 2014, 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 February 26, 2015, on our consideration of the City of Everman's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Everman's internal control over financial reporting and compliance.



Snow Garrett Williams

February 26, 2015

## 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, 2014. 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 2014 by \$7,150,553 (*net position*). Of this amount, \$962,608 is restricted for specific purposes and \$2,832,131 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 \$3,355,814 that is net investment in capital assets.
- In contrast to the government-wide statements, the governmental fund statements report a combined fund balance at year-end of \$4,915,049; of which \$2,288,748 or 47% represents restricted fund balance, \$4,906 represents nonspendable fund balance, and unassigned fund balance amounted to \$2,621,395 or 53%.
- The General Fund unassigned fund balance of \$2,621,395 equals 79% of total General Fund expenditures.
- The City's total debt decreased by \$337,924 during the current fiscal year primarily as a result of the regular 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 information 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 \$7,150,553 as of September 30, 2014.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 5,383,742	\$ 5,828,857	\$ 331,637	\$ 536,389	\$ 5,715,379	\$ 6,365,246
Capital assets, net of depreciation	3,944,400	3,312,665	1,923,296	2,192,411	5,867,696	5,505,076
Total assets	<u>9,328,142</u>	<u>9,141,522</u>	<u>2,254,933</u>	<u>2,728,800</u>	<u>11,583,075</u>	<u>11,870,322</u>
Long-term liabilities	3,323,770	3,561,833	673,424	773,285	3,997,194	4,335,118
Other liabilities	188,373	133,348	246,955	210,977	435,328	344,325
Total liabilities	<u>3,512,143</u>	<u>3,695,181</u>	<u>920,379</u>	<u>984,262</u>	<u>4,432,522</u>	<u>4,679,443</u>
Net position:						
Net Investment in						
Capital Assets	2,097,518	1,637,208	1,258,296	1,427,411	3,355,814	3,064,619
Restricted	962,608	1,336,885	-	-	962,608	1,336,885
Unrestricted	2,755,873	2,472,248	76,258	317,127	2,832,131	2,789,375
Total Net Position	<u>\$ 5,815,999</u>	<u>\$ 5,446,341</u>	<u>\$ 1,334,554</u>	<u>\$ 1,744,538</u>	<u>\$ 7,150,553</u>	<u>\$ 7,190,879</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 \$3,355,814. 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 \$962,608 (or 13%) of the City's net position represents resources that are subject to external restrictions on how they may be used. All restricted net position of the City is being held for purposes established by state and local laws and debt service requirements on the City's outstanding debt. The remaining balance of unrestricted net position (\$2,832,131) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's net position decreased by \$40,326 during the current fiscal year. The City's governmental activities increased net position by \$369,658 which included transfers from the business-type activities of \$474,524. The total cost of all governmental activities this year was \$3,836,868. The amount that taxpayers paid for these activities through property taxes was \$1,566,330 or 41%.

**City of Everman's Changes in Net Position**

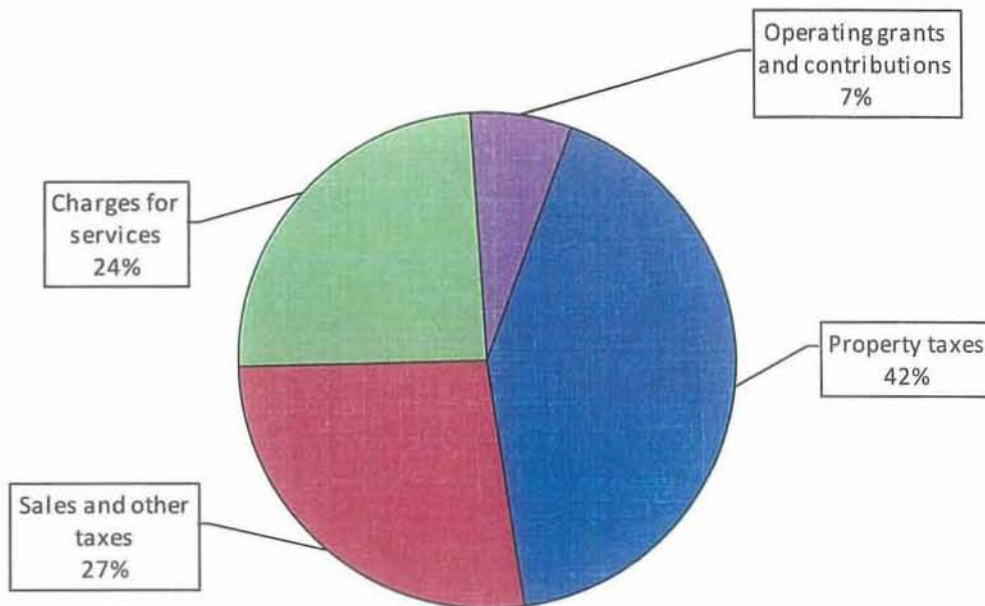
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 908,176	\$ 509,723	\$ 1,424,518	\$ 1,426,339	\$ 2,332,694	\$ 1,936,062
Operating grants and contributions	244,023	392,635	-	-	244,023	392,635
Capital grants and contributions	-	-	-	142,906	-	142,906
<b>General revenues:</b>						
Property taxes	1,566,330	1,347,851	-	-	1,566,330	1,347,851
Sales and other taxes	1,000,944	812,323	-	-	1,000,944	812,323
Loss on disposal of assets	(1,333)	(385,830)	(171,554)	(278,328)	(172,887)	(664,158)
Other	13,862	13,386	347	73,327	14,209	86,713
<b>Total revenues</b>	<b>3,732,002</b>	<b>2,690,088</b>	<b>1,253,311</b>	<b>1,364,244</b>	<b>4,985,313</b>	<b>4,054,332</b>
<b>Expenses:</b>						
Administrative	782,651	651,756	-	-	782,651	651,756
Streets	572,688	655,455	-	-	572,688	655,455
Parks and building maintenance	92,923	66,905	-	-	92,923	66,905
Police	1,270,997	1,230,784	-	-	1,270,997	1,230,784
Maintenance garage	202,772	183,816	-	-	202,772	183,816
Emergency medical services	381,184	365,495	-	-	381,184	365,495
Fire	125,158	131,387	-	-	125,158	131,387
Community and activity centers	6,140	4,233	-	-	6,140	4,233
Municipal court	63,222	59,252	-	-	63,222	59,252
Code enforcement	75,640	51,317	-	-	75,640	51,317
Library	98,312	99,764	-	-	98,312	99,764
Animal control	58,143	68,089	-	-	58,143	68,089
Interest on long-term debt	107,038	153,117	-	-	107,038	153,117
Water	-	-	621,232	668,754	621,232	668,754
Sewer	-	-	567,539	572,962	567,539	572,962
<b>Total expenses</b>	<b>3,836,868</b>	<b>3,721,370</b>	<b>1,188,771</b>	<b>1,241,716</b>	<b>5,025,639</b>	<b>4,963,086</b>
<b>Increase (decrease) in net position before transfers</b>	<b>(104,866)</b>	<b>(1,031,282)</b>	<b>64,540</b>	<b>122,528</b>	<b>(40,326)</b>	<b>(908,754)</b>
<b>Transfers</b>	<b>474,524</b>	<b>378,008</b>	<b>(474,524)</b>	<b>(378,008)</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>369,658</b>	<b>(653,274)</b>	<b>(409,984)</b>	<b>(255,480)</b>	<b>(40,326)</b>	<b>(908,754)</b>
<b>Net position, beginning of year</b>	<b>5,446,341</b>	<b>6,099,615</b>	<b>1,744,538</b>	<b>2,026,757</b>	<b>7,190,879</b>	<b>8,126,372</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,739)</b>	<b>-</b>	<b>(26,739)</b>
<b>Net position, beginning of year, restated</b>	<b>5,446,341</b>	<b>6,099,615</b>	<b>1,744,538</b>	<b>2,000,018</b>	<b>7,190,879</b>	<b>8,099,633</b>
<b>Net position, end of year</b>	<b>\$ 5,815,999</b>	<b>\$ 5,446,341</b>	<b>\$ 1,334,554</b>	<b>\$ 1,744,538</b>	<b>\$ 7,150,553</b>	<b>\$ 7,190,879</b>

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

**Governmental activities.** Governmental activities increased the City of Everman's net position by \$369,658. Key elements of this increase are as follows:

- Increase in property tax revenue due to an increase in both the assessed values and in the interest and sinking tax rate;
- Increase in sales tax revenue and charges for services as the economy is stabilizing; and
- Decrease in the loss on disposal of capital assets.

