

**CITY OF SULPHUR SPRINGS, TEXAS**

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2016

Prepared by:

Department of Finance



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## INTRODUCTORY SECTION

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February 6, 2017

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, 2016.

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, 2016. 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. 18 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, a Wendy's and miscellaneous other small companies. Six years ago a company out of Ohio established a factory making straws which has employed 40 individuals. Five years ago a company out of Canada making trailers opened shop, employing another 40. Bob Evans Sulphur Springs Plant which originally opened 11 years ago just finished its third expansion, which has tripled its original size and workforce. Over the last several years a new Chevrolet dealership opened for business along with a Wendy's, a Scholtzsky's, a Panda Express, and a company providing support for the oil and gas industry employing 40 employees. In October of 2016, Plant process Equipment, Inc., a privately held engineering and construction company specializing in projects for the chemical, petrochemical, bio-fuel, and green industries, began operations in Sulphur Springs with the plan to eventually employ around 150 workers once they reach full operations.

Unemployment over the decade 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 in 2013 by 10.7%, 3.4% in 2014; 4.3% in 2015, and 5.1% in 2016. The City's tax base continues to expand in all sectors.

### **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 10-15 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, while continuing to develop smaller but significant infrastructure projects radiating out from downtown.



## **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.

Three 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 into FY 2016, 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. In 2016 that project went out for bid with a construction cost of \$17.4 million. The city received funding assistance from the Texas Water Development Board with 30 year bonds with an overall interest rate of 1.38%.

## **Awards & 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

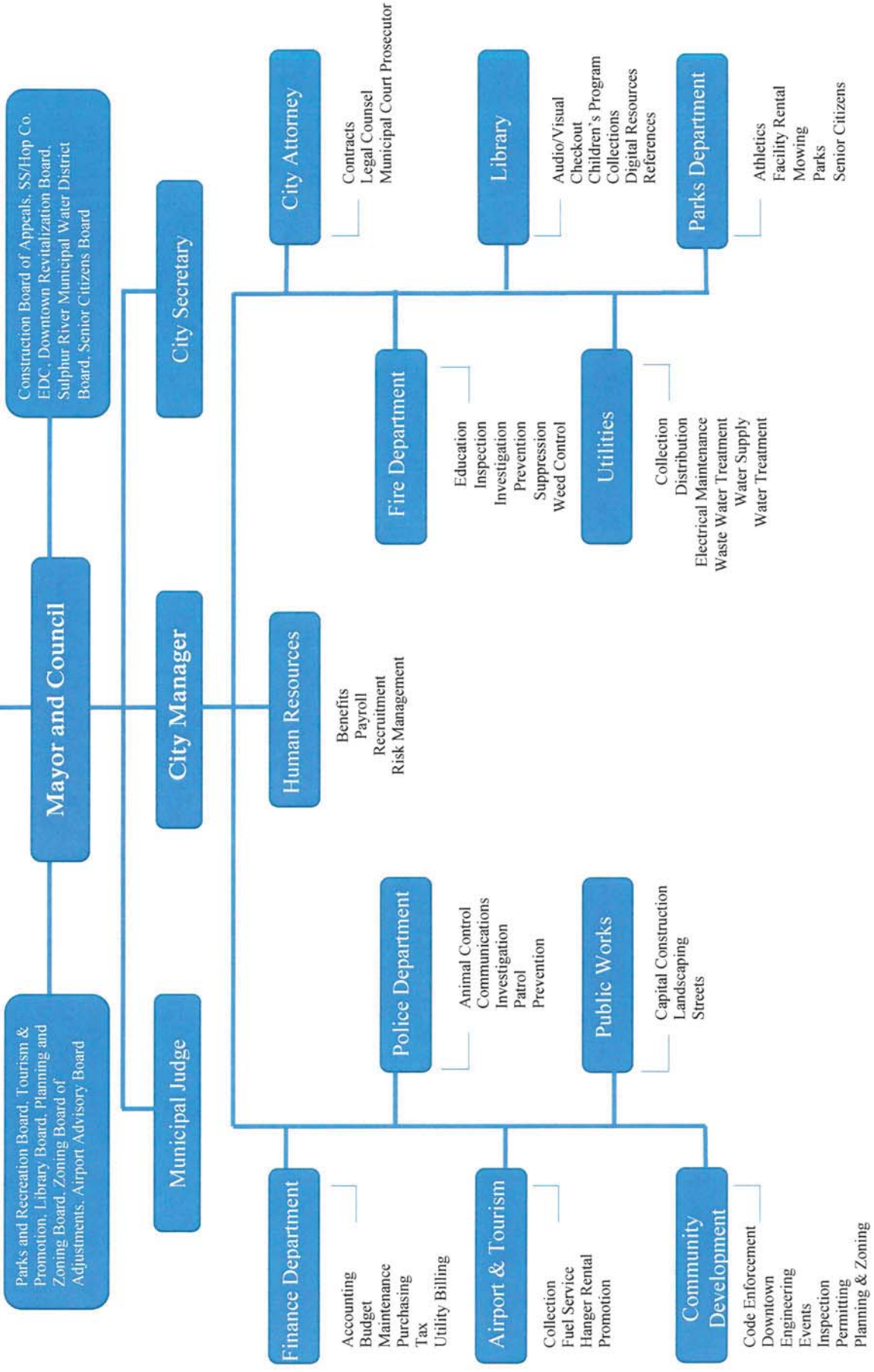
**City of Sulphur Springs  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2015**

