

CITY OF SULPHUR SPRINGS, TEXAS

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2014

Prepared by:

Department of Finance

CITY OF SULPHUR SPRINGS
 Comprehensive Annual Financial Report
 For the Fiscal Year Ended September 30, 2014

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INTRODUCTORY SECTION

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January 22, 2015

To the Honorable Mayor, Members of the Governing Council, and Citizens of
the City of Sulphur Springs, Texas

State law requires that every general-purpose local government publish and file in the office of the municipal secretary within 120 days of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended September 30, 2014.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Evans, Pingleton and Howard, PLLC, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Sulphur Springs, Texas financial statements for the year ended September 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Sulphur Springs, Texas, incorporated in 1859, is located in the northeastern part of the state. It currently occupies 25 square miles and serves a population of 15,868. The City of Sulphur Springs, Texas is empowered to levy a property tax on both real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The City of Sulphur Springs, Texas has operated under the council-manager form of government since 1947. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and six other members, all elected on a non-partisan basis. The Council appoints the government's manager, who in turn appoints the heads of the various departments. Council members serve three-year terms. The mayor is appointed each year by vote of the City Council. The mayor and council members are elected at large.

The City of Sulphur Springs, Texas provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreational and cultural activities. The City of Sulphur Springs, Texas also is financially accountable for a legally separate economic development corporation which is reported separately within the City of Sulphur Springs, Texas financial statements. Additional information on this legally separate entity can be found in the notes to the financial statements (See Note 1.A.)

The Council is required to adopt a final budget by no later than the close of the fiscal year. This annual budget serves as the foundation for the City of Sulphur Springs, Texas financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the City Manager.

Local Economy

Historically, Sulphur Springs has been known for its dairy farms and related industries. With time, that came to include a variety of food processing companies. 17 years ago the community intensified their efforts to diversify with the successful recruitment by the SSEDC of a Clayton Homes manufacturing plant. That trend has continued with the arrival in the last ten years of Legend Aircraft, Lowes Improvement Center, Chili's, a 6 screen movie theater, a new Holiday Inn Express, a La Quinta Inn, a Hampton Inn, and miscellaneous other small companies. Four years ago a company out of Ohio established a factory making straws which has employed 40 individuals. Three years ago a company out of Canada opened shop, employing another 40 as well as an Oil and Gas extraction support company named Pinnacle which has by September 2014, hired more than 400. Bob Evans Sulphur Springs Plant which originally opened 9 years ago, in the process of its third expansion, which has tripled its original size and workforce.

Unemployment over the last several years has continued low by state and national standards, while both property tax (with the tax rate holding steady) and sales tax revenue have increased, on average, at a rate above inflation over the last 10 years except for a relatively small dip during the national recession of 2008 - 2010. Sales Tax revenue increased two years ago by 10.7% and last year by 3.4%. The City's tax base has expanded in all sectors. The ongoing global economic struggles will continue to have its way with Sulphur Springs though there continue to be indications that many of the same local economic forces which might restrain growth during national prosperity may also restrain contraction during recessionary pressures. To be more specific, Sulphur Springs is essentially a Wal-Mart and Lowes based consumer economy and thus has little higher end consumptive behavior to lose. If anything, those consumers who in the past have made numerous shopping trips to Dallas, have chosen during a long downturn followed with an uncertain recovery to shop at their local Wal-Mart type stores. In other words, funds which normally would be spent elsewhere have stayed at home offsetting a certain amount of normal recession related decrease.

Long-Term Financial Planning

In 1998, the City of Sulphur Springs started budgeting significant resources for its Capital Improvement Plan (CIP). The annual CIP was part of a long term planning document which had been finalized in 1997. Funding was designed to be ongoing year by year. Since that time, to facilitate the long term nature of that process, spreadsheets showing the annual funding requirements and proposed sources for the different components of the Street CIP for the following 10 years have been placed in the Appendix of each year's budget document. Though these specific documents are not a part of the authorized annual budget expenditure of the City, they do represent an effort to strategically plan a critical part of the City's long term financial matrix. During fiscal year 2008, the City Council significantly increased the five year funding for the ongoing Street CIP. During Fiscal Year 2008, the first "larger" street project (a significant part of Houston Street) was designed and engineered with construction beginning in 2009. That project was completed in 2011. During the FY 2012 budget, funding for the Water and Sewer system CIP were significantly increased (more than doubled) while the street budget went back to pre 2008 levels. In 2012 a long term funding spreadsheet for the Enterprise Fund similar to the Street CIP was introduced and is incorporated in the budget as part of the appendix. Starting with the FY 2015, funding for the Street CIP was significantly increased to \$ 1.8 million per year for the next 4 years with the anticipation that will continue thereafter if not be increased.

During FY 2008, the City of Sulphur Springs created a Tax Increment Financing Reinvestment Zone to redevelop its downtown core. The Project and Financial Plan was adopted in 2009 and will financially guide that work for the next 10 years. Work on the downtown started in the latter part of 2009 and continued through 2012. Work was completed in 2013. At this point the city is diligently working to increase commercial activity in its downtown district.

Major Initiatives

In 2009 the City of Sulphur Springs received a \$ 3.4 million grant from the Texas Department of Transportation – Aviation and the FAA for a substantial upgrade to the airport’s main taxiway pavement structure. After being planned and engineered in FY 2008, that project went out to bid in early 2009 with construction starting during the summer of 2009 and was completed in the Spring of 2010. In the fall of 2009, the City received another TxDOT Aviation/FAA grant for \$ 4.3 million to reconstruct the main runway. Construction on that project started in the summer of 2010. These projects were complete by the summer of 2011. Meanwhile, in 2010, the State completed construction on a new section of Highway linking Hwy 154 with Hwy 19 by extending Hwy 11, essentially completing a long anticipated southern section of a loop around Sulphur Springs. The section continues a road upon which both Wal-Mart and Lowes have frontage, creating the opportunity for additional commercial development. Two years ago the school district opened up a new Middle School on that highway. As of late 2012 two new apartment complexes were started on that highway and completed as of 2014. In 2012 the city initiated a \$3 million dollar renovation of the old Post Office/Library. It was completed by May of 2014 and became the new city hall and municipal court. During FY 2015, the old city hall building will be completely rehabilitated expanding the police station. Part of the building will still be used by the Finance Department and Human Resources.

As mentioned above, with work on the \$5 million downtown project complete, significant resources and effort are being employed to bring greater economic success to Sulphur Springs core.

In FY 2015 Garver Engineering was hired to engineer a complete overhaul of the Wastewater Plant. Preliminary estimates suggest the improvements will cost around \$15 million. However, that number will probably change as the conceptual design phase is completed by March of 2015.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sulphur Springs, Texas for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2013. This was the twenty-seventh consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period on one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Sulphur Springs, Texas finances.

Respectfully submitted,

Marc Maxwell
City Manager



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

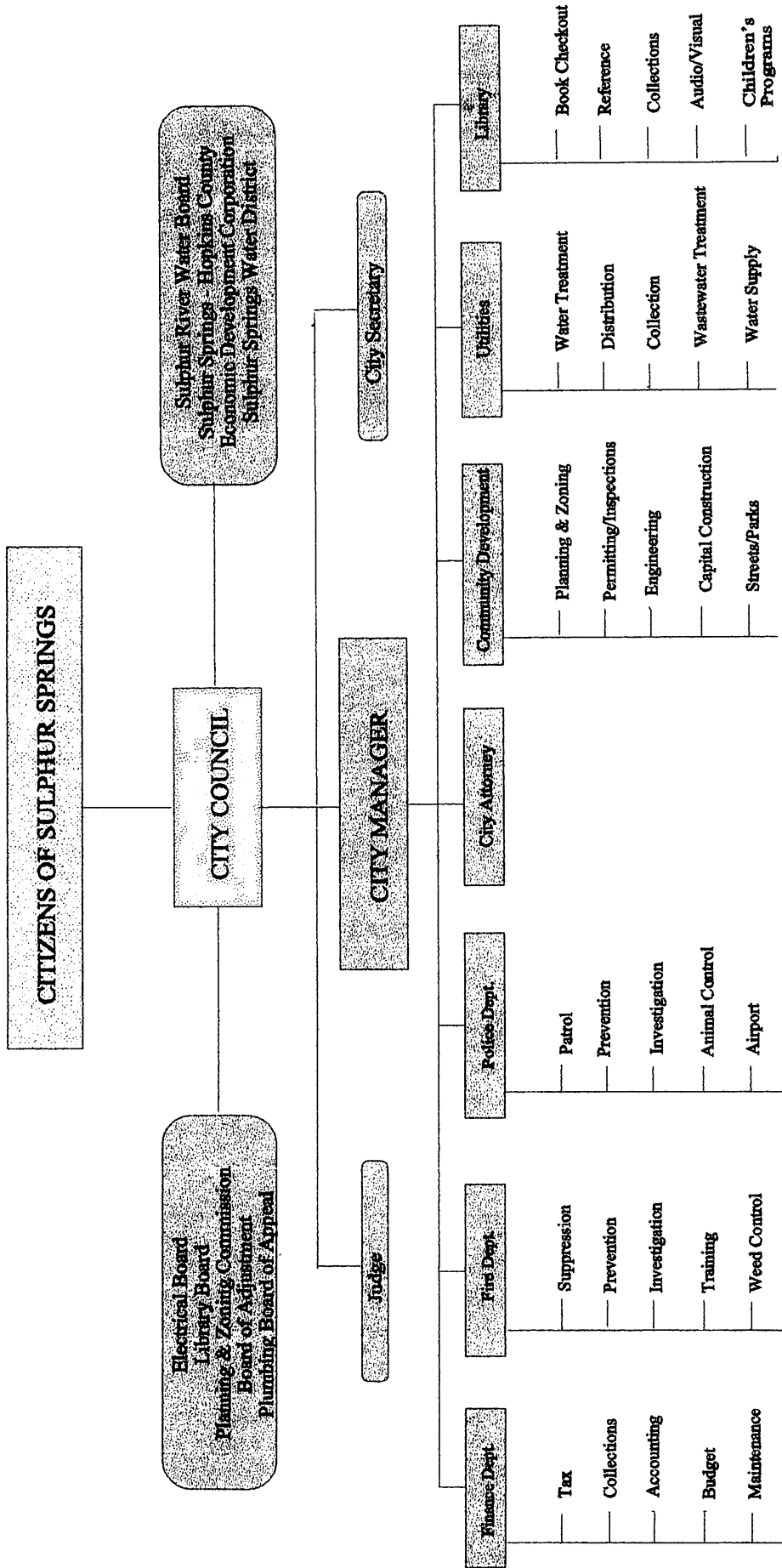
Presented to

**City of Sulphur Springs
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



CITY OF SULPHUR SPRINGS, TEXAS

List of Principal Officials

September 30, 2014

<u>Title</u>	<u>Name</u>
Mayor	Freddie Taylor
Mayor Pro Tem	Kayla Price
Councilman	Craig Johnson
Councilman	Oscar Aguilar
Councilman	Clay Walker
Councilwoman	John Sellers
Councilwoman	Emily Glass
City Manager	Marc Maxwell
City Secretary & Administrative Assistant	Gale Roberts
City Attorney	Jim McLeroy
Finance Director	Peter Karstens
City Engineer	David Reed
Community Development Director	Shane Shepard
Police Chief	Jay Sanders
Fire Chief	Eric Hill
Municipal Court Judge	Phyllis Rogers
Library Director	Hope Cain
Parks and Recreation Director	Kevin McCarty
Director of Airport and Tourism	Joseph Baker
Utilities Director	Robert Lee

FINANCIAL SECTION

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EVANS, PINGLETON and HOWARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
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FRISCO, TEXAS 75034
972-335-9754/FAX 972-335-9758

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
City of Sulphur Springs, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Sulphur Springs, 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. 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sulphur Springs, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons of the General Fund and the Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 13-20 and 74 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 Sulphur Springs, Texas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Evans, Pingleton and Howard, PLLC

Evans, Pingleton and Howard, PLLC
Frisco, TX
January 8, 2015

Management's Discussion and Analysis

As management of the City of Sulphur Springs, we offer readers of the City of Sulphur Springs' financial statements this narrative overview and analysis of the financial activities of the City of Sulphur Springs for the fiscal year ended September 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 - 5 of this report. All amounts, unless otherwise indicated, are expressed in actual dollars.

Financial Highlights

- The assets of the City of Sulphur Springs exceeded its liabilities at the close of the most recent fiscal year by \$41,259,515 (net position). Of this amount, \$9,174,293, (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,344,725. The primary reason for the increase in net position was positive results from both governmental activities and business-type activities.
- As of the close of the current fiscal year, the City of Sulphur Springs governmental funds reported combined ending fund balances of \$3,733,255, a decrease of \$1,536,153 in comparison with the prior year. The reason for the decrease in fund balances is due to the expenditure of bond proceeds. Approximately \$2,324,095 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,324,095 or 25 percent of total general fund expenditures.
- The City of Sulphur Springs long-term debt decreased by \$2,005,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Sulphur Springs' basic financial statements. The City of Sulphur Springs basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Sulphur Springs' finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City of Sulphur Springs that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Sulphur Springs include general government, public safety, highways and streets, culture and recreation. The business-type activities of the City of Sulphur Springs include the water treatment plant and distribution system, wastewater treatment plant and collection system, as well as sanitation collection and disposal.

The government-wide financial statements include not only the City of Sulphur Springs itself (known as the primary government), but also a legally separate economic development corporation. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The economic development corporation issues separate financial statements.

The government-wide financial statements can be found on pages 23 - 25 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sulphur Springs, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Sulphur Springs can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is more narrow 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 government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Sulphur Springs maintains eight governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, debt service fund and two capital projects funds, all of which are considered to be major funds. Data from the three other 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 of Sulphur Springs adopts an annual appropriated budget for its general fund and special revenue fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 26 - 36 of this report.

Proprietary funds. The City of Sulphur Springs maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Sulphur Springs uses enterprise funds to account for its Water, Sewer and Sanitation operations. *Internal Services Funds* are an accounting device used to accumulate and allocate costs internally among the City of Sulphur Springs' various functions. The City of Sulphur Springs uses internal services funds to account for its various type of insurance program including its' partially self funded employee health plan.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Sanitation operations, which is considered to be a major fund of the City of Sulphur Springs.