**Revenues by Source - Governmental Activities**



**Business-type activities.** Business-type activities decreased the City's net position by \$409,984. Key elements of this decrease are as follows:

- Decrease in both water and sewer charges for services;
- Increase in transfers to the governmental activities; and
- Decrease in miscellaneous revenue.

**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

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

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,915,049, a decrease of \$590,296 in comparison with the prior year. Approximately \$2,621,395 or 53% of the fund balance represents unassigned fund balance, which is available for spending at the City's discretion, and \$4,906 represents the City's nonspendable fund balance. 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 (\$1,347,054), economic development (\$391,762), street improvements (\$427,330), crime control and prevention (\$78,537), debt service (\$16,727), and LEOCE training and court related expenditures (\$27,338).

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 \$2,653,639, of which \$2,621,395 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 79%, or slightly more than 287 days of total fund expenditures.

The fund balance of the City's general fund increased by \$210,601 during the current fiscal year. Key factors in this increase are as follows:

- Increases in property and sales tax revenues;
- Increase in fines and fees; and
- Decreases in street and capital outlay expenditures.

The debt service fund has a fund balance of \$16,727. The net increase in fund balance during the current year in the debt service fund was \$8,988.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Amendments to the original 2013-2014 general fund annual budget were relatively minor and can be briefly summarized as follows:

- Decrease in salaries for administrative, parks and building maintenance, police, and emergency medical service, municipal court, library, and animal control;
- Increase in supplies for streets, emergency medical service, municipal court, and animal control;
- Decrease in supplies for administrative, parks and building maintenance, and fire;
- Increase in services for administrative, parks and building maintenance, police, emergency medical service, fire, and municipal court;
- Increase in maintenance for administrative, police, fire, and library;
- Decrease in maintenance for streets; and
- Increase in capital outlay for emergency medical service.

Comparing budget to actual amounts, the City exceeded the final budgeted revenue estimate by \$471,777, or 15.4%. The primary revenue that came in above estimated budget amounts was taxes and other revenues. Taxes were higher than expected due to the increase in property tax assessed values and an increase in both sales tax and gross receipts tax revenue. Other revenues were higher than expected due an increase in gas royalties received in the current year.

Total expenditures were 6.0% less than the final budgeted amounts. Actual expenditures were less than budgeted primarily due to less expenditures than expected in streets, police, fire, and library.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The City's investment in total capital assets for its governmental and business-type activities as of September 30, 2014, amounts to \$5,867,696 (net of accumulated depreciation). The investment in capital assets related to governmental activities (\$3,944,400) 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 (\$1,923,296) includes land, water and sewer system, buildings and improvements, and machinery and equipment.

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

- Purchase of a building with EDC funds;
- Purchase of two vehicles for the police department; and
- Improvements to parks, streets, and water system.

**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	33,140	-	33,140
Buildings and improvements	2,438,387	-	2,438,387
Infrastructure	827,130	-	827,130
Water and sewer system	-	1,839,580	1,839,580
Machinery and equipment	88,793	30,291	119,084
Vehicles	356,676	-	356,676
<b>Total</b>	<b><u>\$ 3,944,400</u></b>	<b><u>\$ 1,923,296</u></b>	<b><u>\$ 5,867,696</u></b>

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

**Long-term debt.** At the end of the current fiscal year, the City of Everman had total debt outstanding of \$3,997,194. Of this amount, \$2,400,000 represents general obligation bonds secured by property tax collections, \$108,496 in unamortized bond premium related to the general obligation bonds, \$680,000 represents general obligation refunding bonds secured by property tax collections, and \$665,000 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 \$300, capital leases payable of \$7,674, vacation payable of \$59,332, and net pension obligation of \$76,392.

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

**City of Everman's Outstanding Debt**

	Governmental Activities	Business-Type Activities	Total
General obligation refunding bonds	\$ 680,000	\$ 665,000	\$ 1,345,000
General obligation bonds	2,400,000	-	2,400,000
Unamortized bond premium	108,496	-	108,496
Notes payable	300	-	300
Capital lease agreements	7,674	-	7,674
Vacation payable	55,923	3,409	59,332
Net Pension Obligation	71,377	5,015	76,392
<b>Total</b>	<b>\$ 3,323,770</b>	<b>\$ 673,424</b>	<b>\$ 3,997,194</b>

The City of Everman's total long-term debt decreased by an amount of \$337,924 (7.8%) during the current fiscal year. Debt related to governmental activities decreased by \$238,063 primarily as a result of scheduled debt service payments. Debt related to business-type activities decreased by \$99,861 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 2013-2014 was \$1.255205 per \$100 assessed valuation, of which \$.302639 was for annual debt service.

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

**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 2015, the City Council and management considered the following factors:

- Increase in property taxes due to an increase in assessed values;
- Increase in sales tax and right of way franchise fees;
- Increase in ambulance service fees and ambulance fees collected from insurance companies;
- Increase in salaries due to approved 3% raises;
- Increase in health insurance expense for all departments;
- Increase in election expense due to fiscal year 2015 being an election year;
- Increase in electric utilities for several departments;
- Increase in capital equipment for the maintenance garage department;
- Increase in EDC salaries for a new position with the City; 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, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,980,622	\$ 63,540	\$ 5,044,162
Receivables			
Taxes, net of allowance for uncollectibles	152,742	-	152,742
Accounts, net of allowances for uncollectibles	245,472	127,421	372,893
Prepaid expenses	4,906	-	4,906
Restricted assets			
Cash and cash equivalents	-	140,676	140,676
Capital assets			
Land and construction in progress	233,414	53,425	286,839
Other capital assets, net of depreciation	3,710,986	1,869,871	5,580,857
Total capital assets	3,944,400	1,923,296	5,867,696
Total assets	9,328,142	2,254,933	11,583,075
<b>Liabilities</b>			
Accounts payable and accrued expenses	154,142	100,454	254,596
Due to State	18,700	-	18,700
Interest payable	15,531	-	15,531
Payable from restricted assets			
Customer deposits	-	141,243	141,243
Accrued interest payable	-	5,258	5,258
Noncurrent liabilities			
Due within one year	329,314	103,409	432,723
Due in more than one year	2,994,456	570,015	3,564,471
Total liabilities	3,512,143	920,379	4,432,522
<b>Net position</b>			
Net investment in capital assets	2,097,518	1,258,296	3,355,814
Restricted for:			
Debt service	37,641	-	37,641
Economic development	391,762	-	391,762
Street improvement	427,330	-	427,330
Crime control and prevention district	78,537	-	78,537
Court security and technology	22,362	-	22,362
LEOCE training	4,976	-	4,976
Unrestricted	2,755,873	76,258	2,832,131
Total net position	\$ 5,815,999	\$ 1,334,554	\$ 7,150,553