Executive Director/CEO

# Citizens of Sulphur Springs



Parks and Recreation Board, Tourism & Promotion, Library Board, Planning and Zoning Board, Zoning Board of Adjustments, Airport Advisory Board

Mayor and Council

Construction Board of Appeals, SS/Hop Co. EDC, Downtown Revitalization Board, Sulphur River Municipal Water District Board, Senior Citizens Board

Municipal Judge

City Manager

City Secretary

Finance Department

- Accounting
- Budget
- Maintenance
- Purchasing
- Tax
- Utility Billing

Airport & Tourism

- Collection
- Fuel Service
- Hanger Rental
- Promotion

Police Department

- Animal Control
- Communications
- Investigation
- Patrol
- Prevention

Human Resources

- Benefits
- Payroll
- Recruitment
- Risk Management

Fire Department

- Education
- Inspection
- Investigation
- Prevention
- Suppression
- Weed Control

Library

- Audio/Visual
- Checkout
- Children's Program
- Collections
- Digital Resources
- References

Public Works

- Capital Construction
- Landscaping
- Streets

Community Development

- Code Enforcement
- Downtown
- Engineering
- Events
- Inspection
- Permitting
- Planning & Zoning

Utilities

- Collection
- Distribution
- Electrical Maintenance
- Waste Water Treatment
- Water Supply
- Water Treatment

Parks Department

- Athletics
- Facility Rental
- Mowing
- Parks
- Senior Citizens

City Attorney

- Contracts
- Legal Counsel
- Municipal Court Prosecutor

## CITY OF SULPHUR SPRINGS, TEXAS

List of Principal Officials  
September 30, 2016

<u>Title</u>	<u>Name</u>
Mayor	Emily Glass
Mayor Pro Tem	Clay Walker
Councilman	Oscar Aguilar
Councilman	John Sellers
Councilman	Freddie Taylor
Councilman	Craig Johnson
Councilwoman	Kayla Price
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	vacant
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

8950 Gary Burns Drive, Suite D

Frisco, Texas 75034

PH 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, 2016, 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, 2016, 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, budgetary comparison schedules and information, pension plan information and other postemployment benefits information 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 fund financial statements and schedules 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  
February 6, 2017



## Management's Discussion & 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, 2016. 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 \$43,301,875 (net position). Of this amount, \$9,558,441, (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 \$1,138,469. The primary reason for the increase in net position was positive results from 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 \$5,136,454, a decrease of \$1,878,932 in comparison with the prior year. The reason for the decrease in fund balances is a result of expenditures of bond proceeds from a prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,230,539 or 23 percent of total general fund expenditures.
- The City of Sulphur Springs long-term debt decreased by \$2,438,873 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 Spring's 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 narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the 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 three capital projects funds, all of which are considered to be major funds. Data from the four 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.

**Private Purpose Trust Funds.** Private Purpose Trust funds are used to account for resources held for the benefit of parties outside the government. Private Purpose 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 Private Purpose Trust funds is much like that used for proprietary funds.

The basic Private Purpose 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 73 – 75 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 \$43,274,766 at the close of the most recent fiscal year.