The basic proprietary fund financial statements can be found on pages 37 – 41 of this report.

Pension Trust funds. Pension Trust funds are used to account for resources held for the benefit of parties outside the government. Pension Trust funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Sulphur Springs own programs. The accounting used for Pension Trust funds is much like that used for proprietary funds.

The basic Pension Trust funds financial statements can be found on pages 42 – 43 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44 – 69 of this report.

Other information: The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. The individual fund schedule provides a budgetary comparison schedule for the enterprise fund. Combining and individual fund statements and schedules can be found on pages 72 - 74 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sulphur Springs, assets exceed liabilities by \$41,259,515 at the close of the most recent fiscal year.

A portion of the City of Sulphur Springs' net position (76 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Sulphur Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sulphur Springs' 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.

CITY OF SULPHUR SPRINGS – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 5,301,433	7,154,349	6,999,822	7,611,034	12,301,255	14,765,383
Capital Assets	32,279,147	31,352,199	22,616,796	22,116,056	54,895,943	53,468,255
Total Assets	37,580,580	38,506,548	29,616,618	29,727,090	67,197,198	68,233,638
Deferred Outflow of Resources	-	-	189,313	200,341	189,313	200,341
Long-Term Liabilities	13,657,062	14,732,042	11,197,659	12,135,709	24,854,721	26,867,751
Other Liabilities	632,203	1,009,221	640,072	642,217	1,272,275	1,651,438
Total Liabilities	14,289,265	15,741,263	11,837,731	12,777,926	26,126,996	28,519,189
Net Position:						
Net Invested in Capital Assets	20,015,300	19,270,758	11,499,350	10,261,731	31,514,650	29,532,489
Restricted	17,923	18,961	552,649	616,644	570,572	635,605
Unrestricted	3,258,092	3,475,566	5,916,201	6,271,130	9,174,293	9,746,696
Total Net Position	\$ 23,291,315	22,765,285	17,968,200	17,149,505	41,259,515	39,914,790

An additional portion of the City of Sulphur Springs' net position (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$9,174,293 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Sulphur Springs is able to report positive balances in all three categories of net position for the government as a whole.

There was an increase of \$1,982,161 in net position invested in capital assets, net of related debt.

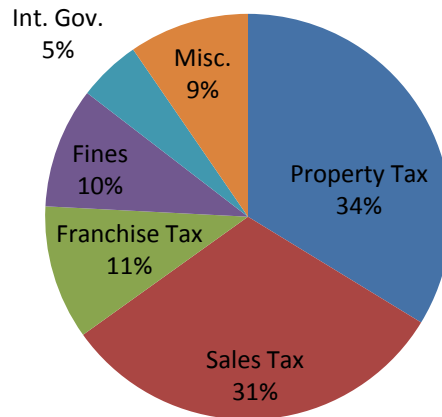
The government's net position increased by \$1,344,725 during the current fiscal year. That increase was caused primarily by capitalization of expenditures for downtown historic district, city hall, construction, street improvements, and better than budgeted results in the General and Enterprise Funds.

Governmental Activities

Governmental activities (after transfers) increased the City of Sulphur Springs' net position by \$526,030. The main element of the increase was better than budgeted revenues. Actual revenues were \$217,664 more than budgeted.

Revenue by Source

Revenue by Source Governmental Activities



CITY OF SULPHUR SPRINGS – Changes in Net Position

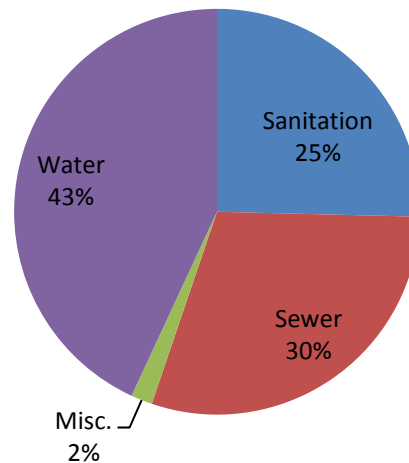
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,739,235	\$ 1,425,202	11,472,895	11,085,370	13,212,130	12,510,572
Operating Grants and Contributions	378,027	697,211	-	-	378,027	697,211
Capital Grants and Contributions	227,360	165,050	-	-	227,360	165,050
General Revenues:					-	-
Property Taxes	3,862,171	3,870,862	-	-	3,862,171	3,870,862
Other Taxes	4,763,988	4,580,872	-	-	4,763,988	4,580,872
Other	346,771	231,316	42,694	116,355	389,465	347,671
Total Revenues	<u>11,317,552</u>	<u>10,970,513</u>	<u>11,515,589</u>	<u>11,201,725</u>	<u>22,833,141</u>	<u>22,172,238</u>
					-	
Expenses:						
General Government	2,646,916	2,572,782	-	-	2,646,916	2,572,782
Public Safety	5,277,058	5,360,160	-	-	5,277,058	5,360,160
Transportation	2,715,195	2,135,647	-	-	2,715,195	2,135,647
Sanitation	-	-	2,458,662	2,393,380	2,458,662	2,393,380
Culture and Recreation	1,333,019	1,247,275	-	-	1,333,019	1,247,275
Interest on Long-Term Debt	565,958	586,030	-	-	565,958	586,030
Water & Sewer	-	-	6,491,608	7,035,901	6,491,608	7,035,901
Total Expenses	<u>12,538,146</u>	<u>11,901,894</u>	<u>8,950,270</u>	<u>9,429,281</u>	<u>21,488,416</u>	<u>21,331,175</u>
Increase/(Decrease) in Net Assets Before Transfers	(1,220,594)	(931,381)	2,565,319	1,772,444	1,344,725	841,063
Transfers	1,746,624	2,070,295	(1,746,624)	(2,070,295)	-	-
Increase/(Decrease) in Net Assets	526,030	1,138,914	818,695	(297,851)	1,344,725	841,063
Net Assets - Beginning	22,765,285	21,626,371	17,149,505	17,447,356	39,914,790	39,073,727
Net Assets - Ending	<u>\$ 23,291,315</u>	<u>\$ 22,765,285</u>	<u>17,968,200</u>	<u>17,149,505</u>	<u>41,259,515</u>	<u>39,914,790</u>

Business-Type Activities

Business-Type Activities (after transfers) increased the City of Sulphur Springs' net position by \$818,695.

Program Revenue

Program Revenue Business Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the City of Sulphur Springs' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Sulphur Springs' financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the current fiscal year, the City of Sulphur Springs' governmental funds reported combined ending fund balance of \$3,733,255, a decrease of \$1,536,153 from the prior year. Most of the decrease is a result of bond proceeds being expended for construction. Of the current combined ending fund balance, a total of \$918,944 is restricted for construction, while \$2,324,095 is unassigned in the General Fund. Fund balance restricted for debt service is \$17,923.

The general fund is the chief operating fund of the City of Sulphur Springs. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,324,095. Total unassigned fund balance represents 25% of total general fund expenditures.

The special revenue fund has a total fund balance of \$162,630. The special revenue fund had an increase of \$89,235 in fund balance.

The debt service fund has a total fund balance of \$17,923, all of which is restricted for payment of debt service. The debt service fund had a \$1,038 decrease in fund balance.

The Downtown CPF has a total fund balance of \$183,501, all of which is restricted for construction around the downtown core. The decrease in fund balance of \$137,471 largely represents current year expenditures for segments of the reconstruction of the downtown core.

The City Hall/Streets CPF has a total fund balance of \$735,443, all of which is restricted for construction. The decrease in fund balance of \$1,240,060 represents expenditure of bond proceeds.

Proprietary Funds. The City of Sulphur Springs proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Enterprise Fund at the end of the year amounted to \$5,746,888. The total increase in net position of the Enterprise Fund was \$818,695. The factors concerning the finances of this fund have already been addressed in the discussion of the City of Sulphur Springs' business type activities.

General Fund Budgetary Highlights

During the year, revenues were \$217,664 more than budgetary estimates and expenditures were \$279,481 less than budgetary estimates. The budget had called for a \$427,435 decrease in fund balance, which is essentially the use of the prior year's budget surpluses. Actual results resulted in a decrease to the fund balance of \$147,869 most of which is fund expenditures on bond funds for vehicles & equipment.

Capital Asset and Debt Administration

Capital Assets. The City of Sulphur Springs investment in capital assets for its governmental and business type activities as of September 30, 2014, amounts to \$54,895,943 (net of accumulated depreciation). This investment in capital assets includes land and right-of-way, lakes and dams, buildings, systems, improvements, and equipment.

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

- Historic downtown, city hall construction, and street improvements were the major additions to governmental activity capital assets.
- Replacement of major sections of both the water distribution and sewer collection systems continued with additions to the system.

Additional information on the City of Sulphur Springs' capital assets can be found in note 4.C. on pages 56 - 58 on this report.

Long-Term Debt. At the end of the current fiscal year, the City of Sulphur Springs had bonded debt outstanding of \$24,610,000. Of this amount, \$23,300,000 comprises debt backed by the full faith and credit of the government and \$1,310,000 represent bonds secured solely by specified revenue sources (i.e. revenue bonds)

Additional information on the City of Sulphur Springs' long-term debt can be found in note 4.F. on pages 59 - 64 of this report.

Economic Factors and Next Year's Budgets and Rates

- Sales tax revenue will normally increase by at least the amount of inflation. In 2009, 2010 and in 2011 Sulphur Springs saw a contraction though modest of total sales tax revenue. The last half of FY 2012 and all of FY 2013 finally brought on a recovery due to an increase of over 600 new jobs in the city. FY 2014 continued to grow but more modestly at 3.4%. That rate of growth should continue into FY 2015.
- Typically, the City of Sulphur Springs only budgets for the next year what it receives in Sales Tax Revenue for the preceding year, saving any good news for the next year as well as to better protect against contraction. That will continue to be true going into FY 2015.
- The FY 2015 budget uses \$283,196 of fund balance most of which is the use of budget surpluses from the prior year. Property tax rates stay the same at the near term historical level of 44 cents per hundred. Water and Sanitation rates increase by 2.0%. During FY 2015, the City will start the engineering design phase of the Wastewater Plant Overhaul Project. Sewer rates will be increased over the next several years to fund this expensive project.

Request for Information

This financial report is designed to provide a general overview of the City of Sulphur Springs' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 125 S. Davis, City of Sulphur Springs, Texas 75482.

BASIC FINANCIAL STATEMENTS

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CITY OF SULPHUR SPRINGS

Statement of Net Position

September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Economic Development
ASSETS				
Cash and Cash Equivalents	\$ 4,215,679	522,275	4,737,954	2,075,300
Investments	-	4,135,551	4,135,551	-
Restricted Cash and Cash Equivalents	-	1,474,725	1,474,725	-
Receivables (Net of Allowance for Uncollectibles):				
Utility Bills	-	852,555	852,555	-
Delinquent Property Taxes	256,549	-	256,549	-
Other Taxes	494,789	14,716	509,505	130,360
Other	288,887	-	288,887	-
Notes Receivable	-	-	-	701,924
Inventory	45,529	-	45,529	-
Capital Assets Not Being Depreciated				
Land and Right of Way	1,031,440	1,452,758	2,484,198	1,968,812
Lakes	-	401,408	401,408	-
Dams/Spillways/Appurtenances	-	2,629,410	2,629,410	-
Construction in Progress	-	-	-	-
Capital Assets (Net of Accumulated Depreciation):				
Building, Systems and Improvements	14,404,896	17,463,087	31,867,983	8,730,020
Furniture and Equipment	1,415,738	670,133	2,085,871	22,630
Infrastructure	15,427,073	-	15,427,073	-
Total Assets	<u>37,580,580</u>	<u>29,616,618</u>	<u>67,197,198</u>	<u>13,629,046</u>
DEFERRED OUTFLOW OF RESOURCES				
Deferred Charge for Refunding	-	189,313	189,313	-
Total Deferred Outflow of Resources	<u>-</u>	<u>189,313</u>	<u>189,313</u>	<u>-</u>
LIABILITIES				
Accounts Payable	571,493	136,598	708,091	982,560
Deposits	-	431,443	431,443	-
Accrued Interest Payable	60,710	72,031	132,741	-
Noncurrent Liabilities:				
Due Within One Year	1,071,495	1,045,849	2,117,344	165,248
Due in More than One Year	12,585,567	10,151,810	22,737,377	3,916,638
Total Liabilities	<u>14,289,265</u>	<u>11,837,731</u>	<u>26,126,996</u>	<u>5,064,446</u>
NET POSITION				
Net Invested in Capital Assets	20,015,300	11,499,350	31,514,650	5,916,637
Restricted for:				
Debt Service	17,923	552,649	570,572	-
Unrestricted	3,258,092	5,916,201	9,174,293	2,648,263
Total Net Position	<u>\$ 23,291,315</u>	<u>17,968,200</u>	<u>41,259,515</u>	<u>8,564,900</u>

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

CITY OF SULPHUR SPRINGS
Statement of Activities
For the Fiscal Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 2,646,916	188,154	116,542	-
Public Safety	5,277,058	1,100,108	83,164	-
Transportation	2,715,195	450,973	6,134	227,360
Culture and Recreation	1,333,019	-	172,187	-
Interest and Fiscal Charges	565,958	-	-	-
Total Governmental Activities	<u>12,538,146</u>	<u>1,739,235</u>	<u>378,027</u>	<u>227,360</u>
Business-Type Activities:				
Water & Sewer	6,491,608	8,549,679	-	-
Sanitation	2,458,662	2,923,216	-	-
Total Business-Type Activities	<u>8,950,270</u>	<u>11,472,895</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 21,488,416</u>	<u>13,212,130</u>	<u>378,027</u>	<u>227,360</u>
Component Unit:				
Economic Development	\$ 1,331,604	-	-	-
Total Component Unit	<u>\$ 1,331,604</u>	<u>-</u>	<u>-</u>	<u>-</u>

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Alcoholic Beverage Taxes
Unrestricted Investment Earnings
Miscellaneous Revenue
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and
Changes in Net Position