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

**CITY OF EVERMAN, TEXAS**  
**Statement of Activities**  
For the Fiscal Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>						
Administrative	\$ 782,651	\$ 192,799	\$ -	\$ (589,852)	\$ -	\$ (589,852)
Streets	572,688	207,360	-	(365,328)	-	(365,328)
Parks and building maintenance	92,923	50	-	(92,873)	-	(92,873)
Police	1,270,997	-	113,958	(1,157,039)	-	(1,157,039)
Maintenance garage	202,772	-	-	(202,772)	-	(202,772)
Emergency medical services	381,184	440,826	46,392	106,034	-	106,034
Fire	125,158	-	80,000	(45,158)	-	(45,158)
Community and activity centers	6,140	-	-	(6,140)	-	(6,140)
Municipal court	63,222	36,894	-	(26,328)	-	(26,328)
Code enforcement	75,640	24,182	-	(51,458)	-	(51,458)
Library	98,312	1,655	-	(96,657)	-	(96,657)
Animal control	58,143	4,410	3,673	(50,060)	-	(50,060)
Interest on long-term debt	107,038	-	-	(107,038)	-	(107,038)
<b>Total governmental activities</b>	<b>3,836,868</b>	<b>908,176</b>	<b>244,023</b>	<b>(2,684,669)</b>	<b>-</b>	<b>(2,684,669)</b>
<b>Business-type activities</b>						
Water	621,232	740,785	-	-	119,553	119,553
Sewer	567,539	683,733	-	-	116,194	116,194
<b>Total business-type activities</b>	<b>1,188,771</b>	<b>\$ 1,424,518</b>	<b>-</b>	<b>-</b>	<b>235,747</b>	<b>235,747</b>
<b>Total primary government</b>	<b>\$ 5,025,639</b>	<b>\$ 2,332,694</b>	<b>\$ 244,023</b>	<b>(2,684,669)</b>	<b>235,747</b>	<b>(2,448,922)</b>
<b>General revenues:</b>						
<b>Taxes</b>						
Property				1,566,330	-	1,566,330
Sales tax				616,087	-	616,087
Mixed beverage tax				10,160	-	10,160
Franchise taxes				355,153	-	355,153
Bingo tax				19,544	-	19,544
Investment earnings				5,017	347	5,364
Loss on disposal of assets				(1,333)	(171,554)	(172,887)
Miscellaneous				8,845	-	8,845
<b>Transfers</b>				<b>474,524</b>	<b>(474,524)</b>	<b>-</b>
<b>Total general revenues and transfers</b>				<b>3,054,327</b>	<b>(645,731)</b>	<b>2,408,596</b>
<b>Change in net position</b>				<b>369,658</b>	<b>(409,984)</b>	<b>(40,326)</b>
<b>Net position, beginning of year</b>				<b>5,446,341</b>	<b>1,744,538</b>	<b>7,190,879</b>
<b>Net position, end of year</b>				<b>\$ 5,815,999</b>	<b>\$ 1,334,554</b>	<b>\$ 7,150,553</b>

**CITY OF EVERMAN, TEXAS**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2014**

	<u>General</u>	<u>Capital Project Fund</u>	<u>Economic Development Corporation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,736,085	\$ 1,349,588	\$ 384,589	\$ 510,360	\$ 4,980,622
Receivables					
Taxes, net of allowances for uncollectibles of \$74,764	99,166	-	16,963	36,613	152,742
Accounts, net of allowance for uncollectibles of \$10,967	36,361	-	-	-	36,361
Prepaid expense	4,906	-	-	-	4,906
<b>Total assets</b>	<u>\$ 2,876,518</u>	<u>\$ 1,349,588</u>	<u>\$ 401,552</u>	<u>\$ 546,973</u>	<u>\$ 5,174,631</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Accounts payable and accrued expenses	\$ 138,353	\$ 2,534	\$ 9,790	\$ 3,465	\$ 154,142
Due to State	18,700	-	-	-	18,700
<b>Total liabilities</b>	<u>157,053</u>	<u>2,534</u>	<u>9,790</u>	<u>3,465</u>	<u>172,842</u>
Deferred inflows of resources					
Property tax revenue	65,826	-	-	20,914	86,740
<b>Fund Balance</b>					
Nonspendable for prepaid expense	4,906	-	-	-	4,906
Restricted for:					
Street improvement	-	-	-	427,330	427,330
Crime control and prevention district	-	-	-	78,537	78,537
Capital projects	-	1,347,054	-	-	1,347,054
Economic development	-	-	391,762	-	391,762
Debt service	-	-	-	16,727	16,727
LEOCE training	4,976	-	-	-	4,976
Security fees	12,106	-	-	-	12,106
Technology fees	10,256	-	-	-	10,256
Unassigned	2,621,395	-	-	-	2,621,395
<b>Total fund balance</b>	<u>2,653,639</u>	<u>1,347,054</u>	<u>391,762</u>	<u>522,594</u>	<u>4,915,049</u>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<u>\$ 2,876,518</u>	<u>\$ 1,349,588</u>	<u>\$ 401,552</u>	<u>\$ 546,973</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					3,944,400
Property tax receivables net of allowances are not available to pay for current period expenditures and, therefore, are deferred in the funds.					86,740
Accounts receivable for ambulance services are not measurable and available in the current period and are not reported in the funds.					209,111
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.					(3,339,301)
Net position of governmental activities - statement of net position					<u>\$ 5,815,999</u>

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended September 30, 2014**

	<u>General</u>	<u>Capital Project Fund</u>	<u>Economic Development Corporation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 1,909,822	\$ -	\$ 158,227	\$ 504,627	\$ 2,572,676
Licenses, permits, and fees for services	430,308	-	-	-	430,308
Intergovernmental revenue	112,536	-	-	-	112,536
Donations	131,487	-	-	-	131,487
Fines and fees	204,213	-	-	-	204,213
Interest income	2,274	1,687	718	338	5,017
Other revenues	192,750	-	5,040	-	197,790
Administrative services - other funds	552,014	-	-	-	552,014
<b>Total revenues</b>	<u>3,535,404</u>	<u>1,687</u>	<u>163,985</u>	<u>504,965</u>	<u>4,206,041</u>
<b>Expenditures</b>					
Administrative	632,915	-	128,819	29,133	790,867
Streets	512,652	-	-	-	512,652
Parks and building maintenance	84,358	-	-	-	84,358
Police	1,201,707	-	-	-	1,201,707
Maintenance garage	199,252	-	-	-	199,252
Emergency medical services	350,530	-	-	-	350,530
Fire	52,483	-	-	-	52,483
Community and activity centers	6,140	-	-	-	6,140
Municipal court	63,097	-	-	-	63,097
Code enforcement	75,576	-	-	-	75,576
Library	84,049	-	-	-	84,049
Animal control	50,627	-	-	-	50,627
Capital outlay	6,300	375,288	478,224	64,676	924,488
Debt service	5,117	4	-	353,900	359,021
<b>Total expenditures</b>	<u>3,324,803</u>	<u>375,292</u>	<u>607,043</u>	<u>447,709</u>	<u>4,754,847</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>210,601</u>	<u>(373,605)</u>	<u>(443,058)</u>	<u>57,256</u>	<u>(548,806)</u>
<b>Other financing sources and uses</b>					
Transfers out	-	(41,490)	-	-	(41,490)
<b>Total other financing sources and uses</b>	<u>-</u>	<u>(41,490)</u>	<u>-</u>	<u>-</u>	<u>(41,490)</u>
<b>Net change in fund balance</b>	<u>210,601</u>	<u>(415,095)</u>	<u>(443,058)</u>	<u>57,256</u>	<u>(590,296)</u>
<b>Fund balances, beginning of year</b>	<u>2,443,038</u>	<u>1,762,149</u>	<u>834,820</u>	<u>465,338</u>	<u>5,505,345</u>
<b>Fund balances, end of year</b>	<u>\$ 2,653,639</u>	<u>\$ 1,347,054</u>	<u>\$ 391,762</u>	<u>\$ 522,594</u>	<u>\$ 4,915,049</u>

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

**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, 2014**

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

Net change in fund balances - total governmental funds \$ (590,296)

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

Capital outlay	\$ 924,488	
Depreciation	<u>(291,420)</u>	
		633,068

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to decrease net position. (1,333)

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

Property tax revenue	\$ (5,402)	
Ambulance revenue	<u>84,710</u>	
		79,308

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.