A portion of the City of Sulphur Springs’ net position (77 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 Spring’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF SULPHUR SPRINGS – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current & Other Assets	\$ 6,828,000	8,563,171	5,179,508	6,897,206	12,007,508	15,460,377
Capital Assets	33,335,626	31,866,564	25,324,934	24,092,197	58,660,560	55,958,761
Deferred Outflows	2,293,429	587,970	906,911	367,912	3,200,340	955,882
Total Assets & Deferred Outflows	42,457,055	41,017,705	31,411,353	31,357,315	73,868,408	72,375,020
Long-Term Liabilities	17,144,874	18,121,867	9,198,444	10,660,324	26,343,318	28,782,191
Other Liabilities	2,256,286	719,749	1,805,048	709,674	4,061,334	1,429,423
Deferred Inflows	122,404	-	39,477	-	161,881	-
Total Liabilities & Deferred Inflows	19,523,564	18,841,616	11,042,969	11,369,998	30,566,533	30,211,614
Net Position						
Net Invested in Capital Assets	17,204,691	18,083,529	15,898,639	13,044,487	33,103,330	31,128,016
Restricted	48,746	34,663	591,358	617,932	640,104	652,595
Unrestricted	5,680,054	4,057,897	3,878,387	6,324,898	9,558,441	10,382,795
Total Net Position	\$ 22,933,491	22,176,089	20,368,384	19,987,317	43,301,875	42,163,406

An additional portion of the City of Sulphur Springs' net position (1.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$9,558,441 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.

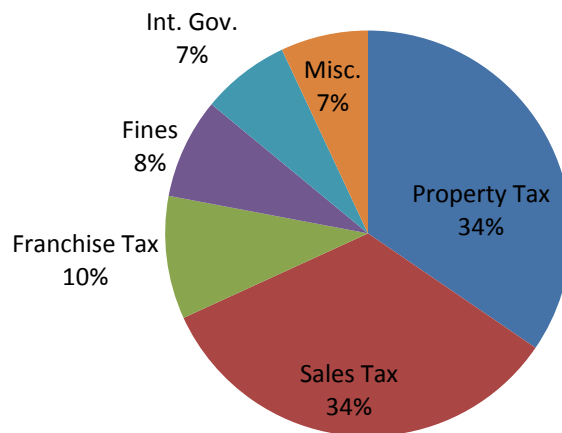
There was an increase of \$1,975,314 in net investment in capital assets.

The government's net position increased by \$1,138,469 during the current fiscal year. That increase was caused by 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 \$757,402.

## Revenue by Source Governmental Activities



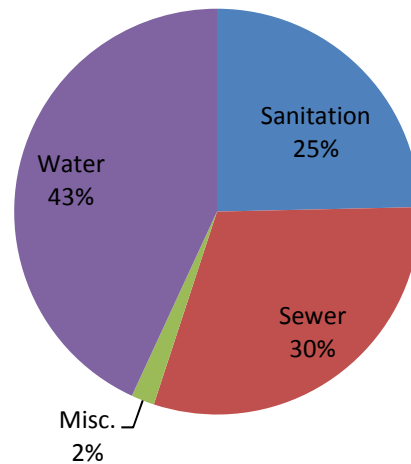
## CITY OF SULPHUR SPRINGS – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,274,482	1,383,020	12,264,142	12,002,548	13,538,624	13,385,568
Operating Grants & Contributions	446,921	317,922	-	-	446,921	317,922
Capital Grants & Contributions	444,283	118,848	-	-	444,283	118,848
General Revenues:					-	-
Property Taxes	3,954,384	3,913,495	-	-	3,954,384	3,913,495
Other Taxes	5,045,745	5,108,723	-	-	5,045,745	5,108,723
Other	447,098	208,291	69,844	49,778	516,942	258,069
Total Revenues	<u>11,612,913</u>	<u>11,050,299</u>	<u>12,333,986</u>	<u>12,052,326</u>	<u>23,946,899</u>	<u>23,102,625</u>
					-	
Expenses:						
General Government	2,691,065	3,168,990	-	-	2,691,065	3,168,990
Public Safety	5,342,949	5,112,185	-	-	5,342,949	5,112,185
Transportation	1,989,401	3,562,261	-	-	1,989,401	3,562,261
Sanitation	-	-	2,651,955	2,369,887	2,651,955	2,369,887
Culture & Recreation	2,475,067	1,719,800	-	-	2,475,067	1,719,800
Interest on Long-Term Debt	610,565	694,793	-	-	610,565	694,793
Water & Sewer	-	-	7,047,428	6,151,643	7,047,428	6,151,643
Total Expenses	<u>13,109,047</u>	<u>14,258,029</u>	<u>9,699,383</u>	<u>8,521,530</u>	<u>22,808,430</u>	<u>22,779,559</u>
Increase/(Decrease) in Net Position Before Transfers	(1,496,134)	(3,207,730)	2,634,603	3,530,796	1,138,469	323,066
Transfers	2,253,536	1,651,121	(2,253,536)	(1,651,121)	-	-
Increase/(Decrease) in Net Position	757,402	(1,556,609)	381,067	1,879,675	1,138,469	323,066
Net Position - Beginning	<u>22,176,089</u>	<u>23,732,698</u>	<u>19,987,317</u>	<u>18,107,642</u>	<u>42,163,406</u>	<u>41,840,340</u>
Net Position - Ending	<u>\$ 22,933,491</u>	<u>22,176,089</u>	<u>20,368,384</u>	<u>19,987,317</u>	<u>43,301,875</u>	<u>42,163,406</u>