<u>Primary Government</u>			<u>Component Unit</u>
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Economic Development</u>
(2,342,220)		(2,342,220)	
(4,093,786)		(4,093,786)	
(2,030,728)		(2,030,728)	
(1,160,832)		(1,160,832)	
<u>(565,958)</u>		<u>(565,958)</u>	
<u>(10,193,524)</u>		<u>(10,193,524)</u>	
	2,058,071	2,058,071	
	<u>464,554</u>	<u>464,554</u>	
	<u>2,522,625</u>	<u>2,522,625</u>	
<u>(10,193,524)</u>	<u>2,522,625</u>	<u>(7,670,899)</u>	
			<u>(1,331,604)</u>
			<u>(1,331,604)</u>
3,862,171	-	3,862,171	-
3,530,958	-	3,530,958	1,702,599
1,204,456	-	1,204,456	-
28,574	-	28,574	-
3,882	4,213	8,095	4,320
342,889	38,481	381,370	330,921
<u>1,746,624</u>	<u>(1,746,624)</u>	<u>-</u>	<u>-</u>
<u>10,719,554</u>	<u>(1,703,930)</u>	<u>9,015,624</u>	<u>2,037,840</u>
526,030	818,695	1,344,725	706,236
<u>22,765,285</u>	<u>17,149,505</u>	<u>39,914,790</u>	<u>7,858,664</u>
<u>\$ 23,291,315</u>	<u>17,968,200</u>	<u>41,259,515</u>	<u>8,564,900</u>

CITY OF SULPHUR SPRINGS

Balance Sheet
Governmental Funds
September 30, 2014

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,984,149	87,467	17,923
Receivables (Net of Allowance for Uncollectibles):			
Delinquent Property Taxes	218,735	-	37,814
Other Taxes	494,789	-	-
Other	-	37,354	-
Inventory	-	45,529	-
Total Assets	<u>2,697,673</u>	<u>170,350</u>	<u>55,737</u>
LIABILITIES			
Liabilities:			
Accounts Payable	<u>154,843</u>	<u>7,720</u>	-
Total Liabilities	<u>154,843</u>	<u>7,720</u>	-
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue Property Taxes	<u>218,735</u>	-	37,814
Total Deferred Inflow of Resources	<u>218,735</u>	-	<u>37,814</u>
FUND BALANCES:			
Nonspendable:			
Inventory	-	45,529	-
Restricted:			
Debt Service	-	-	17,923
Capital Projects	-	-	-
Assigned:			
Tourism	-	-	-
Other Purposes	-	117,101	-
Unassigned	<u>2,324,095</u>	-	-
Total Fund Balances	<u>2,324,095</u>	<u>162,630</u>	<u>17,923</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 2,697,673</u>	<u>170,350</u>	<u>55,737</u>

<u>Capital Project Funds</u>		<u>Other</u>	<u>Total</u>
<u>Downtown</u>	<u>City Hall/ Streets</u>	<u>Governmental Funds</u>	<u>Governmental Funds</u>
183,491	813,683	289,970	3,376,683
-	-	-	256,549
-	-	-	494,789
10	231,523	20,000	288,887
-	-	-	45,529
<u>183,501</u>	<u>1,045,206</u>	<u>309,970</u>	<u>4,462,437</u>
-	309,763	307	472,633
-	<u>309,763</u>	<u>307</u>	<u>472,633</u>
-	-	-	256,549
-	-	-	<u>256,549</u>
-	-	-	45,529
-	-	-	17,923
183,501	735,443	-	918,944
-	-	90,786	90,786
-	-	218,877	335,978
-	-	-	2,324,095
<u>183,501</u>	<u>735,443</u>	<u>309,663</u>	<u>3,733,255</u>
<u>183,501</u>	<u>1,045,206</u>	<u>309,970</u>	<u>\$ 4,462,437</u>

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CITY OF SULPHUR SPRINGS
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 September 30, 2014

Total Fund Balances - Governmental Funds	\$ 3,733,255
The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consideration is to increase net assets.	740,136
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$42,307,350 and the accumulated depreciation was \$(10,955,350). In addition, long-term liabilities, including bonds payable of \$(14,560,334), are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.	16,791,666
Current year capital outlays of \$2,423,182 and long-term debt principal payments of \$1,007,780 are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net assets.	3,490,962
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to decrease net assets.	(60,710)
The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,496,055)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and recognizing the liabilities associated with compensated absences. The net effect of these reclassifications is to increase net position.	92,061
Net Position of Governmental Activities	\$ 23,291,315

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>
REVENUES			
Taxes:			
Property	\$ 3,246,315	-	535,677
Sales	3,405,201	-	-
Franchise	1,204,456	-	-
Alcoholic Beverage	28,574	-	-
Licenses and Permits	185,753	-	-
Intergovernmental	177,625	6,134	-
Charges for Services	2,401	450,973	-
Fines and Forfeitures	950,108	-	-
Interest	2,242	15	153
Contributions	-	-	-
Miscellaneous	312,018	25,565	-
Total Revenues	<u>9,514,693</u>	<u>482,687</u>	<u>535,830</u>
EXPENDITURES			
Current:			
General Government	2,433,039	-	-
Public Safety	4,738,635	-	-
Transportation	850,748	449,452	-
Culture and Recreation	863,863	-	-
Capital Outlay	490,110	-	-
Debt Service:			
Principal	-	-	1,067,780
Interest and Fiscal Charges	-	-	561,536
Total Expenditures	<u>9,376,395</u>	<u>449,452</u>	<u>1,629,316</u>
Excess/(Deficiency) of Revenues			
Over/(Under) Expenditures	<u>138,298</u>	<u>33,235</u>	<u>(1,093,486)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	1,459,872	56,000	1,092,448
Transfers Out	<u>(1,746,039)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(286,167)</u>	<u>56,000</u>	<u>1,092,448</u>
Net Change in Fund Balances	(147,869)	89,235	(1,038)
Fund Balances, Beginning	<u>2,471,964</u>	<u>73,395</u>	<u>18,961</u>
Fund Balances, Ending	<u>\$ 2,324,095</u>	<u>162,630</u>	<u>17,923</u>

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

<u>Capital Project Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Downtown</u>	<u>City Hall/ Streets</u>		
-	-	11,241	3,793,233
-	-	125,757	3,530,958
-	-	-	1,204,456
-	-	-	28,574
-	-	-	185,753
-	227,360	149,967	561,086
-	-	19,011	472,385
-	-	130,989	1,081,097
179	1,150	143	3,882
-	330	43,971	44,301
-	59	5,247	342,889
<u>179</u>	<u>228,899</u>	<u>486,326</u>	<u>11,248,614</u>
-	-	-	2,433,039
-	-	328,078	5,066,713
-	415,630	-	1,715,830
-	-	219,315	1,083,178
137,650	1,813,557	-	2,441,317
-	-	-	1,067,780
-	-	-	561,536
<u>137,650</u>	<u>2,229,187</u>	<u>547,393</u>	<u>14,369,393</u>
<u>(137,471)</u>	<u>(2,000,288)</u>	<u>(61,067)</u>	<u>(3,120,779)</u>
276,834	1,212,953	40,000	4,138,107
<u>(276,834)</u>	<u>(452,725)</u>	<u>(77,883)</u>	<u>(2,553,481)</u>
<u>-</u>	<u>760,228</u>	<u>(37,883)</u>	<u>1,584,626</u>
(137,471)	(1,240,060)	(98,950)	(1,536,153)
<u>320,972</u>	<u>1,975,503</u>	<u>408,613</u>	<u>5,269,408</u>
<u>183,501</u>	<u>735,443</u>	<u>309,663</u>	<u>3,733,255</u>

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CITY OF SULPHUR SPRINGS
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 September 30, 2014

Total Net Change in Fund Balances - Governmental Funds \$ (1,536,153)

The government uses internal service funds to charge the cost of certain activities, such as self-insurance, to appropriate functions in other funds. The net loss of the internal service funds are reported with governmental activities. The net effect of this consolidation is to decrease net position. (17,396)

Current year capital outlays of \$2,441,317 and long-term debt principal payments of \$1,067,780, are expenditures and sources in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position. 3,509,097

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due. The net effect of including accrued interest is to increase net position. 6,606

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current resources. The net effect of the current year's depreciation is to decrease net position. (1,496,055)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue and recognizing the liabilities associated with compensated absences and bond issuance. The net effect of these reclassifications is to decrease net position. 59,931

Change in Net Position of Governmental Activities \$ 526,030

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2014

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Taxes:			
Property	\$ 3,209,829	3,246,315	36,486
Sales	3,300,000	3,405,201	105,201
Franchise	1,130,000	1,204,456	74,456
Alcoholic Beverages	20,500	28,574	8,074
License and Permits	168,200	185,753	17,553
Intergovernmental	179,500	177,625	(1,875)
Charges for Services	4,000	2,401	(1,599)
Fines and Forfeitures	775,000	950,108	175,108
Interest	6,000	2,242	(3,758)
Miscellaneous	504,000	312,018	(191,982)
Total Revenues	<u>9,297,029</u>	<u>9,514,693</u>	<u>217,664</u>
EXPENDITURES			
Current:			
General Government			
City Council	-	-	-
Administration	537,865	582,127	(44,262)
Finance and Tax	386,177	380,067	6,110
Municipal Court	491,053	498,056	(7,003)
Community Development	658,566	674,349	(15,783)
Maintenance - Purchasing	316,760	298,440	18,320
Department Capital	409,000	342,755	66,245
Total General Government	<u>2,799,421</u>	<u>2,775,794</u>	<u>23,627</u>
Public Safety:			
Police	3,066,727	3,031,023	35,704
Fire	1,758,512	1,707,612	50,900
Department Capital	180,000	132,577	47,423
Total Public Safety	<u>5,005,239</u>	<u>4,871,212</u>	<u>134,027</u>
Transportation:			
Street	717,224	850,748	(133,524)
Department Capital	15,000	14,778	222
Total Transportation	<u>732,224</u>	<u>865,526</u>	<u>(133,302)</u>
Culture and Recreation:			
Library	333,232	338,785	(5,553)
Parks and Recreation	568,096	525,078	43,018
Total Culture and Recreation	<u>901,328</u>	<u>863,863</u>	<u>37,465</u>
Total Expenditures	<u>9,438,212</u>	<u>9,376,395</u>	<u>61,817</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ (141,183)</u>	<u>138,298</u>	<u>279,481</u>

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Fiscal Year Ended September 30, 2014
continued

	Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
OTHER FINANCING SOURCES (USES)			
Transfer In	\$ 1,459,872	1,459,872	-
Transfer Out	(1,746,124)	(1,746,039)	85
Total Other Financing Sources (uses)	(286,252)	(286,167)	85
Net Change in Fund Balances	(427,435)	(147,869)	279,566
Fund Balances, Beginning	2,471,964	2,471,964	-
Fund Balances, Ending	\$ 2,044,529	2,324,095	279,566

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

CITY OF SULPHUR SPRINGS

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Revenue Fund
For the Fiscal Year Ended September 30, 2014

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
REVENUES			
Intergovernmental	\$ 25,000	6,134	(18,866)
Charges for Services	307,525	450,973	143,448
Interest	-	15	15
Miscellaneous	-	25,565	25,565
Total Revenues	<u>332,525</u>	<u>482,687</u>	<u>150,162</u>
EXPENDITURES			
Transportation	342,403	449,452	(107,049)
Capital Outlay	50,000	-	50,000
Total Expenditures	<u>392,403</u>	<u>449,452</u>	<u>(57,049)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(59,878)</u>	<u>33,235</u>	<u>93,113</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	56,000	56,000	-
Total Other Financing Sources/(Uses)	<u>56,000</u>	<u>56,000</u>	<u>-</u>
Net Change in Fund Balances	(3,878)	89,235	93,113
Fund Balances, Beginning	<u>73,395</u>	<u>73,395</u>	<u>-</u>
Fund Balances, Ending	<u>\$ 69,517</u>	<u>162,630</u>	<u>93,113</u>

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

CITY OF SULPHUR SPRINGS

Statement of Net Position

Proprietary Fund

September 30, 2014

	Business-Type Activities		Governmental
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 522,275	3,527,753	838,996
Investments	4,135,551	1,749,570	-
Restricted Cash and Cash Equivalents	1,474,725	1,459,340	-
Receivables (Net of Allowance of Uncollectibles)			
Utility Bills	852,555	859,875	-
Sales Taxes	14,716	14,496	-
Total Current Assets	<u>6,999,822</u>	<u>7,611,034</u>	<u>838,996</u>
Noncurrent Assets:			
Capital Assets:			
Land and Right-of-Way	1,452,758	1,452,758	-
Lakes	401,408	401,408	-
Dams/Spillways/Appurtenances	2,629,410	2,629,410	-
Buildings and Systems	39,774,792	38,067,719	-
Equipment	2,235,579	2,224,786	-
Less: Accumulated Depreciation	<u>(23,877,151)</u>	<u>(22,660,025)</u>	<u>-</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>22,616,796</u>	<u>22,116,056</u>	<u>-</u>
Total Noncurrent Assets	<u>22,616,796</u>	<u>22,116,056</u>	<u>-</u>
Total Assets	<u>29,616,618</u>	<u>29,727,090</u>	<u>838,996</u>
Deferred Outflow of Resources:			
Deferred Charge for Refunding	189,313	200,341	-
Total Deferred Outflow of Resources	<u>\$ 189,313</u>	<u>200,341</u>	<u>-</u>