Net pension obligation	\$ (965)	
Compensated absences	(2,108)	
Accrued interest	10,848	
Amortization of bond premium	<u>11,528</u>	
		19,303

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

Principal repayments		
Bonds	\$ 225,000	
Notes	1,500	
Capital leases	<u>3,108</u>	
		<u>229,608</u>

Change in net position of governmental activities - statement of activities \$ 369,658

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

CITY OF EVERMAN, TEXAS  
Statement of Net Position  
Enterprise Fund  
September 30, 2014

	<u>Water and Sewer Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 63,540
Receivables	
Accounts, net of allowance for uncollectibles of \$38,132	127,421
Total current assets	<u>190,961</u>
Restricted assets	
Cash and cash equivalents	140,676
Noncurrent assets	
Capital assets	
Land	53,425
Buildings and improvements	630,200
Waterworks and sewer system	3,943,525
Machinery and equipment	252,106
Accumulated depreciation	<u>(2,955,960)</u>
Total noncurrent assets	<u>1,923,296</u>
Total assets	<u>2,254,933</u>
<b>LIABILITIES</b>	
Current liabilities	
Payable from current assets	
Accounts payable and accrued expenses	100,454
Vacation payable	<u>3,409</u>
Total payable from current assets	103,863
Payable from restricted assets	
Current portion of bonds payable	100,000
Customer deposits	141,243
Accrued interest	<u>5,258</u>
Total payable from restricted assets	<u>246,501</u>
Total current liabilities	350,364
Noncurrent liabilities	
Net pension obligation	5,015
Bonds payable	<u>565,000</u>
Total noncurrent liabilities	<u>570,015</u>
Total liabilities	<u>920,379</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,258,296
Unrestricted	<u>76,258</u>
Total net position	<u>\$ 1,334,554</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, 2014**

	<b>Water and Sewer Fund</b>
Operating revenues	
Water and sewer sales	\$ 1,401,239
Other income	23,279
	1,424,518
Operating expenses	
Water	476,330
Sewer	546,603
Administrative services - General Fund	516,014
Depreciation	139,051
	1,677,998
Operating loss	(253,480)
Non-operating revenues (expenses)	
Interest revenue	347
Loss on disposal of asset	(171,554)
Interest expense and fiscal charge	(26,787)
	(197,994)
Loss before transfers	(451,474)
Transfers in	41,490
Change in net position	(409,984)
Net position, beginning of year	1,744,538
Net position, end of year	\$ 1,334,554

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, 2014**

	<b>Water and Sewer Fund</b>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 1,466,558
Cash paid to suppliers	(723,744)
Cash paid to employees	(246,686)
Cash paid to other funds	(516,014)
	<u>(19,886)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal payments on long-term debt	(100,000)
Interest payments and fiscal charge	(26,787)
Increase in customer deposits	5,952
	<u>(120,835)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest income	347
	<u>347</u>
Net decrease in cash and cash equivalents	(140,374)
Cash and cash equivalents at beginning of year	344,590
Cash and cash equivalents at end of year	<u>\$ 204,216</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS FROM THE STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</b>	
Cash and cash equivalents	\$ 63,540
Restricted cash and cash equivalents	140,676
Total cash and cash equivalents	<u>\$ 204,216</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Operating loss	\$ (253,480)
Adjustments to reconcile operating loss to net cash used in operations:	
Depreciation	139,051
Provision for bad debt	22,338
Decrease in:	
Accounts receivable	42,040
Increase in:	
Accounts payable and accrued expenses	30,026
Net pension obligation	105
Accrued vacation	34
	<u>34</u>
Net cash used in operating activities	<u>\$ (19,886)</u>
<b>NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition of capital assets with - Transfer from Capital Projects Fund	<u>\$ 41,490</u>

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



**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**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 accounting principles generally accepted in the United States of America (U.S. GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

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

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

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

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

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

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

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**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, 2014**

**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 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 2013-2014 fiscal year, which provided for and approved all expenditures and transfers.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

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

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

Long-Term Obligations

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

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

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 qualifies 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, 2014**

**Note A. Summary of Significant Accounting Policies (Continued)**

Fund Balance

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

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

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

Net Position

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

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

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

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

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

Concentration of Credit Risk

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

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.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**Note A. Summary of Significant Accounting Policies (Continued)**

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.

**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 \$3,339,301 difference are as follows:

General obligation refunding bonds	\$ (680,000)
General obligation bonds	(2,400,000)
Unamortized bond premium	(108,496)
Notes payable	(300)
Capital leases payable	(7,674)
Accrued interest payable	(15,531)
Net pension obligation	(71,377)
Compensated absences	<u>(55,923)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (3,339,301)</u>

**Note C. Deposits, Securities, and Investments**

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

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

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

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

4. Collateralized Certificates of Deposit issued by the state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or as further described in the Investment policy;
5. Eligible Local Government Investment Pools;
6. Repurchase agreements, reverse repurchase agreements, bankers' acceptances and commercial paper that are described in more detail in the Investment policy; and
7. Regulated No-Load Money Market Mutual Funds.

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

As of September 30, 2014, the City had the following investments included in cash and cash equivalents:

	Weighted Average Maturity	Market Value	% of Total
LOGIC Investment Pool	59 days	\$4,877,911	100.00%

Interest Rate Risk – Investments are exposed to interest rate risk if there are changes in market interest rates that will adversely affect the fair value of an investment. As of September 30, 2014, 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, 2014, the LOGIC investment pool was rated AAAM by Standard & Poor's.

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

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

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

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

As of September 30, 2014, 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, 2014 the City's cash and cash equivalents were insured or collateralized with securities held by the City or by its agent in the City's name.

**Note D. Local Tax Revenues and Receivables**

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

**Note E. Restricted Assets**

Restricted assets in the Enterprise Fund of \$140,676 are held for customers' meter deposits.

**Note F. Interfund Activity**

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

These interfund transactions for the fiscal year ended September 30, 2014 are as follows:

Administrative overhead reimbursement from Enterprise Fund	\$ 516,014
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	<u>12,000</u>
Total transfers to General Fund	552,014
Capital asset addition from Capital Projects Fund to Enterprise Fund	<u>(41,490)</u>
Total interfund transfers	<u><u>\$ 510,524</u></u>



**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**Note G. Capital Assets**

Capital asset activity for the year ended September 30, 2014 was as follows:

	Balance 9/30/2013	Additions	Disposals/ Adjustments	Balance 9/30/2014
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 200,274	\$ -	\$ -	\$ 200,274
Construction in progress	727,784	33,140	727,784	33,140
Total capital assets not being depreciated	928,058	33,140	727,784	233,414
Other capital assets				
Buildings and improvements	2,640,684	1,422,656	15,120	4,048,220
Infrastructure	1,181,312	125,500	-	1,306,812
Machinery and equipment	614,630	6,300	-	620,930
Vehicles	1,539,929	64,676	38,944	1,565,661
Total other capital assets	5,976,555	1,619,132	54,064	7,541,623
Less accumulated depreciation for:				
Building and improvements	1,546,531	77,089	13,787	1,609,833
Infrastructure	422,268	57,414	-	479,682
Machinery and equipment	502,022	30,115	-	532,137
Vehicles	1,121,127	126,802	38,944	1,208,985
Total accumulated depreciation	3,591,948	291,420	52,731	3,830,637
Other capital assets, net	2,384,607	1,327,712	1,333	3,710,986
Governmental activities capital assets, net	<u>\$ 3,312,665</u>	<u>\$ 1,360,852</u>	<u>\$ 729,117</u>	<u>\$ 3,944,400</u>

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**Note G. Capital Assets (Continued)**

	Balance 9/30/2013	Additions/ Adjustments	Disposals/ Adjustments	Balance 9/30/2014
<b>Business-type activities</b>				
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	635,200	-	5,000	630,200
Water and sewer system	4,308,615	41,490	406,580	3,943,525
Machinery and equipment	265,050	-	12,944	252,106
Total other capital assets	5,208,865	41,490	424,524	4,825,831
Less accumulated depreciation for:				
Building and improvements	635,200	-	5,000	630,200
Water and sewer system	2,202,653	136,318	235,026	2,103,945
Machinery and equipment	232,026	2,733	12,944	221,815
Total accumulated depreciation	3,069,879	139,051	252,970	2,955,960
Other capital assets, net	2,138,986	(97,561)	171,554	1,869,871
Business-type activities capital assets, net	<u>\$ 2,192,411</u>	<u>\$ (97,561)</u>	<u>\$ 171,554</u>	<u>\$ 1,923,296</u>

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

**Governmental activities:**

Administrative	\$ 27,269
Streets	59,750
Parks and building maintenance	8,513
Police	67,720
Maintenance garage	3,429
Emergency medical services	30,253
Fire	72,675
Municipal court	80
Library	14,263
Animal control	7,468
Total Governmental activities	<u>\$ 291,420</u>

**Business-type activities:**

Water	\$ 131,508
Sewer	7,543
Total Business-type activities	<u>\$ 139,051</u>

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**Note H. 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, 2014 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 \$2,400,000 at September 30, 2014.

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 \$680,000 at September 30, 2014.