## Business-Type Activities

Business-Type Activities (after transfers) increased the City of Sulphur Springs' net position by \$381,067.

### 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 \$5,136,454, a decrease of \$1,878,932 from the prior year. Most of the decrease is a result of bond proceeds from the prior year. Of the current combined ending fund balance, a total of \$2,363,169 is restricted for construction, while \$2,230,539 is unassigned in the General Fund. Fund balance restricted for debt service is \$48,746.

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 \$2,230,539. Total unassigned fund balance represents 23% of total general fund expenditures.

The airport fund has a total fund balance of \$178,861. The airport fund had a decrease of \$104,328 in fund balance.

The debt service fund has a total fund balance of \$48,746, all of which is restricted for payment of debt service. The debt service fund had a \$14,083 increase in fund balance.

The Capital Project Funds have a total fund balance of \$2,363,169, all of which is restricted for construction. The decrease in fund balance of \$1,344,028 represents an increase in construction on projects.

**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 \$3,878,387. The total increase in net position of the Enterprise Fund was \$381,067. 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 \$81,751 less than budgetary estimates and expenditures were \$52,128 less than budgetary estimates. The budget had called for a \$234,079 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 \$477,835.

### **Capital Asset & Debt Administration**

**Capital Assets.** The City of Sulphur Springs investment in capital assets for its governmental and business type activities as of September 30, 2016, amounts to \$58,660,560 (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:

- Fuel farm at the airport, city hall construction, police department improvements, 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 \$25,380,000. Of this amount, \$4,525,000 comprises General Obligation Bonds and \$20,855,000 represents Combination Tax and 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 & 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 (increase of 10.7%) finally brought on a recovery. FY 2014 to FY 2016 continued to grow but more modestly at 3.4%, 4.3%, and 5.1% respectively. That rate of growth should continue into FY 2017. With inflation at virtually zero or even at times negative those increases shows real economic growth.
- 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 2017.
- The FY 2017 budget uses \$200,290 of fund balance which is the use of the budget surplus from the prior year. Property tax rates stay the same at the long term historical level of 44 cents per hundred. Water and Sewer rates will increase by 2.25%, part of which is to fund the wastewater plant improvements. Sanitation rates will increase by 2.0% which is the anticipated contractual CPI increase.