CITY OF SULPHUR SPRINGS

Statement of Net Position

Proprietary Fund

September 30, 2014

continued

	Business-Type Activities		Governmental
	Enterprise	Enterprise	Activities
	Fund	Fund	Internal
	Current Year	Prior Year	Service
			Fund
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 136,598	159,382	98,860
Deposits	431,443	413,421	-
Accrued Interest	72,031	69,414	-
Compensated Absences Payable	74,598	76,007	-
Current Portion of Revenue Certificates of			
Obligation Payable	378,130	367,156	-
Current Portion of Revenue Bonds Payable	200,008	195,000	-
Current Portion of General Obligation Enterprise			
Bonds Payable	393,113	414,349	-
Total Current Liabilities	<u>1,685,921</u>	<u>1,694,729</u>	<u>98,860</u>
Noncurrent Liabilities:			
Compensated Absences	5,615	5,036	-
Revenue Certificates of Obligation Payable	6,134,628	6,554,973	-
Revenue Bonds Payable	1,225,000	1,310,000	-
General Obligation Bonds Payable	2,786,567	3,213,188	-
Total Noncurrent Liabilities	<u>10,151,810</u>	<u>11,083,197</u>	<u>-</u>
Total Liabilities	<u>11,837,731</u>	<u>12,777,926</u>	<u>98,860</u>
NET POSITION			
Net Invested in Capital Assets	11,668,663	10,261,731	-
Restricted for:			
Renewal and Replacement	-	110,166	-
Revenue Bond Current Debt Service	552,649	506,478	-
Unrestricted	5,746,888	6,271,130	740,136
Total Net Position	<u>\$ 17,968,200</u>	<u>17,149,505</u>	<u>740,136</u>

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

CITY OF SULPHUR SPRINGS
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Fiscal Year Ended September 30, 2014

	Business-Type Activities		Governmental
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
OPERATING REVENUES			
Charges for Sales and Services	\$ -	-	1,212,606
Water Sales	4,960,126	4,800,727	-
Sewer Charges	3,433,055	3,180,020	-
Sanitation Charges	2,923,216	2,889,151	-
Service Charges	111,023	115,048	-
Water and Sewer Connections	45,475	100,424	-
Miscellaneous Revenues	38,481	106,033	-
Total Operating Revenues	<u>11,511,376</u>	<u>11,191,403</u>	<u>1,212,606</u>
OPERATING EXPENSES			
Cost of Sales and Services	-	-	1,277,518
Administration	-	-	115,000
Personnel Services	2,180,355	2,114,466	-
Supplies	1,292,433	1,342,502	-
Contractual Services	3,892,566	4,317,596	-
Depreciation	1,217,126	1,217,093	-
Total Operating Expenses	<u>8,582,480</u>	<u>8,991,657</u>	<u>1,392,518</u>
Operating Income (Loss)	<u>2,928,896</u>	<u>2,199,746</u>	<u>(179,912)</u>
NONOPERATING REVENUES/(EXPENSES)			
Interest Revenue	4,213	10,325	516
Interest Expense and Fiscal Charges	<u>(367,790)</u>	<u>(437,624)</u>	-
Total Nonoperating Revenues (Expenses)	<u>(363,577)</u>	<u>(427,299)</u>	<u>516</u>
Net Income/(Loss) Before Transfers	2,565,319	1,772,447	(179,396)
Transfers In	-	138,441	162,000
Transfers Out	<u>(1,746,624)</u>	<u>(2,208,739)</u>	-
Change in Net Position	818,695	(297,851)	(17,396)
Net Position, Beginning	<u>17,149,505</u>	<u>17,447,356</u>	<u>757,532</u>
Net Position, Ending	<u>\$ 17,968,200</u>	<u>17,149,505</u>	<u>740,136</u>

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

CITY OF SULPHUR SPRINGS
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2014

	Business-Type Activities		Governmental
	Enterprise	Enterprise	Activities
	Fund	Fund	Internal
	Current Year	Prior Year	Service
			Fund
Cash Flows from Operating Activities:			
Cash Received from Customers and Users	\$ 11,536,498	11,210,229	1,212,606
Cash Payments to Suppliers for Goods and Services	(5,196,755)	(5,713,422)	(1,393,058)
Cash Payments to Employees for Services	(2,181,185)	(2,090,218)	-
Net Cash Provided/(Used) by Operating Activities	<u>4,158,558</u>	<u>3,406,589</u>	<u>(180,452)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers to Other Funds	(1,746,624)	(2,208,739)	-
Transfers from Other Funds	-	138,441	162,000
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(1,746,624)</u>	<u>(2,070,298)</u>	<u>162,000</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	(1,717,866)	(499,797)	
Principal Paid on Bonds	(937,220)	(1,238,597)	
Proceeds from Sale of Bonds	-	-	
Interest Paid on Debt	(365,173)	(442,470)	
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>(3,020,259)</u>	<u>(2,180,864)</u>	
Cash Flows from Investing Activities:			
Proceeds from Sale of Investments	-	949,444	
Purchase of Investments	(2,385,981)	-	
Interest on Deposits and Investments	4,213	10,325	516
Net Cash Provided/(Used) by Investing Activities	<u>(2,381,768)</u>	<u>959,769</u>	<u>516</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(2,990,093)	115,196	(17,936)
Cash and Cash Equivalents, Beginning	<u>4,987,093</u>	<u>4,871,897</u>	<u>856,932</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,997,000</u>	<u>4,987,093</u>	<u>838,996</u>

CITY OF SULPHUR SPRINGS
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended September 30, 2014
continued

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	Business-Type Activities		Governmental Activities
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
Operating Income/(Loss)	\$ 2,928,896	2,199,746	(179,912)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:			
Depreciation Expense	1,217,126	1,206,065	-
(Increase)/Decrease in Accounts Receivable	4,079	(6,103)	-
Increase/(Decrease) in Allowance for Uncollectible Accounts	3,241	20,193	-
(Increase)/Decrease in Sales Tax Receivable	(220)	(871)	-
Increase/(Decrease) in Accounts Payable	(22,784)	(34,109)	(540)
Increase/(Decrease) in Compensated Absences	(830)	5,036	-
Increase/(Decrease) in Deferred Charges	11,028	11,028	-
Increase/(Decrease) in Customer Deposits	18,022	5,604	-
Total Adjustments	1,229,662	1,206,843	(540)
Net Cash Provided/(Used) by Operating Activities	\$ 4,158,558	3,406,589	(180,452)

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

CITY OF SULPHER SPRINGS
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2014

	Private Purpose Trust Fund	
	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan
ASSETS		
Cash & Cash Equivalents	\$ 16,633	62,066
Total Assets	16,633	62,066
LIABILITIES		
Accounts Payable	-	1,847
Total Liabilities	-	1,847
NET POSITION		
Held in Trust	\$ 16,633	60,219

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

CITY OF SULPHUR SPRINGS
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended September 30, 2014

	Private Purpose Trust Fund	
	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan
ADDITIONS		
Contributions	\$ 2,700	122,092
Interest Income	-	34
Total Additions	2,700	122,126
 DEDUCTIONS		
General Government	1,100	109,826
Total Deductions	1,100	109,826
 Change in Net Position	1,600	12,300
 Net Position, Beginning	15,033	47,919
 Net Position, Ending	\$ 16,633	60,219

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

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sulphur Springs, Texas, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The government is a municipal corporation governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government. Each discretely presented component unit has a September 30 year end.

Discretely Presented Component Unit. The Sulphur Springs Hopkins County Economic Development Corporation (EDC) serves all citizens of the government and is governed by a board appointed by the government's elected council. The government can impose its will on the EDC and affect the day-to-day operations of the EDC by removing appointed board members at will. The scope of public service of the EDC benefits the government and its citizens and is operated primarily within the geographic boundaries of the government. The EDC is presented as a governmental fund type.

Complete financial statements for the individual component unit may be obtained at the entity's administration offices.

Sulphur Springs Hopkins County
Economic Development Corporation
1200 Enterprise Lane
Sulphur Springs, Texas 75482

B. Government-wide and Fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

B. Government-wide and Fund financial statements *(continued)*

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

C. Measurement focus, basis of accounting, and financial statement presentation
(continued)

The *special revenue fund* accounts for revenues that are legally restricted for particular purposes, such as airport, tax increment financing, and tourism. The government's major special revenue fund is used to account for activity related to the City airport. The airports major revenue sources are fuel sales and hangar rentals.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The government reports the following proprietary funds:

The *enterprise fund* is used to account for those operations that are financed and operated in a manner similar to private business or where the council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The government's enterprise fund is for water and sewer operations.

The *internal service fund* accounts for operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The government's internal service fund is for self-insurance.

Additionally, the government reports the following pension trust funds:

The *volunteer firemen pension fund* is used to account for dues and contributions that are received pursuant to a trust agreement that restricts the use of those dues and contributions to providing payments to volunteer firemen.

The *employee pension fund* is used to account for employee contributions and employers match to an employee supplemental retirement plan.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

C. Measurement focus, basis of accounting, and financial statement presentation
(continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund, and of the government's internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, liabilities, and net position or equity

1. Deposits and Investments

Cash and cash equivalents includes cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government. Other short-term investments are included in investments.

2. Short-term Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/payables." There were no inter-fund balances as of September 30, 2014.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

D. Assets, liabilities, and net position or equity *(continued)*

4. Restricted Assets

Certain resources set aside for the repayment of bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. When the government incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	30-40
Building improvements	20-30
Street infrastructure	10-30
System infrastructure	15-25
Equipment	5-10
Vehicles	5-7

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

D. Assets, liabilities, and net position or equity *(continued)*

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

Fund Balance Classification: The governmental fund financial statements present fund balance classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

D. Assets, liabilities, and net position or equity *(continued)*

8. Fund equity *(continued)*

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2014.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Manager to which the City Council delegates this authority. This delegation of authority was granted by ordinance.
- Unassigned: This classification includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the governmental funds.

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

As of September 30, 2014, fund balances are composed of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Inventories	\$ -	45,529	-	-	-	45,529
Restricted:						-
Debt Service	-	-	17,923	-	-	17,923
Capital Projects	-	-	-	918,944	-	918,944
Committed	-	-	-	-	-	-
Assigned:						-
Tourism	-	-	-	-	90,786	90,786
Other Purposes	-	117,101	-	-	218,877	335,978
Unassigned	2,324,095	-	-	-	-	2,324,095
Total Fund Balances	\$ 2,324,095	162,630	17,923	918,944	309,663	3,733,255

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. 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 - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(92,061) adjustment are as follows:

Long-Term Debt:	
Compensated Absences Payable	\$ (164,488)
Deferred Revenue:	
To Remove the Uncollected Tax Levy from Deferred Revenue	256,549
	256,549
Net Adjustment to Decrease Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	\$ 92,061
	92,061

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “various other reclassifications are necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting.” The details of this \$(59,931) adjustment are as follows:

Taxes:	
To Move the Uncollected Tax Levy to Revenue	\$ 256,549
To Remove the Prior Year Tax Collections from Current Year Revenue	(189,418)
	67,131
Long-Term Debt:	
Decrease in Compensated Absences Payable	(7,200)
	(7,200)
Net Adjustment to Decrease Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ 59,931
	59,931

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted for the general fund, special revenue fund, and water and sewer fund. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

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

1. Prior to September 1, the City Manager and staff meet with the City Council in a series of workshops to work on the budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. On the first Tuesday in September, the City Manager officially presents the budget to the City Council for consideration. A second Council meeting and second reading of the budget ordinance is scheduled before October 1 to finalize the adoption of the new budget.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund and Special Revenue Fund. No supplemental appropriations were made during the fiscal year for the General Fund or Special Revenue Fund.
6. The budget approved for the Water and Sewer Fund follows similar approval procedures but departs from accounting principles generally accepted in the United States of America by not including depreciation in the approved budget. These amounts are reported at year end as part of the "actual" column. No supplemental appropriations were made during the fiscal year.
7. The Debt Service and Capital Project Funds do not have formal budgets since all are controlled by contractual obligations approved at inception or as part of the General Fund on an annual basis. The non-major governmental funds are not budgeted.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbered amounts lapse at year end. At year end, encumbrances are canceled or re-appropriated as part of the following year budget.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY *(continued)*

B. Budget/GAAP Reconciliation

The following schedule reconciles the amounts on the Statement of Revenues, Expenses and Changes in Fund Net position - Budget and Actual to the amounts on the Statement of Revenues, Expenses and Changes in Fund Net position - Enterprise Fund:

	<u>Water and Sewer Fund</u>
Net Position (Budget)	\$ 19,185,326
Depreciation	(1,217,126)
Net Position (GAAP)	\$ 17,968,200

NOTE 4. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

The EDC may invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and other investments specifically allowed by the Public Funds Investment Act of 1987 (Article 842a-2 Vernon's Civil Statutes).

At September 30, 2014, the government's carrying amount of deposits was \$184,664 and the bank balance of the government's deposits was \$527,373. Of the bank balance, \$366,600 was covered by federal depository insurance, and \$160,773 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits for the EDC, a discretely presented component unit, was \$2,075,300 and the bank balance was \$2,185,958. Of the bank balance, \$500,000 was covered by federal depository insurance and \$1,685,958 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 4. DETAILED NOTES ON ALL FUNDS *(continued)*

A. Deposits and Investments *(continued)*

In compliance with the Public Funds Investment Act, the government has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk - Deposits:** In the case of deposits this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government's policy regarding types of deposits allowed and collateral requirements is: the Depository may be a state bank authorized and regulated under Texas law; a national bank, savings and loan association, or savings bank authorized and regulated by federal law; or a savings and loan association or savings bank organized under Texas law; but shall not be any bank the deposits of which are not insured by the Federal Deposit Insurance Corporation (FDIC) and pledged securities. The government is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.
- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government investments are with the Texas Local Government Investment Pool ("TexPool"). The pool is a public funds investment pool created to provide a safe environment for the placement of local government funds in authorized short-term investments. Local investment pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Company Act of 1940. The reported value of the pool is the same as the fair value of the pool shares. The Texas Comptroller of Public Accounts exercises oversight responsibility over TexPool. The government is not exposed to custodial credit risk for its investments.
- c. **Credit Risk -** This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the government's policy to limit its investments to those investments rated at least AAAM. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's.
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the government's investment in external investment pools is less than 60 days.
- e. **Foreign Currency Risk -** This is the risk that exchange rates will adversely affect the fair value of an investment. The government is not exposed to foreign currency risk.
- f. **Concentration of Credit Risk -** This is the risk of loss attributed to the magnitude of the government's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. It is the government's policy to not allow for a concentration of credit risk.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

f. Concentration of Credit Risk - (continued)

Investments issued by the U. S. Government and investments in investment pools are excluded from the 5 percent disclosure requirement. The government is not exposed to concentration of credit risk.