Notes Payable

Texas Forest Service

- Secured by fire equipment.
- Payable in annual installments of \$1,541 over twenty years.
- Outstanding balance of \$300 at September 30, 2014, 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 \$3,940 at September 30, 2014, 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 \$3,734 at September 30, 2014, bearing interest at 5.00%.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**Note H. Long-Term Debt (Continued)**

The following is an analysis of equipment leased under a capital lease as of September 30, 2014:

	Governmental Activities
Equipment	\$ 15,804
Less accumulated depreciation	(8,599)
	\$ 7,205

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

Scheduled future minimum lease payments	\$ 8,153
Less amount representing interest	(479)
Present value of future minimum capital lease payments (principal payoff)	\$ 7,674

**Business-type activities**

General Obligation Refunding Bonds

- Series 2007 General Obligation Refunding Bonds.
- To refund the 1998 Certificates of Obligation and part of the 2000 Certificates of Obligation.
- Original balance of \$1,010,000.
- Payable in annual installments of \$10,000 to \$120,000, maturing February 1, 2020.
- Interest payable February 1 and August 1 at 3.75%.
- Outstanding balance of \$665,000 at September 30, 2014.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**Note H. Long-Term Debt (Continued)**

The following is a summary of the changes by type of debt for the year ended September 30, 2014:

	Balance 9/30/2013	Additions	Retirements	Balance 9/30/2014	Due Within One Year
<b><u>Governmental activities</u></b>					
General Obligation Refunding Bonds	\$ 830,000	\$ -	\$ 150,000	\$ 680,000	\$ 160,000
General Obligation Bonds	2,475,000	-	75,000	2,400,000	100,000
Unamortized Bond Premium	120,024	-	11,528	108,496	9,824
Notes Payable	1,800	-	1,500	300	300
Capital Leases	10,782	-	3,108	7,674	3,267
Vacation payable	53,815	91,023	88,915	55,923	55,923
Net Pension Obligation	70,412	965	-	71,377	-
<b>Total Governmental activities</b>	<b>3,561,833</b>	<b>91,988</b>	<b>330,051</b>	<b>3,323,770</b>	<b>329,314</b>
<b><u>Business-type activities</u></b>					
General Obligation Refunding Bonds	765,000	-	100,000	665,000	100,000
Vacation payable	3,375	5,530	5,496	3,409	3,409
Net Pension Obligation	4,910	105	-	5,015	-
<b>Total Business-type activities</b>	<b>773,285</b>	<b>5,635</b>	<b>105,496</b>	<b>673,424</b>	<b>103,409</b>
<b>Totals</b>	<b>\$4,335,118</b>	<b>\$ 97,623</b>	<b>\$ 435,547</b>	<b>\$ 3,997,194</b>	<b>\$ 432,723</b>

The annual requirements to amortize long-term debt as of September 30, 2014 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	
2015	\$160,000	\$ 22,500	\$ 100,000	\$ 68,750	\$ 300	\$ 5	\$ 3,267	\$ 310	\$ 355,132
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	-	-	105,000	60,600	-	-	-	-	165,600
2020-2024	-	-	585,000	254,925	-	-	-	-	839,925
2025-2029	-	-	675,000	157,775	-	-	-	-	832,775
2030-2034	-	-	630,000	38,925	-	-	-	-	668,925
<b>Total</b>	<b>\$ 680,000</b>	<b>\$ 52,125</b>	<b>\$ 2,400,000</b>	<b>\$ 775,175</b>	<b>\$ 300</b>	<b>\$ 5</b>	<b>\$ 7,674</b>	<b>\$ 479</b>	<b>\$ 3,915,758</b>

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**Note H. Long-Term Debt (Continued)**

**Business-type activities**

Fiscal Year Ending	General Obligation Refunding Bond		Total
	Principal	Interest	
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
2020-2024	120,000	2,250	122,250
Total	<u>\$ 665,000</u>	<u>\$ 76,971</u>	<u>\$ 741,971</u>

**Note I. Accumulated Unpaid Vacation and Sick Leave**

Sick leave is recorded when paid because employees are not compensated for unused sick leave. Vacation is earned in varying amounts. Unused vacation leave is carried forward from one year to the next up to certain limits. The City has accrued for the estimated liability for compensated absences in the governmental and business-type activities in the government-wide financial statements and in the proprietary fund financial statements. The City's aggregate liability for accrued vacation payable as of September 30, 2014 was \$59,332.

**Note J. Restricted Net Position**

The government-wide statement of net position reports \$962,608 of restricted net position, of which \$897,629 are restricted by enabling legislation for the following:

Economic development	\$ 391,762
Street improvements	427,330
Crime control and prevention district	<u>78,537</u>
Total	<u>\$ 897,629</u>

**Note K. 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](http://www.TMRS.com).

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**Note K. Pension Plan (Continued)**

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:

	Plan Year <u>2013</u>	Plan Year <u>2014</u>
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	70% of CPI

**Contributions**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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.

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.(i.e., the December 31, 2013 valuation will determine the contribution rate beginning January 1, 2015).

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**Note K. Pension Plan (Continued)**

The annual pension cost and net pension obligation are as follows:

1. Annual Required Contribution (ARC)	\$147,923
2. Interest on Net Pension Obligation	5,272
3. Adjustment to the ARC	<u>(4,741)</u>
4. Annual Pension Cost	148,454
5. Contributions Made	<u>147,384</u>
6. Increase in net pension obligation	1,070
7. Net Pension Obligation, beginning of year	<u>75,322</u>
8. Net Pension Obligation, end of year	<u><u>\$ 76,392</u></u>

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

<u>Fiscal</u> <u>Year Ending</u>	<u>Annual Pension</u> <u>Costs (APC)</u>	<u>Actual</u> <u>Contribution Made</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
9/30/2012	\$145,226	\$136,188	93.78%	\$71,982
9/30/2013	\$145,681	\$142,341	97.71%	\$75,322
9/30/2014	\$147,923	\$147,384	99.64%	\$76,392

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Actuarial Valuation Information

<u>Actuarial Valuation Date</u>	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Cost Method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	26.5 years - Closed Period	25.6 years - Closed Period	26.0 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, 2014**

**Note K. Pension Plan (Continued)**

Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report (CAFR).

The funded status as of December 31, 2013, 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 )
12/31/2013	\$4,449,673	\$5,212,243	\$ 762,570	85.37%	\$1,529,688	49.85%

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 L. Other Postemployment Benefits**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). 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.

**CITY OF EVERMAN, TEXAS**  
**Notes to Financial Statements**  
**September 30, 2014**

**Note L. Other Postemployment Benefits (Continued)**

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

Plan/ Calendar Year	Annual Required Contribution Rate	Actual Contribution Rate	Percentage of ARC Contributed
2012	0.02%	0.02%	100.0%
2013	0.02%	0.02%	100.0%
2014	0.03%	0.03%	100.0%

**Note M. Commitments**

The City has a contract with the City of Fort Worth, Texas, for the purchase of treated water and sewage treatment. The contract for water, dated, December 2, 2010 for a 20 year period, is used to supplement the water wells operated by the City. The contract for sewer is dated May 8, 1987 for a 30 year period. Charges are incurred when actual delivery occurs and the rates are adjusted periodically. For the fiscal year ended September 30, 2014, the City's expenses in Water and Sewer Fund for water and sewer treatment were \$19,101 and \$530,667, respectively.

**Note N. Expenditures Exceeding Budget**

For the year ended September 30, 2014, total expenditures exceeded final amended budget for the Economic Development Corporation Fund by \$310,243.

**Note O. Everman Economic Development Corporation**

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

**Note P. Everman Crime Control and Prevention District**

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

**Note Q. Subsequent Event**

In December 2014, the City sold a building for \$484,450 that was purchased with EDC funds in fiscal year 2014.