### **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, 2016

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Economic Development
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 3,810,623	307,226	4,117,849	3,396,205
Investments	1,695,734	2,543,601	4,239,335	-
Restricted Cash & Cash Equivalents	-	1,573,792	1,573,792	-
Receivables (Net of Allowance for Uncollectibles):				
Utility Bills	-	744,118	744,118	-
Delinquent Property Taxes	268,092	-	268,092	-
Other Taxes	531,239	10,771	542,010	149,437
Other	500,472	-	500,472	-
Notes Receivable	-	-	-	463,257
Inventory	21,840	-	21,840	-
Capital Assets Not Being Depreciated				
Land & Right of Way	1,031,440	1,452,760	2,484,200	1,652,612
Lakes	-	401,408	401,408	-
Dams/Spillways/Appurtenances	-	2,629,410	2,629,410	-
Construction in Progress	589,857	1,598,292	2,188,149	-
Capital Assets (Net of Accumulated Depreciation):				
Building, Systems & Improvements	15,293,049	18,385,650	33,678,699	8,690,176
Furniture & Equipment	1,406,338	857,414	2,263,752	14,401
Infrastructure	15,014,942	-	15,014,942	-
Total Assets	<u>40,163,626</u>	<u>30,504,442</u>	<u>70,668,068</u>	<u>14,366,088</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred Outflows	2,293,429	906,911	3,200,340	-
Total Deferred Outflow of Resources	<u>2,293,429</u>	<u>906,911</u>	<u>3,200,340</u>	<u>-</u>
Total Assets & Deferred Outflows	<u>42,457,055</u>	<u>31,411,353</u>	<u>73,868,408</u>	<u>14,366,088</u>
<b>LIABILITIES</b>				
Accounts Payable	556,921	151,043	707,964	-
Deposits	-	445,973	445,973	-
Accrued Interest Payable	75,655	49,299	124,954	-
Noncurrent Liabilities:				
Due Within One Year	1,623,710	1,158,733	2,782,443	176,346
Due in More than One Year	14,507,225	8,347,775	22,855,000	3,974,927
Net Pension Liability	2,637,649	850,669	3,488,318	-
Total Liabilities	<u>19,401,160</u>	<u>11,003,492</u>	<u>30,404,652</u>	<u>4,151,273</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows - TMRS	122,404	39,477	161,881	-
Total Deferred Inflows of Resources	<u>122,404</u>	<u>39,477</u>	<u>161,881</u>	<u>-</u>
Total Liabilities & Deferred Inflows	<u>19,523,564</u>	<u>11,042,969</u>	<u>30,566,533</u>	<u>4,151,273</u>
<b>NET POSITION</b>				
Net Invested in Capital Assets	17,204,691	15,898,639	33,103,330	6,205,916
Restricted for:				
Debt Service	48,746	591,358	640,104	-
Unrestricted	5,680,054	3,878,387	9,558,441	4,008,899
Total Net Position	<u>\$ 22,933,491</u>	<u>20,368,384</u>	<u>43,301,875</u>	<u>10,214,815</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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,691,065	92,351	24,811	-
Public Safety	5,342,949	903,769	179,500	-
Transportation	1,989,401	275,473	-	440,643
Culture & Recreation	2,475,067	2,889	242,610	3,640
Interest & Fiscal Charges	610,565	-	-	-
Total Governmental Activities	<u>13,109,047</u>	<u>1,274,482</u>	<u>446,921</u>	<u>444,283</u>
Business-Type Activities:				
Water & Sewer	7,047,428	9,228,429	-	-
Sanitation	2,651,955	3,035,713	-	-
Total Business-Type Activities	<u>9,699,383</u>	<u>12,264,142</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 22,808,430</u>	<u>13,538,624</u>	<u>446,921</u>	<u>444,283</u>
<b>Component Unit:</b>				
Economic Development	\$ 1,693,241	-	-	-
Total Component Unit	<u>\$ 1,693,241</u>	<u>-</u>	<u>-</u>	<u>-</u>

General Revenues:  
Property Taxes  
Sales Taxes  
Franchise Taxes  
Alcoholic Beverage Taxes  
Unrestricted Investment Earnings  
Insurance Proceeds, Net  
Miscellaneous Revenue  
Transfers  
Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning (as restated)

Net Position - Ending

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development
(2,573,903)		(2,573,903)	
(4,259,680)		(4,259,680)	
(1,273,285)		(1,273,285)	
(2,225,928)		(2,225,928)	
(610,565)		(610,565)	
(10,943,361)		(10,943,361)	
	2,181,001	2,181,001	
	383,758	383,758	
	2,564,759	2,564,759	
(10,943,361)	2,564,759	(8,378,602)	
			(1,693,241)
			(1,693,241)
3,954,384	-	3,954,384	-
3,883,752	-	3,883,752	1,869,579
1,131,471	-	1,131,471	-
30,522	-	30,522	-
23,313	17,959	41,272	7,818
117,333	-	117,333	-
306,452	51,885	358,337	406,273
2,253,536	(2,253,536)	-	-
11,700,763	(2,183,692)	9,517,071	2,283,670
757,402	381,067	1,138,469	590,429
22,176,089	19,987,317	42,163,406	9,624,386
\$ 22,933,491	20,368,384	43,301,875	10,214,815