At year end, the government's investment balances were as follows:

	Fair Value
U.S. Treasury Bills	\$ 1,999,344
State Treasurer's Investment Pool	7,490,679
Certificates of Deposit	750,000
Total Investments	\$ 10,240,023

B. Receivables

Receivables at September 30, 2014 consist of the following:

	General	Special Revenue	Debt Service	Enterprise	Capital Projects	Other Governmental Funds	Total
Receivables:							
Utility Bills	\$ -	-	-	876,779	-	-	876,779
Delinquent Taxes	232,283	-	37,814	-	-	-	270,097
Sales Taxes	260,850	-	-	14,716	-	-	275,566
Alcoholic Beverage Taxes	7,107	-	-	-	-	-	7,107
Franchise Taxes	226,832	-	-	-	-	-	226,832
Other	-	37,354	-	46	231,523	20,000	288,923
Gross Receivables	727,072	37,354	37,814	891,541	231,523	20,000	1,945,304
Less: Allowance for Uncollectibles	(13,548)	-	-	(24,270)	-	-	(37,818)
Net Total Receivables	\$ 713,524	37,354	37,814	867,271	231,523	20,000	1,907,486

Taxes are levied on October 1 and are payable until February 1 without penalty. Property taxes attach as an enforceable lien on property as of February 1. No discounts are allowed for early payment. Penalty is calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 up to the date collected by the government at the rate of 1% per month. Under state law, property taxes on real property constitute a lien on the property and cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes applicable to personal property may be deemed uncollectible by the government. The government's current policy is to write-off uncollectible personal property taxes after four years.

At September 30, 2014, the EDC had sales taxes receivable of \$130,360. No allowance for uncollectibles has been made.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

B. Receivables (continued)

Notes Receivable: On May 16, 2008, the Corporation sold certain real property and improvements for \$700,000 and financed the purchase. The loan is collateralized by the real property and improvements. The \$700,000 note is to be repaid in monthly payments of \$8,000 each beginning August 20, 2013 and continuing until November 28, 2020 when one final payment of \$4,000 is due.

The Corporation has made loans to small and emerging enterprises in the local areas. The loans are being repaid in monthly installments, including interest compute at two percent, and are secured by specific equipment.

The following summarizes changes in the EDC notes receivable for the fiscal year.

<u>Balance</u>			<u>Balance</u>
9/30/2013	<u>Additions</u>	<u>Retirements</u>	9/30/2014
<u>\$ 746,326</u>	<u>69,800</u>	<u>(114,202)</u>	<u>\$ 701,924</u>

C. Capital Assets

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

	Primary Government			
	<u>Beginning</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 909,192	122,248	-	1,031,440
Total Capital Assets Not Being Depreciated	909,192	122,248	-	1,031,440
Capital Assets Being Depreciated:				
Buildings and Improvements	17,619,876	1,119,337	-	18,739,213
Furniture and Equipment	4,332,213	323,194	(332,394)	4,323,013
Infrastructure	19,446,069	876,538	-	20,322,607
Total Capital Assets Being Depreciated	41,398,158	2,319,069	(332,394)	43,384,833
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,807,490)	(526,827)	-	(4,334,317)
Furniture and Equipment	(2,954,140)	(267,394)	314,259	(2,907,275)
Infrastructure	(4,193,700)	(701,834)	-	(4,895,534)
Total Accumulated Depreciation	(10,955,330)	(1,496,055)	314,259	(12,137,126)
Total Capital Assets Being Depreciated, Net	30,442,828	823,014	(18,135)	31,247,707
Governmental Activities Capital Assets, Net	\$ 31,352,020	945,262	(18,135)	32,279,147

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

C. Capital Assets (continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,452,758	-	-	1,452,758
Lakes	401,408	-	-	401,408
Dam/Spillway	2,629,410	-	-	2,629,410
Total Capital Assets Not Being Depreciated	<u>4,483,576</u>	<u>-</u>	<u>-</u>	<u>4,483,576</u>
Capital Assets Being Depreciated:				
Buildings and Plant	38,067,719	1,707,073	-	39,774,792
Equipment	2,224,786	10,793	-	2,235,579
Total Capital Assets Being Depreciated	<u>40,292,505</u>	<u>1,717,866</u>	<u>-</u>	<u>42,010,371</u>
Less Accumulated Depreciation for:				
Buildings and Plant	(21,284,165)	(1,027,540)	-	(22,311,705)
Equipment	(1,375,860)	(189,586)	-	(1,565,446)
Total Accumulated Depreciation	<u>(22,660,025)</u>	<u>(1,217,126)</u>	<u>-</u>	<u>(23,877,151)</u>
Total Capital Assets Being Depreciated, Net	<u>17,632,480</u>	<u>500,740</u>	<u>-</u>	<u>18,133,220</u>
Business-Type Activities Capital Assets, Net	<u>\$ 22,116,056</u>	<u>500,740</u>	<u>-</u>	<u>22,616,796</u>

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

Governmental Activities:	
General Government	\$ 36,504
Public Safety	210,345
Transportation	999,365
Culture and Recreation	<u>249,841</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,496,055</u>
Business-Type Activities: Water and Sewer	\$ 1,217,126
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,217,126</u>

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 4. DETAILED NOTES ON ALL FUNDS *(continued)*

C. Capital Assets *(continued)*

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Component Unit:				
Capital Assets Not Being Depreciated:				
Land	\$ 2,020,439	-	(51,627)	1,968,812
Total Capital Assets Not Being Depreciated	<u>2,020,439</u>	<u>-</u>	<u>(51,627)</u>	<u>1,968,812</u>
Capital Assets Being Depreciated:				
Buildings	5,200,448	3,768,605	-	8,969,053
Office Equipment	37,588	-	-	37,588
Total Capital Assets Being Depreciated	<u>5,238,036</u>	<u>3,768,605</u>	<u>-</u>	<u>9,006,641</u>
Less Accumulated Depreciation for:				
Buildings	(143,742)	(95,291)	-	(239,033)
Office Equipment	(10,843)	(4,115)	-	(14,958)
Total Accumulated Depreciation	<u>(154,585)</u>	<u>(99,406)</u>	<u>-</u>	<u>(253,991)</u>
Total Capital Assets Being Depreciated, Net	<u>5,083,451</u>	<u>3,669,199</u>	<u>-</u>	<u>8,752,650</u>
Component Unit Capital Assets, Net	<u>\$ 7,103,890</u>	<u>3,669,199</u>	<u>(51,627)</u>	<u>10,721,462</u>

D. Inter-fund Transfers

Inter-fund transfer activity for the year ended September 30, 2014, was as follows:

	<u>Transfers Out:</u>						<u>Total</u>
	<u>General Fund</u>	<u>TIFF Fund</u>	<u>Police Fund</u>	<u>Capital Projects Funds</u>		<u>Water & Sewer Fund</u>	
				<u>Downtown</u>	<u>City Hall/ Streets</u>		
Transfers In:							
General Fund	\$ -	-	-	-	-	1,459,872	1,459,872
Debt Service Fund	184,575	-	-	276,834	436,725	194,314	1,092,448
Special Revenue Fund	30,000	-	-	-	16,000	10,000	56,000
Capital Projects Funds:							
Downtown	248,951	27,883	-	-	-	-	276,834
City Hall/Streets	1,182,953	-	30,000	-	-	-	1,212,953
TIFF Fund	-	-	-	-	-	-	-
Tourism Fund	20,000	-	-	-	-	-	20,000
Internal Services Fund	79,560	-	-	-	-	82,440	162,000
Revolving Loan Fund	-	-	20,000	-	-	-	20,000
Water & Sewer Fund	-	-	-	-	-	-	-
Total	<u>\$1,746,039</u>	<u>27,883</u>	<u>50,000</u>	<u>276,834</u>	<u>452,725</u>	<u>1,746,626</u>	<u>4,300,107</u>

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 4. DETAILED NOTES ON ALL FUNDS *(continued)*

D. Inter-fund Transfers *(continued)*

Purpose of Transfers

Each transfer represents a specific budgetary policy decision by the City Council. To pay its share of administration and related costs, the Enterprise Fund sent the General Fund \$1,459,872. Starting with Fiscal Year 2005, the City Council assessed the three city utilities, Water, Sewer and Sanitation, all part of the Enterprise Fund, a franchise fee of 4% which is similar to franchise fees assessed on the other utilities such as electric, gas and communications. The General Fund transferred \$1,431,904 to the Capital Fund to pay for street and drainage projects, which includes \$248,951 to support the downtown TIFRZ project. The Special Revenue (Airport) Fund received \$30,000 from the General Fund, \$10,000 from the Enterprise Fund and \$16,000 from the Capital Fund to assist with operations as well as match grants for capital work. The transfers from the General, Capital and Enterprise Funds to the Debt Service Fund made specific debt service payments. The General Fund and Enterprise Fund transferred \$79,560 and \$82,440 respectively to the Internal Services Fund to pay for Property and Liability Insurance.

E. Notes Payable – Economic Development Corporation

On October 31, 2005, the Corporation purchased four tracts of land totaling approximately 286 acres from the Hopkins County Industrial Fund, Inc. The land was fully financed by the Fund through a note that bears no interest and is payable upon sale of the land by the Corporation.

On October 17, 2011, the Corporation borrowed \$1,746,475 from the Texas Leverage Fund. The loan is being repaid in 180 monthly payments of \$12,288, including interest computed at 3.25 percent.

On January 16, 2014, the Corporation borrowed \$1,200,000 from the Texas Leverage Fund. The loan is being repaid in 180 monthly payments of \$8,444, including interest computed at 3 percent.

F. Long-Term Debt

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds have been issued for both governmental and business-type activities. The government also issues revenue bonds where the government pledges income derived from the acquired or constructed assets to pay debt service.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-Term Debt (continued)

Long-term liability activity for the year ended September 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 14,560,334	-	(1,067,780)	13,492,554	1,043,495
Compensated Absences	171,708	325,000	(332,200)	164,508	28,000
Totals	<u>\$ 14,732,042</u>	<u>325,000</u>	<u>(1,399,980)</u>	<u>13,657,062</u>	<u>1,071,495</u>

The bonds will be repaid by the debt service fund. Compensated absences will be liquidated by the general fund.

Bonds payable at September 30, 2014 are comprised of the following issues for the debt service fund:

Combination Tax and Revenue Certificates of Obligation

A bond issue of \$6,975,000 (58.22% Debt Service Fund portion) dated July 1, 2007 maturing serially July 1, 2008 to July 1, 2017. Interest rates range from 4.00% to 4.25%, payable January 1 and July 1 to July 1, 2017.

\$ 1,389,750

Combination Tax and Revenue Certificates of Obligation

A bond issue of \$4,410,000 (91.59% Debt Service Fund portion) dated July 1, 2009 maturing serially September 1, 2010 to September 1, 2039. Interest rates range from 2.00% to 5.50%, payable March 1 and September 1 to September 1, 2039.

3,717,484

General Obligation Refunding Bonds

A bond issue of \$5,340,000 (45.15% Debt Service Fund portion) dated July 1, 2009 maturing serially July 1, 2010 to July 1, 2022. Interest rates range from 2.00% to 4.00%, payable January 1 and July 1 to July 1, 2022.

1,500,320

Combination Tax and Revenue Certificates of Obligation

A bond issue of \$7,440,000 dated July 1, 2012 maturing serially September 1, 2013 to September 1, 2042. Interest rates range from 1.25% to 3.75%, payable March 1 and September 1 to September 1, 2039.

\$ 6,885,000

Combined Debt

\$ 13,492,554

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 4. DETAILED NOTES ON ALL FUNDS *(continued)*

F. Long-Term Debt *(continued)*

The annual requirements to amortize the bonded debt outstanding for the debt service fund as of September 30, 2014 are as follows:

Year Ending	Principal	Interest	Total
2015	\$ 1,013,241	497,132	1,510,373
2016	1,086,873	464,638	1,551,511
2017	1,093,815	427,970	1,521,785
2018	622,690	390,554	1,013,244
2019	651,720	372,766	1,024,486
2020	617,055	353,507	970,562
2021	636,570	334,499	971,069
2022	660,590	314,837	975,427
2023	400,000	294,338	694,338
2024	415,000	281,038	696,038
2025	430,000	267,213	697,213
2026	450,000	252,863	702,863
2027	465,000	236,113	701,113
2028	475,000	218,788	693,788
2029	500,000	201,038	701,038
2030	285,000	182,288	467,288
2031	295,000	169,113	464,113
2032	305,000	155,488	460,488
2033	320,000	141,313	461,313
2034	335,000	126,413	461,413
2035	350,000	110,788	460,788
2036	370,000	94,438	464,438
2037	385,000	77,088	462,088
2038	405,000	58,625	463,625
2039	415,000	39,150	454,150
2040	165,000	19,125	184,125
2041	170,000	12,938	182,938
2042	175,000	6,563	181,563
Totals	<u>\$ 13,492,554</u>	<u>6,100,613</u>	<u>19,593,167</u>

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 4. DETAILED NOTES ON ALL FUNDS *(continued)*

F. Long-Term Debt *(continued)*

During the year ended September 30, 2014, the following changes occurred in liabilities reported for the EDC:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$3,072,928	1,200,000	(191,342)	4,081,586	165,248
	<u>\$3,072,928</u>	<u>1,200,000</u>	<u>(191,342)</u>	<u>4,081,586</u>	<u>165,248</u>

During the year ended September 30, 2014, the following changes occurred in liabilities reported in the Water and Sewer Fund.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities:					
Bonds Payable	\$ 12,054,666	-	(937,220)	11,117,446	971,251
Compensated Absences	81,043	80,213	(81,043)	80,213	74,598
	<u>\$ 12,135,709</u>	<u>80,213</u>	<u>(1,018,263)</u>	<u>11,197,659</u>	<u>1,045,849</u>

Bonds payable at September 30, 2014 are comprised of the following issues for the Water and Sewer fund:

Combination Tax and Revenue Refunding Bond

A bond issue of \$6,370,000 dated April 14, 2005, maturing serially July 1, 2006 to July 1, 2020. Interest on bond No. 1-936 @ 3.5%, 937-973 @ 3.625%, 974-1,052 @ 3.75%, 1,053-1,094 @ 3.70%, 1,095-1,180 @ 3.80%, and 1,181-1,274 @ 4.00%. Payable January 1 and July 1 each year to July 1, 2020.