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,640,159	\$ 1,640,159	\$ 1,909,822	\$ 269,663
Licenses, permits, and fees for services	424,900	424,900	430,308	5,408
Intergovernmental revenue	169,474	169,474	112,536	(56,938)
Donations	115,000	115,000	131,487	16,487
Fines and fees	143,900	143,900	204,213	60,313
Interest income	4,000	4,000	2,274	(1,726)
Other revenues	15,260	15,260	192,750	177,490
Administrative services - Other Funds	550,934	550,934	552,014	1,080
<b>Total revenues</b>	<b>3,063,627</b>	<b>3,063,627</b>	<b>3,535,404</b>	<b>471,777</b>
<b>Expenditures</b>				
Administrative	620,239	620,239	632,915	(12,676)
Streets	609,701	609,701	512,652	97,049
Parks and building maintenance	75,685	75,685	84,358	(8,673)
Police	1,270,938	1,270,938	1,201,707	69,231
Maintenance garage	182,702	182,702	199,252	(16,550)
Emergency medical services	356,627	355,427	350,530	4,897
Fire	80,249	80,249	52,483	27,766
Community and activity centers	5,280	5,280	6,140	(860)
Municipal court	68,213	68,213	63,097	5,116
Code enforcement	88,558	88,558	75,576	12,982
Library	104,782	104,782	84,049	20,733
Animal control	67,745	67,745	50,627	17,118
Capital outlay	6,300	7,500	6,300	1,200
Debt service	1,550	1,550	5,117	(3,567)
<b>Total expenditures</b>	<b>3,538,569</b>	<b>3,538,569</b>	<b>3,324,803</b>	<b>213,766</b>
<b>Net change in fund balance</b>	<b>(474,942)</b>	<b>(474,942)</b>	<b>210,601</b>	<b>\$ 685,543</b>
<b>Fund balances, beginning of year</b>	<b>2,443,038</b>	<b>2,443,038</b>	<b>2,443,038</b>	
<b>Fund balances, end of year</b>	<b>\$ 1,968,096</b>	<b>\$ 1,968,096</b>	<b>\$ 2,653,639</b>	

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

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Economic Development Corporation Fund**  
**For the Fiscal Year Ended September 30, 2014**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Sales tax	\$ 118,750	\$ 118,750	\$ 158,227	\$ 39,477
Interest income	1,270	1,270	718	(552)
Other income	-	-	5,040	5,040
Total revenues	<u>120,020</u>	<u>120,020</u>	<u>163,985</u>	<u>43,965</u>
<b>Expenditures</b>				
Administrative	246,800	250,650	128,819	117,981
Capital outlay	50,000	46,150	478,224	(428,224)
Total expenditures	<u>296,800</u>	<u>296,800</u>	<u>607,043</u>	<u>(310,243)</u>
Net change in fund balance	(176,780)	(176,780)	(443,058)	<u>\$ (266,278)</u>
Fund balances, beginning of year	<u>834,820</u>	<u>834,820</u>	<u>834,820</u>	
Fund balances, end of year	<u>\$ 658,040</u>	<u>\$ 658,040</u>	<u>\$ 391,762</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 )
12/31/2011	\$ 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%
12/31/2013	4,449,673	5,212,243	762,570	85.37%	1,529,688	49.85%

**SUPPLEMENTAL INFORMATION**

**CITY OF EVERMAN, TEXAS**  
**Combining Balance Sheet -**  
**Nonmajor Governmental Funds**  
**September 30, 2014**

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	Crime Control and Prevention District	Street Improvement Tax	Debt Service Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 71,027	\$ 422,606	\$ 16,727	\$ 510,360
Taxes receivable, net of allowances for uncollectibles of \$18,026	7,510	8,189	20,914	36,613
Total assets	<u>\$ 78,537</u>	<u>\$ 430,795</u>	<u>\$ 37,641</u>	<u>\$ 546,973</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 3,465	\$ -	\$ 3,465
Total liabilities	-	3,465	-	3,465
<b>Deferred inflows of resources</b>				
Property tax revenue	-	-	20,914	20,914
<b>Fund balances</b>				
Restricted for:				
Street improvement	-	427,330	-	427,330
Crime control district	78,537	-	-	78,537
Debt service	-	-	16,727	16,727
Total fund balances	<u>78,537</u>	<u>427,330</u>	<u>16,727</u>	<u>522,594</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 78,537</u>	<u>\$ 430,795</u>	<u>\$ 37,641</u>	<u>\$ 546,973</u>

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



**CITY OF EVERMAN, TEXAS**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended September 30, 2014**

	<u>Special Revenue Funds</u>			<b>Total Nonmajor Governmental Funds</b>
	<b>Crime Control and Prevention District</b>	<b>Street Improvement Tax</b>	<b>Debt Service Fund</b>	
<b>Revenues</b>				
Property taxes	\$ -	\$ -	\$ 362,884	\$ 362,884
Sales tax	62,717	79,026	-	141,743
Interest income	60	274	4	338
<b>Total revenues</b>	<u>62,777</u>	<u>79,300</u>	<u>362,888</u>	<u>504,965</u>
<b>Expenditures</b>				
Administrative	13,668	15,465	-	29,133
Capital outlay	64,676	-	-	64,676
Debt service	-	-	353,900	353,900
<b>Total expenditures</b>	<u>78,344</u>	<u>15,465</u>	<u>353,900</u>	<u>447,709</u>
<b>Net change in fund balance</b>	<u>(15,567)</u>	<u>63,835</u>	<u>8,988</u>	<u>57,256</u>
<b>Fund balances, beginning of year</b>	<u>94,104</u>	<u>363,495</u>	<u>7,739</u>	<u>465,338</u>
<b>Fund balances, end of year</b>	<u>\$ 78,537</u>	<u>\$ 427,330</u>	<u>\$ 16,727</u>	<u>\$ 522,594</u>

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

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended September 30, 2014**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2013)**

	Budgeted Amounts		2014 Actual	Variance with Final Budget Favorable (Unfavorable)	2013 Actual
	Original	Final			
<b>Taxes</b>					
General property taxes					
Current	\$ 1,080,659	\$ 1,080,659	\$ 1,139,670	\$ 59,011	\$ 1,118,524
Delinquent	30,000	30,000	32,238	2,238	27,732
Penalty and interest	24,000	24,000	36,940	12,940	31,867
Sales tax	230,000	230,000	316,117	86,117	269,098
Mixed beverage tax	6,000	6,000	10,160	4,160	7,997
Franchise tax	252,000	252,000	355,153	103,153	263,029
Bingo revenue tax	17,500	17,500	19,544	2,044	18,375
Totals	1,640,159	1,640,159	1,909,822	269,663	1,736,622
<b>Licenses and permits</b>					
Ambulance fees	185,000	185,000	193,571	8,571	187,202
Sanitation fees	227,000	227,000	207,360	(19,640)	190,217
Animal adoption fees	500	500	1,150	650	595
Animal control fees	500	500	3,260	2,760	796
Building permits	3,000	3,000	14,715	11,715	13,183
Amusement machine permits	500	500	735	235	750
Other licenses and permits	8,400	8,400	9,517	1,117	9,489
Totals	424,900	424,900	430,308	5,408	402,232
<b>Intergovernmental</b>					
State grant	-	-	-	-	3,406
Local grant	169,474	169,474	112,536	(56,938)	119,876
Totals	169,474	169,474	112,536	(56,938)	123,282
<b>Donations</b>					
County runs - fire	80,000	80,000	80,000	-	80,000
County runs - EMS	35,000	35,000	46,392	11,392	36,519
Animal control	-	-	3,673	3,673	-
Other donations	-	-	1,422	1,422	-
Totals	115,000	115,000	131,487	16,487	116,519
<b>Fines and fees</b>					
Court fines	56,000	56,000	36,894	(19,106)	61,644
Ambulance fees - insurance	85,000	85,000	162,545	77,545	152,834
Security alarm fee	1,000	1,000	3,119	2,119	2,320
Labor liens recovery	500	500	-	(500)	1,891
Library fines and fees	1,400	1,400	1,655	255	1,550
Totals	143,900	143,900	204,213	60,313	220,239
<b>Interest Income</b>					
	4,000	4,000	2,274	(1,726)	3,123
<b>Other revenues</b>					
Pay phone commissions	50	50	-	(50)	41
Garage sale permits	2,000	2,000	3,955	1,955	1,785
Land rental	2,400	2,400	-	(2,400)	15,958
Confiscated properties income	-	-	-	-	843
Oil and gas royalties	8,000	8,000	184,990	176,990	31,838
Miscellaneous	2,810	2,810	3,805	995	1,270
Totals	15,260	15,260	192,750	177,490	51,735
<b>Administrative services - Other Funds</b>					
	550,934	550,934	552,014	1,080	551,198
<b>Total Revenues</b>	<b>\$ 3,063,627</b>	<b>\$ 3,063,627</b>	<b>\$ 3,535,404</b>	<b>\$ 471,777</b>	<b>\$ 3,204,950</b>