**CITY OF SULPHUR SPRINGS**

Balance Sheet  
Governmental Funds  
September 30, 2016

	General Fund	Airport Fund	Debt Service Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash & Cash Equivalents	355,109	(252,115)	48,746
Investments	1,695,734	-	-
Receivables (Net of Allowance for Uncollectibles):			
Delinquent Property Taxes	228,873	-	39,219
Other Taxes	531,239	-	-
Other	1,465	478,574	-
Inventory	-	21,840	-
Total Assets	<u>2,812,420</u>	<u>248,299</u>	<u>87,965</u>
 <b>LIABILITIES</b>			
Liabilities:			
Accounts Payable	<u>340,962</u>	<u>69,438</u>	-
Total Liabilities	<u>340,962</u>	<u>69,438</u>	-
 <b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable Revenue Property Taxes	<u>240,919</u>	-	39,219
Total Deferred Inflow of Resources	<u>240,919</u>	<u>-</u>	<u>39,219</u>
 <b>FUND BALANCES:</b>			
Nonspendable:			
Inventory	-	21,840	-
Restricted:			
Debt Service	-	-	48,746
Capital Projects	-	-	-
Assigned:			
Tourism	-	-	-
Police Contingency	-	-	-
Revolving Loan Fund	-	-	-
Airport Contingency	-	157,021	-
Unassigned	<u>2,230,539</u>	-	-
Total Fund Balances	<u>2,230,539</u>	<u>178,861</u>	<u>48,746</u>
 Total Liabilities, Deferred Inflows, & Fund Balances	<u>\$ 2,812,420</u>	<u>248,299</u>	<u>87,965</u>

Capital Project Funds	Special Revenue Funds	Total Governmental Funds
2,403,967	294,706	2,850,413
-	-	1,695,734
-	-	268,092
-	-	531,239
-	20,433	500,472
-	-	21,840
<u>2,403,967</u>	<u>315,139</u>	<u>5,867,790</u>
<u>40,798</u>	<u>-</u>	<u>451,198</u>
<u>40,798</u>	<u>-</u>	<u>451,198</u>
<u>-</u>	<u>-</u>	<u>280,138</u>
<u>-</u>	<u>-</u>	<u>280,138</u>
-	-	21,840
-	-	48,746
2,363,169	-	2,363,169
-	96,297	96,297
-	100,097	100,097
-	118,745	118,745
-	-	157,021
-	-	2,230,539
<u>2,363,169</u>	<u>315,139</u>	<u>5,136,454</u>
<u>2,403,967</u>	<u>315,139</u>	<u>\$ 5,867,790</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, 2016

<b>Total Fund Balances - Governmental Funds</b>	\$	5,136,454
<p>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 position. The net effect of this consideration is to increase net position.</p>		
		854,487
<p>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 \$45,109,979 and the accumulated depreciation was \$(13,243,416). In addition, long-term liabilities, including bonds payable of \$(17,490,222), 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 position.</p>		
		14,376,341
<p>Current year capital outlays of \$3,116,213 and long-term debt principal payments of \$1,536,517 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 position.</p>		
		4,652,730
<p>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 position.</p>		
		(75,655)
<p>The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>		
		(1,645,620)
<p>Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$(2,637,649), a deferred resource inflow in the amount of \$(122,404), and a deferred resource outflow in the amount of \$2,293,429. The net effect of the GASB 68 adjustment is to decrease net position.</p>		
		(466,624)
<p>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 and Deferred outflows and Inflows of Resources. The net effect of these reclassifications is to increase net position.</p>		
		101,378
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>22,933,491</b>