\$ 1,310,000

Combination Tax and Revenue Certificates of Obligation

A bond issue of \$6,975,000 (41.78% Water and Sewer Fund portion) dated July 1, 2007 maturing serially July 1, 2008 to July 1, 2027. Interest rates range from 4.00% to 4.25% payable January 1 and July 1 to July 1, 2027.

2,000,250

Combination Tax and Revenue Certificates of Obligation

A bond issue of \$4,410,000 (8.41% Water and Sewer Fund portion) dated July 1, 2009 maturing serially September 1, 2010 to September 1, 2039. Interest rates range from 2.00% to 5.50%, payable March 1 and September 1 to September 1, 2039.

112,516

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 4. DETAILED NOTES ON ALL FUNDS *(continued)*

F. Long-Term Debt *(continued)*

General Obligation Refunding Bonds

A bond issue of \$5,340,000 (54.85 Water and Sewer Fund portion) dated July 1, 2009 maturing serially July 1, 2010 to July 1, 2022. Interest rates range from 2.00% to 4.00%, payable January 1 and July 1 to July 1, 2022.

1,909,680

Combination Tax and Revenue Certificates of Obligation

A bond issue of \$4,800,000 dated September 1, 2011 maturing serially September 1, 2013 to September 1, 2032. Interest rates range from 2.00% to 3.50%, payable March 1 and September 1 to September 1, 2032.

4,400,000

General Obligation Refunding Bonds

A bond issue of \$1,755,000 dated August 1, 2012 maturing serially September 1, 2013 to September 1, 2022. Interest rates range from 2.00% to 2.20%, payable March 1 and September 1 to September 1, 2022.

1,385,000

Combined Debt

\$ 11,117,446

These bonds will be repaid by the Water and Sewer Fund.

Debt Amortization

The annual requirements to amortize all bonded debt outstanding for the Water and Sewer Fund as of September 30, 2014 are as follows:

Year Ending	Principal	Interest	Total
2015	\$ 1,051,761	360,159	1,411,920
2016	1,053,125	327,543	1,380,668
2017	1,031,185	295,277	1,326,462
2018	1,007,310	263,289	1,270,599
2019	1,053,280	232,267	1,285,547
2020	1,022,945	198,736	1,221,681

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 4. DETAILED NOTES ON ALL FUNDS (continued)

F. Long-Term Debt (continued)

Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	808,430	165,393	973,823
2022	839,410	139,506	978,916
2023	355,000	112,019	467,019
2024	365,000	99,625	464,625
2025	380,000	86,875	466,875
2026	400,000	73,619	473,619
2027	420,000	59,650	479,650
2028	245,000	44,972	289,972
2029	255,000	37,006	292,006
2030	265,000	28,719	293,719
2031	275,000	19,775	294,775
2032	290,000	10,150	300,150
Totals	<u>\$ 11,117,446</u>	<u>2,554,579</u>	<u>13,672,025</u>

G. Restricted Assets

The balances of the restricted asset accounts in the enterprise funds are as follows:

Customer Deposits	\$ 431,443
Accrued Interest Payable	72,031
Current Revenue CO's Payable	378,130
Current Revenue Bonds Payable	200,008
Current GO Bonds Payable	393,113
Total Restricted Assets	<u>\$ 1,474,725</u>

NOTE 5. OTHER INFORMATION

A. Risk Management

The government 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. The government is a participant in the Texas Municipal League Workers' Compensation Joint Insurance Fund (WC Fund) and the Texas Municipal League Joint Self-Insurance Fund (Property-Liability Fund), a public entity risk pool operated by the Texas Municipal League Board for the benefit of individual governmental units located with Texas. The government pays an annual premium to the Funds for its workers' compensation and property and liability insurance coverage. The WC Fund and Property-Liability Fund are considered self-sustaining risk pools that provide coverage for its members for up to \$2,000,000 per insured event. There was no significant reduction in insurance coverage from the previous year. Settled claims for risks have not exceeded insurance coverage for the past three years.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 5. OTHER INFORMATION

A. Risk Management *(continued)*

The government has chosen to establish a risk financing fund for risks associated with the employee's health insurance plan. The risk financing fund is accounted for as an internal service fund where assets are set aside for claim settlements. A premium is charged to each fund that accounts for full-time employees. The total charge allocated to each of the funds (the allocation is based upon number of employees in each fund) is calculated using trends in actual claims experience. Provisions are also made for unexpected and unusual claims. Stop-loss coverage is \$60,000 per employee and \$886,521 in the aggregate.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors.

Changes in the medical claims liability amounts in fiscal year 2014 were as follows:

	2014
Unpaid Claims, Beginning of Year	\$ 98,869
Incurred Claims (Including IBNR)	705,022
Claim Payments	(705,022)
Unpaid Claims, End of Year	\$ 98,869

B. Retirement System

Plan Description

The government provides pension benefits for all of its full-time employees through a nontraditional, 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 government are within the options available in the governing 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.

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 5. OTHER INFORMATION *(continued)*

B. Retirement System *(continued)*

Plan Description *(continued)*

The plan provisions are adopted by the governing body of the government, within the options available in the state statutes governing TMRS. Plan provisions for the government were as follows:

	<u>Plan Year 2014</u>	<u>Plan Year 2013</u>
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/ years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions:

Under the state law governing TMRS, the contribution rate for each government 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 government contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the government make contributions monthly. Since the government needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and net pension obligation/(asset) are as follows:

Three-Year Trend Information for TMRS

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2012	\$ 715,728	100%	\$0
9/30/2013	\$ 417,573	100%	\$0
9/30/2014	\$ 473,324	100%	\$0

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 5. OTHER INFORMATION *(continued)*

B. Retirement System *(continued)*

Contributions *(continued)*

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:

	12/31/2011	12/31/2012	12/31/2013
Acturial Cost Method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period	25.7 years closed period	25.7 years closed period	6.1 years closed period
Amortization Period for new Gains/Losses	25 years	25 years	25 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Invest Rate of Return*	7.0%	7.0%	7.0%
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	0.0%	0.0%	0.0%

CITY OF SULPHUR SPRINGS
Notes to the Financial Statements
September 30, 2014

NOTE 5. OTHER INFORMATION *(continued)*

B. Retirement System *(continued)*

Funded Status and Funding Progress

The funded status as of December 31, 2013, the most recent actuarial valuation date, is presented as follows:

Schedule of Funding Progress for TMRS
(Dollar amounts in thousands)

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Funded Ratio</i>	<i>Unfunded AAL (UAAL)</i>	<i>Covered Payroll</i>	<i>UAAL as a Percentage of Covered Payroll</i>
(1)	(2)	(3)	(1) / (2)	(2) - (1)	(5)	(4) / (5)
12/31/2011	\$27,772	26,908	103.2%	(864)	\$6,218	(13.9%)
12/31/2012	\$29,176	28,683	101.7%	(493)	\$6,639	(7.4%)
12/31/2013	\$30,866	31,449	98.1%	(583)	\$57,064	8.3%

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 above, 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 6. EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 8, 2015, the date which the financial statements were available to be issued.

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**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Tax Increment Financing Fund - This fund is used to account for the government's local option property tax revenues in the downtown area that are restricted to pay bonded debt used to revitalize the downtown area.

Tourism Fund - This fund is used to account for hotel/motel taxes that are used to promote tourism within the City of Sulphur Springs.

Police Fund - This fund is used to account for grants and donations received for police department purposes.

CITY OF SULPHUR SPRINGS
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014

	Tax Increment Financing	Tourism	Police Fund	Revolving Loan Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ -	90,786	99,284	99,900	289,970
Notes Receivable	-	-	-	20,000	20,000
Total Assets	\$ -	90,786	99,284	119,900	309,970
LIABILITIES & FUND BALANCES					
Liabilities					
Accounts Payable	\$ -	-	307	-	307
Total Liabilities	-	-	307	-	307
Fund Balances:					
Assigned:					
Tourism	-	90,786	-	-	90,786
Other Purposes	-	-	98,977	119,900	218,877
Total Fund Balances	-	90,786	98,977	119,900	309,663
Total Liabilities and Fund Balances	\$ -	90,786	99,284	119,900	309,970

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

CITY OF SULPHUR SPRINGS
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended September 30, 2014

	Tax Increment Financing	Tourism	Police Fund	Revolving Loan Fund	Total Nonmajor Governmental Funds
REVENUES					
Property Taxes	\$ 11,241	-	-	-	11,241
Sales Taxes	-	125,757	-	-	125,757
Intergovernmental	16,642	-	33,425	99,900	149,967
Charges for Services	-	-	19,011	-	19,011
Fines and Forfeitures	-	-	130,989	-	130,989
Interest	-	88	55	-	143
Contributions	-	1,232	42,739	-	43,971
Miscellaneous	-	-	5,247	-	5,247
Total Revenues	<u>27,883</u>	<u>127,077</u>	<u>231,466</u>	<u>99,900</u>	<u>486,326</u>
EXPENDITURES					
Current:					
Public Safety	-	-	328,078	-	328,078
Culture and Recreation	-	203,032	16,283	-	219,315
Total Expenditures	<u>-</u>	<u>203,032</u>	<u>344,361</u>	<u>-</u>	<u>547,393</u>
Excess (Deficiency) of Revenues					
Over/(Under) Expenditures	<u>27,883</u>	<u>(75,955)</u>	<u>(112,895)</u>	<u>99,900</u>	<u>(61,067)</u>
OTHER FINANCING SOURCES/(USES)					
Transfers In	-	20,000	-	20,000	40,000
Transfers Out	<u>(27,883)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(77,883)</u>
Total Other Financing Sources/(Uses)	<u>(27,883)</u>	<u>20,000</u>	<u>(50,000)</u>	<u>20,000</u>	<u>(37,883)</u>
Net Change in Fund Balances	-	(55,955)	(162,895)	119,900	(98,950)
Fund Balance, Beginning	<u>-</u>	<u>146,741</u>	<u>261,872</u>	<u>-</u>	<u>408,613</u>
Fund Balance, Ending	<u>\$ -</u>	<u>90,786</u>	<u>98,977</u>	<u>119,900</u>	<u>309,663</u>

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

CITY OF SULPHUR SPRINGS
Schedule of Revenues, Expenditures, and Changes in Net Position- Budget and Actual
Enterprise Fund
For the Fiscal Year Ended September 30, 2014

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
OPERATING REVENUES			
Water Sales	\$ 4,848,000	4,960,126	112,126
Sewer Charges	3,194,000	3,433,055	239,055
Sanitation Charges	2,839,920	2,923,216	83,296
Service Charges	106,000	111,023	5,023
Water and Sewer Connections	79,500	45,475	(34,025)
Miscellaneous Revenues	42,500	38,481	(4,019)
Total Operating Revenues	<u>11,109,920</u>	<u>11,511,376</u>	<u>401,456</u>
OPERATING EXPENSES			
Personnel Services	1,786,312	2,180,355	(394,043)
Supplies	2,514,970	1,292,433	1,222,537
Contractual Services	6,216,551	3,892,566	2,323,985
Total Operating Expenses	<u>10,517,833</u>	<u>7,365,354</u>	<u>3,152,479</u>
Operating Income/(Loss)	<u>592,087</u>	<u>4,146,022</u>	<u>3,553,935</u>
NONOPERATING REVENUES/(EXPENSES)			
Interest Revenue	12,000	4,213	(7,787)
Interest Expense and Fiscal Charges	(367,790)	(367,790)	-
Total Nonoperating Revenues (Expenses)	<u>(355,790)</u>	<u>(363,577)</u>	<u>(7,787)</u>
Income Before Transfers	236,297	3,782,445	3,546,148
Transfers In	-	-	-
Transfers Out	(2,024,932)	(1,746,624)	278,308
Change in Net Position	(1,788,635)	2,035,821	3,824,456
Net Position, Beginning	<u>17,149,505</u>	<u>17,149,505</u>	<u>-</u>
Net Position, Ending	<u>\$ 15,360,870</u>	<u>19,185,326</u>	<u>3,824,456</u>

STATISTICAL SECTION

This part of the City of Sulphur Springs' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Financial Trends.....	76
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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity	89
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These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and water & sewer revenues.