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, 2014**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2013)**

	Budgeted Amounts		2014 Actual	Variance with Final Budget Favorable (Unfavorable)	2013 Actual
	Original	Final			
<b>Administrative</b>					
Salaries	\$ 348,727	\$ 339,727	\$ 367,871	\$ (28,144)	\$ 325,192
Supplies	31,710	31,260	17,133	14,127	19,357
Services	221,252	225,602	220,971	4,631	183,236
Maintenance	18,550	23,650	26,940	(3,290)	13,043
Debt service	-	-	2,160	(2,160)	2,160
<b>Totals</b>	<b>620,239</b>	<b>620,239</b>	<b>635,075</b>	<b>(14,836)</b>	<b>542,988</b>
<b>Streets</b>					
Salaries	268,911	268,911	205,948	62,963	230,180
Supplies	4,750	6,950	5,822	1,128	4,122
Services	300,250	300,250	275,013	25,237	296,775
Maintenance	35,790	33,590	25,869	7,721	13,977
<b>Totals</b>	<b>609,701</b>	<b>609,701</b>	<b>512,652</b>	<b>97,049</b>	<b>545,054</b>
<b>Parks and building maintenance</b>					
Salaries	39,685	37,585	38,914	(1,329)	34,731
Supplies	17,000	15,000	21,182	(6,182)	5,370
Services	19,000	23,100	24,262	(1,162)	17,189
<b>Totals</b>	<b>75,685</b>	<b>75,685</b>	<b>84,358</b>	<b>(8,673)</b>	<b>57,290</b>
<b>Police</b>					
Salaries	1,156,006	1,152,606	1,119,278	33,328	1,061,782
Supplies	25,500	25,500	10,756	14,744	35,823
Services	68,932	70,832	54,729	16,103	59,873
Maintenance	20,500	22,000	16,944	5,056	32,064
Debt service	-	-	1,416	(1,416)	1,416
<b>Totals</b>	<b>1,270,938</b>	<b>1,270,938</b>	<b>1,203,123</b>	<b>67,815</b>	<b>1,190,958</b>
<b>Maintenance garage</b>					
Salaries	67,722	67,722	64,796	2,926	60,736
Supplies	73,675	73,675	75,539	(1,864)	68,922
Services	4,305	4,305	5,417	(1,112)	4,487
Maintenance	37,000	37,000	53,500	(16,500)	46,492
Capital outlay	-	-	-	-	51,440
<b>Totals</b>	<b>182,702</b>	<b>182,702</b>	<b>199,252</b>	<b>(16,550)</b>	<b>232,077</b>
<b>Emergency medical service</b>					
Salaries	311,387	303,987	303,497	490	273,722
Supplies	16,450	17,450	16,254	1,196	19,559
Services	23,290	28,490	28,646	(156)	25,416
Maintenance	5,500	5,500	2,133	3,367	4,932
Capital outlay	6,300	7,500	6,300	1,200	-
<b>Totals</b>	<b>\$ 362,927</b>	<b>\$ 362,927</b>	<b>\$ 356,830</b>	<b>\$ 6,097</b>	<b>\$ 323,629</b>

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, 2014**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2013)**

	Budgeted Amounts		2014 Actual	Variance with Final Budget Favorable (Unfavorable)	2013 Actual
	Original	Final			
<b>Fire</b>					
Volunteer benefits	\$ 12,100	\$ 12,100	\$ 2,428	\$ 9,672	\$ 15,298
Supplies	37,800	23,250	12,766	10,484	12,791
Services	16,850	22,150	16,476	5,674	13,366
Maintenance	13,499	22,749	20,813	1,936	16,390
Capital outlay	-	-	-	-	19,760
Debt service	1,550	1,550	1,541	9	1,541
<b>Totals</b>	<b>81,799</b>	<b>81,799</b>	<b>54,024</b>	<b>27,775</b>	<b>79,146</b>
<b>Community and activity centers</b>					
Services	4,280	4,280	5,572	(1,292)	3,466
Maintenance	1,000	1,000	568	432	767
<b>Totals</b>	<b>5,280</b>	<b>5,280</b>	<b>6,140</b>	<b>(860)</b>	<b>4,233</b>
<b>Municipal court</b>					
Salaries	42,638	39,638	34,194	5,444	35,933
Supplies	1,500	2,600	2,474	126	1,695
Services	22,575	24,475	22,813	1,662	18,992
Maintenance	1,500	1,500	3,616	(2,116)	1,737
<b>Totals</b>	<b>68,213</b>	<b>68,213</b>	<b>63,097</b>	<b>5,116</b>	<b>58,357</b>
<b>Code enforcement</b>					
Salaries	47,468	47,468	46,140	1,328	42,532
Supplies	4,200	4,200	6,215	(2,015)	2,269
Services	32,200	32,200	19,319	12,881	2,079
Maintenance	4,690	4,690	3,902	788	4,512
<b>Totals</b>	<b>88,558</b>	<b>88,558</b>	<b>75,576</b>	<b>12,982</b>	<b>51,392</b>
<b>Library</b>					
Salaries	76,147	74,247	64,547	9,700	60,683
Supplies	8,700	8,700	3,924	4,776	7,860
Services	16,785	16,785	11,426	5,359	14,223
Maintenance	3,150	5,050	4,152	898	2,735
<b>Totals</b>	<b>104,782</b>	<b>104,782</b>	<b>84,049</b>	<b>20,733</b>	<b>85,501</b>
<b>Animal control</b>					
Salaries	50,298	48,898	39,023	9,875	49,895
Supplies	6,973	8,373	3,853	4,520	3,090
Services	5,200	5,200	4,059	1,141	4,771
Maintenance	5,274	5,274	3,692	1,582	2,973
<b>Totals</b>	<b>67,745</b>	<b>67,745</b>	<b>50,627</b>	<b>17,118</b>	<b>60,729</b>
<b>Total Expenditures</b>	<b>\$ 3,538,569</b>	<b>\$ 3,538,569</b>	<b>\$ 3,324,803</b>	<b>\$ 213,766</b>	<b>\$ 3,231,354</b>

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

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual -**  
**Crime Control and Prevention District Fund**  
**For the Fiscal Year Ended September 30, 2014**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2013)**

	<b>Budgeted Amounts</b>		<b>Variance with Final Budget Favorable (Unfavorable)</b>	<b>2013 Actual</b>
	<b>Original and Final</b>	<b>2014 Actual</b>		
<b>Revenues</b>				
Sales tax	\$ 42,750	\$ 62,717	\$ 19,967	\$ 51,881
Interest income	95	60	(35)	86
Total revenues	<u>42,845</u>	<u>62,777</u>	<u>19,932</u>	<u>51,967</u>
<b>Expenditures</b>				
Administrative	14,668	13,668	1,000	23,204
Capital outlay	63,140	64,676	(1,536)	39,149
Total expenditures	<u>77,808</u>	<u>78,344</u>	<u>(536)</u>	<u>62,353</u>
Net change in fund balance	<u>(34,963)</u>	<u>(15,567)</u>	<u>\$ 19,396</u>	<u>(10,386)</u>
Fund balances, beginning of year	<u>94,104</u>	<u>94,104</u>		<u>104,490</u>
Fund balances, end of year	<u>\$ 59,141</u>	<u>\$ 78,537</u>		<u>\$ 94,104</u>

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

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**- Budget and Actual -**  
**Street Improvement Fund**  
**For the Fiscal Year Ended September 30, 2014**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2013)**

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	2013 Actual
	Original and Final	2014 Actual		
<b>Revenues</b>				
Sales tax	\$ 60,325	\$ 79,026	\$ 18,701	\$ 67,295
Interest income	390	274	(116)	343
Total revenues	60,715	79,300	18,585	67,638
<b>Expenditures</b>				
Administrative	92,000	15,465	76,535	12,000
Total expenditures	92,000	15,465	76,535	12,000
Net change in fund balance	(31,285)	63,835	\$ 95,120	55,638
Fund balances, beginning of year	363,495	363,495		307,857
Fund balances, end of year	\$ 332,210	\$ 427,330		\$ 363,495

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

**CITY OF EVERMAN, TEXAS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**- Budget and Actual -**  
**Debt Service Fund**  
**For the Fiscal Year Ended September 30, 2014**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2013)**