**CITY OF SULPHUR SPRINGS**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended September 30, 2016

	General Fund	Airport Fund	Debt Service Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 3,405,007	-	569,494
Sales	3,722,191	-	-
Franchise	1,131,471	-	-
Alcoholic Beverage	30,522	-	-
Licenses & Permits	92,351	-	-
Intergovernmental	179,500	440,643	-
Charges for Services	2,889	275,473	-
Fines & Forfeitures	869,004	-	-
Interest	10,098	195	2,675
Contributions	-	-	-
Miscellaneous	152,630	51,142	-
Total Revenues	<u>9,595,663</u>	<u>767,453</u>	<u>572,169</u>
<b>EXPENDITURES</b>			
Current:			
General Government	2,489,486	-	-
Public Safety	4,955,109	-	-
Transportation	701,051	346,767	-
Culture & Recreation	1,268,557	-	-
Capital Outlay	208,013	528,514	-
Debt Service:			
Principal	-	-	1,536,517
Interest & Fiscal Charges	-	-	607,007
Total Expenditures	<u>9,622,216</u>	<u>875,281</u>	<u>2,143,524</u>
Excess/(Deficiency) of Revenues			
Over/(Under) Expenditures	<u>(26,553)</u>	<u>(107,828)</u>	<u>(1,571,355)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,621,041	56,000	1,665,763
Transfers Out	<u>(2,072,323)</u>	<u>(52,500)</u>	<u>(80,325)</u>
Total Other Financing Sources (Uses)	<u>(451,282)</u>	<u>3,500</u>	<u>1,585,438</u>
Net Change in Fund Balances	(477,835)	(104,328)	14,083
Fund Balances - Beginning - Restated	<u>2,708,374</u>	<u>283,189</u>	<u>34,663</u>
Fund Balances - Ending	<u>\$ 2,230,539</u>	<u>178,861</u>	<u>48,746</u>

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

<u>Capital Project Funds</u>	<u>Special Revenue Funds</u>	<u>Total Governmental Funds</u>
-	14,710	3,989,211
-	161,561	3,883,752
-	-	1,131,471
-	-	30,522
-	-	92,351
3,640	190,391	814,174
-	-	278,362
-	55,532	924,536
7,475	1,117	21,560
-	77,030	77,030
-	102,680	306,452
<u>11,115</u>	<u>603,021</u>	<u>11,549,421</u>
-	-	2,489,486
-	231,463	5,186,572
1,424,821	-	2,472,639
-	243,495	1,512,052
969,089	-	1,705,616
-	-	-
-	-	1,536,517
-	-	607,007
<u>2,393,910</u>	<u>474,958</u>	<u>15,509,889</u>
<u>(2,382,795)</u>	<u>128,063</u>	<u>(3,960,468)</u>
2,162,346	12,500	5,517,650
<u>(1,123,579)</u>	<u>(107,387)</u>	<u>(3,436,114)</u>
<u>1,038,767</u>	<u>(94,887)</u>	<u>2,081,536</u>
(1,344,028)	33,176	(1,878,932)
<u>3,707,197</u>	<u>281,963</u>	<u>7,015,386</u>
<u>2,363,169</u>	<u>315,139</u>	<u>5,136,454</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, 2016

**Total Net Change in Fund Balances - Governmental Funds** \$ (1,878,932)

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. 270,319

Current year capital outlays of \$3,116,213 and long-term debt principal payments of \$1,461,952, 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. 4,652,730

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 position. (3,558)

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. (1,645,620)

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/15 caused the change in the ending net position to increase in the amount of \$258,179. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$(261,795). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$(584,842). The net effect of the GASB 68 adjustment is to decrease net position. (588,458)

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, recognizing the liabilities associated with compensated absences and changes in unfunded pension obligation. The net effect of these reclassifications is to decrease net position. (49,079)

**Change in Net Position of Governmental Activities** \$ 757,402

**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, 2016

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 3,346,714	3,405,007	58,293
Sales	3,600,000	3,722,191	122,191
Franchise	1,330,000	1,131,471	(198,529)
Alcoholic Beverages	28,000	30,522	2,522
License & Permits	139,200	92,351	(46,849)
Intergovernmental	179,500	179,500	-
Charges for Services	3,000	2,889	(111)
Fines & Forfeitures	900,000	869,004	(30,996)
Interest	6,000	10,098	4,098
Miscellaneous	195,000	152,630	(42,370)
Total Revenues	<u>9,727,414</u>	<u>9,595,663</u>	<u>(131,751)</u>
<b>EXPENDITURES</b>			
Current:			
General Government			
Administration	653,796	655,587	(1,791)
Finance & Tax	392,807	397,093	(4,286)
Municipal Court	570,561	566,117	4,444
Community Development	544,930	541,065	3,865
Maintenance - Purchasing	348,172	329,624	18,548
Department Capital	127,000	46,405	80,595
Total General Government	<u>2,637,266</u>	<u>2,535,891</u>	<u>101,375</u>
Public Safety:			
Police	3,167,534	3,175,442	(7,908)
Fire	1,796,554	1,779,667	16,887
Department Capital	180,000	113,345	66,655
Total Public Safety	<u>5,144,088</u>	<u>5,068,454</u>	<u>75,634</u>
Transportation:			
Street	724,265	701,051	23,214
Department Capital	52,000	-	52,000
Total Transportation	<u>776,265</u>	<u>701,051</u>	<u>75,214</u>
Culture & Recreation:			
Library	338,801	334,417	4,384
Parks & Recreation	580,090	539,736	40,354
Downtown	353,059	394,404	(41,345)
Department Capital	30,000	48,263	(18,263)
Total Culture & Recreation	<u>1,301,950</u>	<u>1,316,820</u>	<u>(14,870)</u>
Total Expenditures	<u>9,859,569</u>	<u>9,622,216</u>	<u>237,353</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ (132,155)</u>	<u>(26,553)</u>	<u>105,602</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, 2016  
*continued*