Debt Capacity.....	94
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These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information.....	101
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information	104
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These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF SULPHUR SPRINGS
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year				
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	2,405	2,727	6,028	5,885	6,363
Restricted	9	2	17	14	4,007
Unrestricted	387	606	2,338	4,093	1,320
Total Governmental Activities Net Position	<u>2,801</u>	<u>3,335</u>	<u>8,383</u>	<u>9,992</u>	<u>11,690</u>
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	9,322	10,225	10,968	11,476	11,905
Restricted	466	466	467	467	597
Unrestricted	3,529	3,544	3,167	2,931	2,472
Total Business-Type Activities Net Position	<u>13,317</u>	<u>14,235</u>	<u>14,602</u>	<u>14,874</u>	<u>14,974</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	11,727	12,952	16,996	17,361	18,268
Restricted	475	468	484	481	4,604
Unrestricted	3,916	4,150	5,505	7,024	3,792
Total Primary Government Net Position	<u>16,118</u>	<u>17,570</u>	<u>22,985</u>	<u>24,866</u>	<u>26,664</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
11,148	16,493	17,947	19,271	20,015
3,216	2,668	49	19	18
1,803	1,959	3,630	3,476	3,258
<u>16,167</u>	<u>21,120</u>	<u>21,626</u>	<u>22,766</u>	<u>23,291</u>

12,330	12,662	9,740	10,262	11,499
597	468	470	617	553
2,478	3,512	7,237	6,271	5,916
<u>15,405</u>	<u>16,642</u>	<u>17,447</u>	<u>17,150</u>	<u>17,968</u>

23,478	29,155	27,687	29,533	31,514
3,813	3,136	519	636	571
4,281	5,471	10,867	9,747	9,174
<u>31,572</u>	<u>37,762</u>	<u>39,073</u>	<u>39,916</u>	<u>41,259</u>

CITY OF SULPHUR SPRINGS
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year				
	2005	2006	2007	2008	2009
EXPENSES					
Governmental Activities:					
General Government	2,960	2,089	1,884	2,012	2,027
Public Safety	4,422	4,598	5,444	5,338	5,205
Transportation	2,095	2,046	2,279	2,038	1,978
Culture and Recreation	956	1,220	1,359	1,388	1,530
Interest on Long-Term Debt	275	243	225	360	395
Total Governmental Activities	<u>10,708</u>	<u>10,196</u>	<u>11,191</u>	<u>11,136</u>	<u>11,135</u>
Business-Type Activities:					
Water and Sewer	4,982	5,335	5,874	5,836	6,221
Sanitation	1,791	1,890	1,906	2,049	2,306
Total Business-Type Activities	<u>6,773</u>	<u>7,225</u>	<u>7,780</u>	<u>7,885</u>	<u>8,527</u>
Total Primary Government Expenses	<u>17,481</u>	<u>17,421</u>	<u>18,971</u>	<u>19,021</u>	<u>19,662</u>
PROGRAM REVENUES					
Governmental Activities:					
Charges for Services:					
General Government	90	88	84	94	86
Public Safety	909	750	909	828	778
Transportation	286	356	436	721	441
Culture and Recreation	139	143	145	142	145
Operating Grants and Contributions	1,063	749	669	1,493	476
Capital Grants and Contributions	111	208	489	5	1,395
Total Governmental Activities	<u>2,598</u>	<u>2,294</u>	<u>2,732</u>	<u>3,283</u>	<u>3,321</u>
Program Revenues	<u>2,598</u>	<u>2,294</u>	<u>2,732</u>	<u>3,283</u>	<u>3,321</u>
Business-Type Activities:					
Charges for Services:					
Water and Sewer	6,222	6,833	6,603	6,803	7,191
Sanitation	1,988	2,181	2,290	2,394	2,718
Capital Grants & Contributions	-	-	-	-	-
Total Business-Type Activities	<u>8,210</u>	<u>9,014</u>	<u>8,893</u>	<u>9,197</u>	<u>9,909</u>
Program Revenues	<u>8,210</u>	<u>9,014</u>	<u>8,893</u>	<u>9,197</u>	<u>9,909</u>
Total Primary Government	<u>10,808</u>	<u>11,308</u>	<u>11,625</u>	<u>12,480</u>	<u>13,230</u>
Program Revenues	<u>10,808</u>	<u>11,308</u>	<u>11,625</u>	<u>12,480</u>	<u>13,230</u>
Net (Expense)/Revenue					
Governmental Activities	(8,110)	(7,902)	(8,459)	(7,853)	(7,814)
Business-Type Activities	<u>1,437</u>	<u>1,789</u>	<u>1,113</u>	<u>1,312</u>	<u>1,382</u>
Total Primary Government Net Expense	<u>(6,673)</u>	<u>(6,113)</u>	<u>(7,346)</u>	<u>(6,541)</u>	<u>(6,432)</u>

2010	2011	2012	2013	2014
2,022	2,116	2,157	2,573	2,647
4,874	4,982	5,925	5,360	5,277
1,600	1,952	2,604	2,136	2,715
1,400	1,349	1,238	1,247	1,333
457	435	316	586	566
10,353	10,834	12,240	11,902	12,538
6,105	6,284	6,644	7,036	6,492
2,255	2,202	2,148	2,393	2,459
8,360	8,486	8,792	9,429	8,951
18,713	19,320	21,032	21,331	21,489
125	114	110	136	188
895	1,149	941	914	1,100
363	494	599	375	451
155	137	-	-	-
712	263	760	697	378
3,142	4,220	857	165	227
5,392	6,377	3,267	2,287	2,344
7,414	8,277	8,226	8,196	8,550
2,723	2,681	2,705	2,889	2,923
-	102	15	-	-
10,137	11,060	10,946	11,085	11,473
15,529	17,437	14,213	13,372	13,817
(4,961)	(4,457)	(8,973)	(9,615)	(10,194)
1,777	2,574	2,154	1,656	2,522
(3,184)	(1,883)	(6,819)	(7,959)	(7,672)

CITY OF SULPHUR SPRINGS
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
(Amounts Expressed in Thousands)
(continued)

	Fiscal Year				
	2005	2006	2007	2008	2009
GENERAL REVENUES & OTHER CHANGES					
IN NET POSITION					
Governmental Activities:					
Taxes					
Property Taxes	2,949	3,126	3,407	3,596	3,719
Sales Taxes	2,685	2,916	2,966	3,066	3,112
Franchise Taxes	1,017	1,073	1,006	1,041	1,082
Alcoholic Beverage Taxes	11	10	14	18	19
Investment Earnings	82	141	164	211	73
Miscellaneous	221	49	90	241	152
Gain/(Loss) on Sale of Capital Assets	13	10	29	(7)	-
Transfers	906	1,111	992	1,296	1,355
Total Governmental Activities	7,884	8,436	8,668	9,462	9,512
Business-Type Activities:					
Investment Earnings	118	207	215	188	61
Miscellaneous	14	33	30	68	12
Gain on Sale of Capital Asset	22	-	1	-	-
Transfers	(906)	(1,111)	(992)	(1,296)	(1,355)
Total Business-Type Activities	(752)	(871)	(746)	(1,040)	(1,282)
Total Primary Government	7,132	7,565	7,922	8,422	8,230
 CHANGE IN NET POSITION					
Governmental Activities	(226)	534	209	1,609	1,698
Business-Type Activities	685	918	367	272	100
Total Primary Government	459	1,452	576	1,881	1,798

2010	2011	2012	2013	2014
3,794	3,637	3,620	3,871	3,862
2,989	3,067	3,090	3,416	3,531
1,008	1,104	1,052	1,140	1,204
21	21	20	25	29
41	17	13	12	4
202	199	247	219	343
-	-	-	-	-
1,384	1,365	1,437	2,070	1,747
9,439	9,410	9,479	10,753	10,720
20	8	13	10	4
17	20	74	106	38
-	-	-	-	-
(1,384)	(1,365)	(1,437)	(2,070)	(1,747)
(1,347)	(1,337)	(1,350)	(1,954)	(1,705)
8,092	8,073	8,129	8,799	9,015
4,478	4,953	506	1,138	526
430	1,237	804	(298)	817
4,908	6,190	1,310	840	1,343

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CITY OF SULPHUR SPRINGS
 Governmental Activities Tax Revenues by Source
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 (Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2005	\$ 2,949	2,685	1,017	11	6,662
2006	3,127	2,916	1,073	10	7,126
2007	3,407	2,966	1,006	14	7,393
2008	3,596	3,066	1,041	18	7,721
2009	3,719	3,112	1,082	19	7,932
2010	3,794	2,989	1,009	21	7,813
2011	3,637	3,068	1,104	21	7,830
2012	3,620	3,090	1,052	20	7,782
2013	3,871	3,416	1,140	25	8,452
2014	\$ 3,862	3,531	1,204	29	8,626

CITY OF SULPHUR SPRINGS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Unassigned	1,444	1,855	1,787	1,813
Total General Fund	1,444	1,855	1,787	1,813
All Other Governmental Funds				
Nonspendable	54	27	25	44
Restricted	724	310	3,795	3,214
Assigned	244	284	401	375
Unassigned	173	109	30	56
Total All Other Governmental Funds	1,195	730	4,251	3,689

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>1,858</u>	<u>1,822</u>	<u>2,065</u>	<u>2,404</u>	<u>2,472</u>	<u>2,324</u>
<u><u>1,858</u></u>	<u><u>1,822</u></u>	<u><u>2,065</u></u>	<u><u>2,404</u></u>	<u><u>2,472</u></u>	<u><u>2,324</u></u>
34	25	36	48	54	45
6,584	5,266	3,806	6,295	2,315	937
318	347	439	369	428	427
296	97	26	28	-	-
<u><u>7,232</u></u>	<u><u>5,735</u></u>	<u><u>4,307</u></u>	<u><u>6,740</u></u>	<u><u>2,797</u></u>	<u><u>1,409</u></u>

CITY OF SULPHUR SPRINGS
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Thousands)

	Fiscal Year			
	2005	2006	2007	2008
REVENUES				
Taxes	6,652	7,116	7,404	7,739
Licenses and Permits	67	66	69	76
Intergovernmental	1,199	936	1,153	1,474
Charges for Services	261	339	421	712
Fines	871	704	870	804
Investments Earnings	72	125	164	205
Contributions	14	3	3	22
Miscellaneous	404	295	306	435
Total Revenues	<u>9,540</u>	<u>9,584</u>	<u>10,390</u>	<u>11,467</u>
EXPENDITURES				
General Government	2,724	2,126	2,351	1,989
Public Safety	4,244	4,437	5,132	5,088
Transportation	799	886	1,015	1,220
Culture and Recreation	867	1,005	1,150	1,168
Capital Outlay	1,446	1,268	1,545	2,440
Debt Service:				
Principal	718	741	526	888
Interest	278	247	217	351
Total Expenditures	<u>11,076</u>	<u>10,710</u>	<u>11,936</u>	<u>13,144</u>
Excess of Revenues Over/(Under)				
Expenditures	<u>(1,536)</u>	<u>(1,126)</u>	<u>(1,546)</u>	<u>(1,677)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	2,396	2,658	2,803	3,306
Transfers Out	(1,595)	(1,698)	(1,903)	(2,175)
Note Issued	-	84	-	-
Bonds Issued	-	-	4,070	-
Premium on Bonds Issued	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Capital Leases	-	-	-	-
Sale of Capital Assets	15	27	30	11
Total Other Financing Sources (Uses)	<u>816</u>	<u>1,071</u>	<u>5,000</u>	<u>1,142</u>
Net Change in Fund Balances	<u>(720)</u>	<u>(55)</u>	<u>3,454</u>	<u>(535)</u>
Debt Service as a Percentage of				
Noncapital Expenditures	10.3%	10.5%	7.2%	11.6%

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
7,916	7,793	7,815	7,793	8,487	8,558
61	59	85	109	205	186
1,883	3,989	4,644	1,583	914	561
447	366	486	600	418	472
699	847	1,082	939	862	1,081
71	39	15	12	11	4
99	24	8	35	15	44
283	309	271	247	219	343
<u>11,459</u>	<u>13,426</u>	<u>14,406</u>	<u>11,318</u>	<u>11,131</u>	<u>11,249</u>
2,081	2,156	2,118	2,074	2,426	2,433
4,999	4,986	4,889	5,749	5,164	5,066
968	962	1,246	1,792	1,230	1,716
1,348	1,239	1,188	1,035	1,021	1,083
2,495	5,461	6,119	5,444	5,319	2,441
865	892	839	872	1,166	1,068
480	487	437	301	596	562
<u>13,236</u>	<u>16,183</u>	<u>16,836</u>	<u>17,267</u>	<u>16,922</u>	<u>14,369</u>
<u>(1,777)</u>	<u>(2,757)</u>	<u>(2,430)</u>	<u>(5,949)</u>	<u>(5,791)</u>	<u>(3,120)</u>
3,325	3,509	3,489	3,589	4,506	4,138
(2,175)	(2,285)	(2,244)	(2,308)	(2,591)	(2,553)
-	-	-	-	-	-
6,450	-	-	7,440	-	-
132	-	-	-	-	-
(2,368)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,364</u>	<u>1,224</u>	<u>1,245</u>	<u>8,721</u>	<u>1,915</u>	<u>1,585</u>
<u>3,587</u>	<u>(1,533)</u>	<u>(1,185)</u>	<u>2,772</u>	<u>(3,876)</u>	<u>(1,535)</u>
12.5%	12.9%	11.9%	9.9%	11.6%	13.7%

CITY OF SULPHUR SPRINGS
 General Governmental Tax Revenues By Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 (Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Alcoholic Beverage Tax</u>	<u>Total</u>
2005	\$ 2,940	2,684	1,017	11	6,652
2006	3,118	2,916	1,072	10	7,116
2007	3,419	2,966	1,006	13	7,404
2008	3,614	3,066	1,041	18	7,739
2009	3,703	3,112	1,082	19	7,916
2010	3,775	2,989	1,009	21	7,794
2011	3,623	3,067	1,104	21	7,815
2012	3,630	3,090	1,052	20	7,792
2013	3,906	3,416	1,140	25	8,487
2014	\$ 3,793	3,531	1,204	29	8,557

CITY OF SULPHUR SPRINGS
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

Fiscal Year Ended Sep. 30	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property					
2005	\$323,196	377,822	42,083	658,935	0.44000	701,018	94.00%
2006	334,427	403,817	43,186	695,058	0.44000	738,244	94.15%
2007	360,140	436,630	45,553	751,217	0.44000	796,770	94.28%
2008	380,577	461,761	48,078	794,260	0.44000	842,338	94.29%
2009	392,215	483,682	41,777	834,120	0.44000	875,897	95.23%
2010	395,251	513,130	61,107	847,274	0.44000	908,381	93.27%
2011	387,156	494,583	70,122	811,617	0.44000	881,739	92.05%
2012	387,853	560,941	69,251	879,543	0.44000	948,794	92.70%
2013	391,957	507,502	57,229	842,230	0.44000	899,459	93.64%
2014	\$396,756	544,528	86,806	854,478	0.44000	941,284	90.78%

Source: Hopkins County Central Appraisal District

CITY OF SULPHUR SPRINGS
Property Tax Rates
Direct and Overlapping Governments
(Per \$100 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	City of Sulphur Springs			Sulphur Springs Independent School District	Hopkins County	Hopkins County Hospital District	Total
	General Fund	Debt Service Funds	Total				
2005	\$ 0.35907	0.08093	0.44000	1.50465	0.54250	0.1637	2.65085
2006	0.36390	0.07610	0.44000	1.50465	0.54250	0.1637	2.65085
2007	0.37312	0.06688	0.44000	1.41196	0.54250	0.1637	2.55816
2008	0.37144	0.06856	0.44000	1.13219	0.54250	0.1637	2.27839
2009	0.37224	0.06776	0.44000	1.13307	0.56000	0.1637	2.29677
2010	0.37293	0.06707	0.44000	1.40540	0.56000	0.1637	2.56910
2011	0.37422	0.06578	0.44000	1.36048	0.56546	0.2137	2.57964
2012	0.37217	0.06703	0.43920	1.36048	0.56057	0.2137	2.57395
2013	0.37374	0.06627	0.44000	1.24000	0.56057	0.2137	2.45427
2014	\$ 0.37882	0.06118	0.44000	1.35048	0.61208	0.2500	3.09256