	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)	
	Original and Final	2014 Actual		2013 Actual
<b>Revenues</b>				
Property taxes	\$ 347,869	\$ 362,884	\$ 15,015	\$ 185,055
Interest Income	6	4	(2)	5
Total revenues	<u>347,875</u>	<u>362,888</u>	<u>15,013</u>	<u>185,060</u>
<b>Expenditures</b>				
Debt and capitalized lease debt service:				
Principal retirement	225,000	225,000	-	150,000
Interest and fiscal charges	130,500	128,900	1,600	33,937
Total expenditures	<u>355,500</u>	<u>353,900</u>	<u>1,600</u>	<u>183,937</u>
Net change in fund balance	<u>(7,625)</u>	<u>8,988</u>	<u>\$ 16,613</u>	<u>1,123</u>
Fund balances, beginning of year	<u>7,739</u>	<u>7,739</u>		<u>6,616</u>
Fund balances, end of year	<u>\$ 114</u>	<u>\$ 16,727</u>		<u>\$ 7,739</u>

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

**CITY OF EVERMAN, TEXAS**  
**Statement of Operating Expenses - Budget and Actual**  
**Enterprise Fund**  
**For the Fiscal Year Ended September 30, 2014**  
**(With Comparative Totals For the Fiscal Year Ending September 30, 2013)**

	Budgeted Amounts		2014 Actual	Variance with Final Budget Favorable (Unfavorable)	2013 Actual
	Original	Final			
Water					
Salaries	\$ 265,041	\$ 258,541	\$ 246,825	\$ 11,716	\$ 229,950
Supplies	73,288	76,888	45,557	31,331	36,769
Services	162,500	162,500	144,066	18,434	122,166
Maintenance	32,500	42,200	31,979	10,221	89,371
Equipment	12,900	12,900	7,903	4,997	17,756
Totals	<u>546,229</u>	<u>553,029</u>	<u>476,330</u>	<u>76,699</u>	<u>496,012</u>
Sewer					
Supplies	49,242	49,242	15,166	34,076	2,438
Services	471,000	471,000	531,437	(60,437)	546,508
Totals	<u>520,242</u>	<u>520,242</u>	<u>546,603</u>	<u>(26,361)</u>	<u>548,946</u>
Administrative services - General Fund	<u>514,934</u>	<u>514,934</u>	<u>516,014</u>	<u>(1,080)</u>	<u>515,198</u>
Depreciation	<u>-</u>	<u>-</u>	<u>139,051</u>	<u>(139,051)</u>	<u>166,366</u>
Total operating expenses	<u>\$ 1,581,405</u>	<u>\$ 1,588,205</u>	<u>\$ 1,677,998</u>	<u>\$ (89,793)</u>	<u>\$ 1,726,522</u>



**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of 2007 General Obligation Refunding Bonds Payable**  
**Debt Service Requirement in Future Years**  
**September 30, 2014**

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
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>\$ 680,000</u>	<u>\$ 52,125</u>	<u>\$ 732,125</u>

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of 2013 General Obligation Bonds Payable**  
**Debt Service Requirement in Future Years**  
**September 30, 2014**

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2015	\$ 100,000	\$ 68,750	\$ 168,750
2016	100,000	66,750	166,750
2017	100,000	64,750	164,750
2018	105,000	62,700	167,700
2019	105,000	60,600	165,600
2020	110,000	57,900	167,900
2021	115,000	54,525	169,525
2022	115,000	51,075	166,075
2023	120,000	47,550	167,550
2024	125,000	43,875	168,875
2025	125,000	40,125	165,125
2026	130,000	36,300	166,300
2027	135,000	31,988	166,988
2028	140,000	27,175	167,175
2029	145,000	22,187	167,187
2030	150,000	17,025	167,025
2031	155,000	12,075	167,075
2032	160,000	7,350	167,350
2033	165,000	2,475	167,475
	<u>\$ 2,400,000</u>	<u>\$ 775,175</u>	<u>\$ 3,175,175</u>

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of Notes Payable -**  
**Texas Forest Service**  
**Debt Service Requirement in Future Years**  
**September 30, 2014**

FIRE EQUIPMENT

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2015	<u>\$ 300</u>	<u>\$ 5</u>	<u>\$ 305</u>

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of Capital Lease Payable -**  
**Canon Financial**  
**Debt Service Requirement in Future Years**  
**September 30, 2014**

COPIER - CITY HALL

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
2015	\$ 2,009	\$ 151	\$ 2,160
2016	<u>1,931</u>	<u>49</u>	<u>1,980</u>
	<u><u>\$ 3,940</u></u>	<u><u>\$ 200</u></u>	<u><u>\$ 4,140</u></u>

**CITY OF EVERMAN, TEXAS**  
**Governmental Activities**  
**Schedule of Capital Lease Payable -**  
**Konica Minolta Premier Finance**  
**Debt Service Requirement in Future Years**  
**September 30, 2014**

COPIER - POLICE DEPARTMENT

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
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>\$ 3,734</u>	<u>\$ 279</u>	<u>\$ 4,013</u>

**CITY OF EVERMAN, TEXAS**  
**Business-Type Activities**  
**Schedule of 2007 General Obligation Refunding Bonds Payable**  
**Debt Service Requirement in Future Years**  
**September 30, 2014**

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Requirements</u>
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	<u>120,000</u>	<u>2,250</u>	<u>122,250</u>
	<u>\$ 665,000</u>	<u>\$ 76,971</u>	<u>\$ 741,971</u>

**CITY OF EVERMAN, TEXAS**  
**Schedule of Insurance Coverage**  
**September 30, 2014**

Type of Coverage	Effective Dates		Premium	Policy #	Amount of Coverage	Insurer
	From	To				
General Liability	10/1/2013	10/1/2014	\$ 2,328	3663	\$ 1,000,000	Texas Municipal League Intergovernmental Risk Pool
Real and Personal Property	10/1/2013	10/1/2014	9,987	3663	10,309,727	Texas Municipal League Intergovernmental Risk Pool
Mobile Equipment	10/1/2013	10/1/2014	965	3663	235,268	Texas Municipal League Intergovernmental Risk Pool
Boiler & Machinery	10/1/2013	10/1/2014	Included	3663	500,000	Texas Municipal League Intergovernmental Risk Pool
Law Enforcement Liability	10/1/2013	10/1/2014	6,301	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Errors & Omissions Liability	10/1/2013	10/1/2014	4,288	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Automobile Liability	10/1/2013	10/1/2014	16,986	3663	1,000,000	Texas Municipal League Intergovernmental Risk Pool
Auto Physical Damage	10/1/2013	10/1/2014	9,703	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Public Employee Dishonesty	10/1/2013	10/1/2014	582	3663	100,000	Texas Municipal League Intergovernmental Risk Pool
Animal Mortality and Theft	10/1/2013	10/1/2014	990	3663	ACV	Texas Municipal League Intergovernmental Risk Pool
Workers Compensation	10/1/2013	10/1/2014	<u>35,718</u>	3663	Statutory Limits	Texas Municipal League Intergovernmental Risk Pool
Total Premiums			<u>\$ 87,848</u>			

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

**OVERALL COMPLIANCE AND  
INTERNAL CONTROL SECTION**





**SNOW GARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Everman, Texas, as of and for the year ended September 30, 2014, 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 February 26, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Everman, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 2014-001 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 2014-002 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

February 26, 2015

**CITY OF EVERMAN, TEXAS**  
**Schedule of Findings and Responses**  
**For the Fiscal Year Ended September 30, 2014**

**Internal Control over Financial Reporting**

Finding 2014-001 – 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 trial balance throughout the fiscal year and at year end.

Cause: The City's policies and procedures were 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 continue to 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's Finance Director is systematically organizing the accounting process by documenting procedures for reconciliation of accounts, simplifying the chart of accounts, automating all general ledger feeds and consolidating all financial accounting in the City's accounting system.

**Schedule of Property Additions and Disposals**

Finding 2014-002 – 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: In fiscal year 2015, the City's Finance Director is planning to upload the capital asset detail to a fixed asset module within the City's accounting system. At this point all capital asset activity will be posted in the month it occurs. Implementation of this process will enable the City to properly maintain a schedule of capital asset additions and disposals and will eliminate the need for year-end adjusting entries.