Source: Applicable Taxing Entities

CITY OF SULPHUR SPRINGS
Principal Property Taxpayers
September 30, 2014
(Amounts Expressed in Thousands)

<u>Taxpayer</u>	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Saputo Dairy Foods, Inc.	\$ 28,205	1	3.30%	\$ 18,819	2	2.82%
Ocean Spray Cranberries, Inc.	21,962	2	2.57%	16,954	3	2.54%
Jeld-Wen, Inc.	21,565	3	2.52%	6,948	9	1.04%
Wal-Mart Stores, Inc.	16,109	4	1.88%	13,613	5	2.04%
Flowservice US Inc.	15,320	5	1.79%	23,724	1	3.56%
Grocery Supply Company	11,671	6	1.36%	14,173	4	2.13%
BEF Foods, Inc.	9,771	7	1.14%			
Oncor Electric Delivery Co.	7,979	8	0.93%	7,017	8	1.05%
CMH Manufacturing	7,149	9	0.83%			
Morningstar Foods, LLC	5,764	10	0.67%			
Dairy Farmers of America	-			10,477	6	1.57%
Verizon Southwest	-			6,012	10	0.90%
Midwest Mix, Inc	-			8,393	7	1.26%
Totals	<u>\$ 145,495</u>		<u>16.99%</u>	<u>\$ 126,130</u>		<u>18.91%</u>

Source: Hopkins County Central Appraisal District

CITY OF SULPHUR SPRINGS
Property Tax Levies and Collections (1)
Last Ten Fiscal Years

Fiscal Year Ended September 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2005	\$ 2,893,259	2,822,454	97.6%	65,172	2,887,626	99.8%
2006	3,048,909	2,957,694	97.0%	83,378	3,041,072	99.7%
2007	3,307,509	3,234,937	97.8%	63,360	3,298,297	99.7%
2008	3,502,000	3,423,591	97.8%	56,688	3,480,279	99.4%
2009	3,670,280	3,576,232	97.4%	75,978	3,652,210	99.5%
2010	3,722,293	3,635,029	97.7%	62,576	3,697,605	99.3%
2011	3,571,114	3,479,170	97.4%	49,525	3,528,695	98.8%
2012	3,558,832	3,487,673	98.0%	22,484	3,510,157	98.6%
2013	3,671,928	3,596,022	97.9%	30,376	3,626,398	98.8%
2014	\$ 3,756,497	3,704,064	98.6%	-	3,704,064	98.6%

Notes: (1) Includes general and debt service funds.

CITY OF SULPHUR SPRINGS
Water and Sewer Revenues
Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

<u>Fiscal Year</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2005	\$ 3,703	2,269	5,972
2006	4,296	2,408	6,704
2007	3,919	2,561	6,480
2008	4,108	2,608	6,716
2009	4,234	2,791	7,025
2010	4,441	2,843	7,284
2011	5,097	2,980	8,077
2012	4,998	3,056	8,054
2013	4,801	3,180	7,981
2014	\$ 4,960	3,433	8,393

CITY OF SULPHUR SPRINGS
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands, Except per Capita Amount)

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government
	General Obligation Bonds	Notes	Capital Leases	Revenue Bonds	General Obligation Bonds	Notes	Capital Leases	
2005	\$ 5,881		22	7,980	6,384		12	20,279
2006	5,140	68		7,190	6,015	246		18,659
2007	8,675	52		6,385	8,540	188		23,840
2008	7,787	35		5,550	8,018	127		21,517
2009	11,022	18		4,690	7,968	65		23,763
2010	10,130			3,795	7,430			21,355
2011	9,291			2,870	6,929			19,090
2012	15,727			1,915	11,378			29,020
2013	14,560			1,505	10,550			26,615
2014	\$ 13,493			1,310	9,807			24,610

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

- (1) See the Schedule of Demographic and Economic Statistics on page 101 for personal income and population data

<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
8.00%	1,375
7.34%	1,262
9.07%	1,559
8.19%	1,407
8.80%	1,576
7.20%	1,357
6.09%	1,233
8.82%	1,867
8.48%	1,712
7.74%	1,550

CITY OF SULPHUR SPRINGS
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Amounts Expressed in Thousands, Except Per Capita Amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value(1) of Property</u>	<u>Per Capita (2)</u>
2005	\$ 5,881	9	5,872	0.84%	398
2006	5,140	2	5,138	0.70%	347
2007	8,675	17	8,658	1.08%	566
2008	7,787	14	7,773	0.92%	508
2009	11,022	30	10,992	1.25%	729
2010	10,130	61	10,069	1.11%	640
2011	16,220	7	16,213	1.84%	1,047
2012	27,105	11	27,094	2.86%	1,743
2013	25,110	19	25,091	2.98%	1,344
2014	\$ 23,300	18	23,282	2.72%	1,467

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 89 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 101

CITY OF SULPHUR SPRINGS
Direct and Overlapping Governmental Activities Debt
As of September 30, 2014
(Amounts Expressed in Thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Sulphur Springs I.S.D.	\$ 55,205	77.71%	\$ 42,900
Hopkins County	5,260	58.05%	3,053
Hopkins County Hospital District	30,420	58.05%	<u>17,659</u>
Total Overlapping Debt			63,612
City of Sulphur Springs Direct Debt			<u>13,493</u>
Total Direct and Overlapping Debt			<u><u>\$ 77,105</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Hopkins County Central Appraisal District. Debt outstanding data provided by the governmental units.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Sulphur Springs. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

¹ The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the governmental unit's taxable assessed value that is within the governmental's boundaries and dividing it by the governmental unit's total taxable assessed value.

CITY OF SULPHUR SPRINGS
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (Amounts Expressed in Thousands)

	Fiscal Year			
	2005	2006	2007	2008
Debt Limit	79,798	83,605	90,458	95,017
Total Net Debt Applicable to Limit	19,889	17,989	23,218	20,984
Legal Debt Margin	59,909	65,616	67,240	74,033
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	24.92%	21.52%	25.67%	22.08%

Note: Under state finance law, the City of Sulphur Springs' outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
99,521	102,968	100,086	107,321	89,946	70,846
<u>23,292</u>	<u>20,992</u>	<u>18,725</u>	<u>28,650</u>	<u>25,091</u>	<u>23,282</u>
<u>76,229</u>	<u>81,976</u>	<u>81,361</u>	<u>78,671</u>	<u>64,855</u>	<u>47,564</u>
23.40%	20.39%	18.71%	26.70%	27.90%	32.86%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed Value	\$ 854,478
Add Back: Exempt Real Property	<u>86,806</u>
Total Assessed Value	<u>941,284</u>
Debt Limit (10% of Total Assessed Value)	<u>94,128</u>
Debt Applicable to Limit:	
General Obligation Bonds	23,300
Less Amount Set Aside for Repayment of General Obligation Debt	<u>(18)</u>
Total Net Debt Applicable to Limit	<u>23,282</u>
Legal Debt Margin	<u>\$ 70,846</u>

CITY OF SULPHUR SPRINGS
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Amounts Expressed in Thousands)

Fiscal Year	Water and Sewer Revenue Bonds					
	Charges and Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2005	\$ 8,342	5,261	3,081	667	495	2.65
2006	9,254	5,654	3,600	1,159	551	2.11
2007	9,138	6,235	2,903	1,194	508	1.71
2008	9,453	6,264	3,189	1,357	574	1.65
2009	9,983	6,862	3,121	1,355	534	1.65
2010	10,175	6,795	3,380	1,433	467	1.78
2011	11,088	6,974	4,114	1,426	422	2.23
2012	11,034	7,142	3,892	1,474	497	1.97
2013	11,201	8,650	2,551	1,239	494	1.47
2014	\$ 11,515	8,582	2,933	937	368	2.25

Note: Details regarding the government's outstanding debt can be found in the notes to the financial statements. Charges and other includes investment earnings and intergovernmental. Operating expenses do not include depreciation.

CITY OF SULPHUR SPRINGS
Demographic and Economic Statistics
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>(1) Population</u>	<u>Personal Income (Amts. Expressed in Thousands)</u>	<u>(1) Per Capita Personal Income</u>	<u>(1) Median Age</u>	<u>(2) Education Level in Years of Formal Schooling</u>	<u>(3) School Enrollment</u>	<u>(2) Unemployment Rate</u>
2005	14,748	\$ 253,400	17,182	36	13.5	4,181	4.4%
2006	14,787	254,070	17,182	36	13.5	4,200	4.1%
2007	15,290	262,713	17,182	36	13.5	4,036	4.0%
2008	15,290	262,713	17,182	36	13.5	4,135	4.4%
2009	15,079	270,049	17,909	36	13.5	4,127	6.5%
2010	15,739	296,664	18,849	36	13.5	4,151	6.4%
2011	15,478	313,507	20,255	36	13.5	4,221	7.8%
2012	15,541	328,848	21,160	38	13.5	4,054	6.5%
2013	15,541	313,493	20,172	38	13.5	4,301	6.5%
2014	15,868	\$ 317,800	20,555	36	13.5	4,387	4.7%

Date Sources

- (1) Bureau of the Census
- (2) Texas Workforce Commission
- (3) Sulphur Springs I.S.D.

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CITY OF SULPHUR SPRINGS
Principal Employers
Current Year and Ten Years Ago

<u>Employer</u>	<u>2014</u>			<u>2004</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Sulpher Springs I.S.D.	634	1	5.58%	641	1	6.18%
Hopkins County Hospital	357	2	3.14%	450	3	4.34%
Grocery Supply Company	450	3	3.96%	500	2	4.82%
Wal-Mart Stores, Inc.	400	4	3.52%	350	5	3.38%
Saputo Foods, Inc.	320	5	2.81%	112	10	1.08%
Owen Sausage	242	6	2.13%			
CMH Manufacturing	218	7	1.76%	215	8	2.07%
Flowserve, Inc.	200	8	1.92%	250	7	2.41%
Hopkins County	160	9	1.40%			
City of Sulphur Springs	150	10	1.32%			
Qualified Employment Services				351	4	3.39%
Jordan Health Services				300	6	2.89%
A. K. Gillis				179	9	1.73%
Total	<u>3,131</u>		<u>27.54%</u>	<u>3,348</u>		<u>32.29%</u>

Source: Texas Workforce Commission

CITY OF SULPHUR SPRINGS
 Full-time Equivalent City Government Employees by Function
 Last Ten Fiscal Years

FUNCTION	Fiscal Year			
	2005	2006	2007	2008
General Government	27	27	29	30
Public Safety:				
Police:				
Officers	32	30	29	31
Civilians	10	10	11	11
Fire	22	22	31	23
Highways and Streets	12	11	9	13
Culture & Recreation:				
Parks and Recreation	8	8	16	13
Libraries	7	7	5	7
Water	22	22	27	25
Sewer	11	11	11	8
Total	<u>151</u>	<u>148</u>	<u>168</u>	<u>161</u>

Source: Finance Department

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
30	25	26	28	21	24
33	32	30	32	28	30
9	8	9	11	11	8
22	25	23	22	22	22
16	17	18	21	15	13
12	13	13	5	7	7
6	5	5	7	5	5
24	19	20	22	22	21
<u>9</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>9</u>
<u><u>161</u></u>	<u><u>152</u></u>	<u><u>152</u></u>	<u><u>156</u></u>	<u><u>139</u></u>	<u><u>139</u></u>

CITY OF SULPHUR SPRINGS
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
FUNCTION				
Police	1,228	1,393	993	1,139
Physical Arrests	599	492	433	430
Accidents	4,794	5,766	6,627	6,261
Citations				
Fire				
Number of Calls Answered	1,365	1,279	1,100	1,116
Inspections	714	671	656	470
Highways & Streets				
Street Reconstruction (miles)	0.9	1.1	0.7	0.3
Street Resurfacing (miles)	2.3	1.3	4.5	2.1
Sanitation				
Refuse Collected (yd3/year)	108,252	111,863	107,909	121,189
Water				
New Connections	1,710	1,653	1,194	52
Water Main Breaks	326	562	144	182
Average Daily Consumption (thousands of gallons)	4,732	4,088	3,612	4,179
Wastewater				
Average Daily Consumption (thousands of gallons)	1,030	1,020	2,980	3,000

Sources: Various Government Departments

2009	2010	2011	2012	2013	2014
1,196	871	1,107	1,092	961	1,045
532	556	533	472	466	357
6,314	7,290	8,702	6,222	6,677	7,794
1,130	1,226	1,603	1,399	1,472	1,354
527	664	571	564	989	622
0.2	0.7	3.6	1.3	0.47	0.55
2.1	0.8	2.5	2.7	1.1	-
132,516	132,516	113,044	124,878	121,762	131,483
37	32	46	42	54	54
178	202	379	295	352	352
4,140	4,212	4,095	3,818	3,997	3,864
2,810	3,200	2,500	2,500	2,500	2,730

CITY OF SULPHUR SPRINGS
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

	Fiscal Year			
	2005	2006	2007	2008
FUNCTION				
Public Safety				
Police:				
Stations	1	1	1	1
Patrol Units	6	6	6	6
Fire Stations	2	2	2	2
Highway & Streets				
Streets (miles)	85	85	85	85
Culture & Recreation				
Parks Acreage	89	89	89	89
Parks	3	3	3	3
Swimming Pools	1	1	1	1
Tennis Courts	4	2	2	2
Water				
Water Mains (miles)	114	114	145	145
Fire Hydrants	728	729	805	805
Maximum Daily Capacity (thousands of gallons)	10,000	10,000	10,000	10,000
Sewer				
Sanitary Sewers (miles)	126	126	136	136
Maximum Daily Treatment Capacity (thousands of gallons)	5,400	5,400	5,400	5,400

Sources: Various City Departments

Note: No capital asset indicators are available for the general government function

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
6	8	8	10	10	10
2	2	2	2	2	2
85	85	85	85	85	85
89	89	89	89	89	89
3	3	3	3	3	3
1	1	-	-	-	-
2	2	2	2	2	2
145	145	145	145	145	145
805	848	875	875	875	875
10,000	10,000	10,000	10,000	10,000	10,000
136	136	136	136	136	136
5,400	5,400	5,400	5,400	5,400	5,400