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	1,621,041	1,621,041	-
Transfer Out	<u>(1,858,190)</u>	<u>(2,072,323)</u>	<u>(214,133)</u>
Total Other Financing Sources/(Uses)	<u>(237,149)</u>	<u>(451,282)</u>	<u>(214,133)</u>
Net Change in Fund Balances	(369,304)	(477,835)	(108,531)
Fund Balances - Beginning	<u>2,708,374</u>	<u>2,708,374</u>	<u>-</u>
Fund Balances - Ending	<u><u>2,339,070</u></u>	<u><u>2,230,539</u></u>	<u><u>(108,531)</u></u>

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

Airport Fund

For the Fiscal Year Ended September 30, 2016

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental	\$ 275,000	440,643	165,643
Charges for Services	273,575	275,473	1,898
Interest	-	195	195
Miscellaneous	46,160	51,142	4,982
Total Revenues	<u>594,735</u>	<u>767,453</u>	<u>172,718</u>
<b>EXPENDITURES</b>			
Transportation	341,156	346,767	(5,611)
Capital Outlay	397,654	528,514	(130,860)
Total Expenditures	<u>738,810</u>	<u>875,281</u>	<u>(136,471)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(144,075)</u>	<u>(107,828)</u>	<u>36,247</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	56,000	56,000	-
Transfer Out	(40,000)	(52,500)	(12,500)
Bonded Debt Proceeds	-	-	-
Total Other Financing Sources/(Uses)	<u>16,000</u>	<u>3,500</u>	<u>(12,500)</u>
Net Change in Fund Balances	(128,075)	(104,328)	23,747
Fund Balances - Beginning	<u>283,189</u>	<u>283,189</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 155,114</u>	<u>178,861</u>	<u>23,747</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, 2016

	Business-Type Activities		Governmental
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
<b>ASSETS</b>			
Current Assets:			
Cash & Cash Equivalents	\$ 307,226	2,406,622	960,210
Investments	2,543,601	1,874,305	-
Restricted Cash & Cash Equivalents	1,573,792	1,679,539	-
Receivables (Net of Allowance of Uncollectibles)			
Utility Bills	744,118	921,433	-
Sales Taxes	10,771	15,307	-
Total Current Assets	<u>5,179,508</u>	<u>6,897,206</u>	<u>960,210</u>
Noncurrent Assets:			
Capital Assets:			
Land & Right-of-Way	1,452,760	1,452,760	-
Lakes	401,408	401,408	-
Dams/Spillways/Appurtenances	2,629,410	2,629,410	-
Buildings & Systems	40,314,096	38,861,961	-
Equipment	2,626,138	2,482,797	-
Construction in Progress	1,598,292	657,431	-
Less: Accumulated Depreciation	<u>(23,697,170)</u>	<u>(22,393,569)</u>	<u>-</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>25,324,934</u>	<u>24,092,198</u>	<u>-</u>
Total Noncurrent Assets	<u>25,324,934</u>	<u>24,092,198</u>	<u>-</u>
Total Assets	<u>30,504,442</u>	<u>30,989,404</u>	<u>960,210</u>
Deferred Outflow of Resources:			
Deferred Outflows	906,911	367,912	-
Total Deferred Outflow of Resources	<u>906,911</u>	<u>367,912</u>	<u>-</u>
Total Assets & Deferred Outflows	<u><u>31,411,353</u></u>	<u><u>31,357,316</u></u>	<u><u>960,210</u></u>

**CITY OF SULPHUR SPRINGS**

Statement of Net Position

Proprietary Fund

September 30, 2016

*continued*

	Business-Type Activities		Governmental
	Enterprise	Enterprise	Activities
	Fund	Fund	Internal
	Current Year	Prior Year	Service
			Fund
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 151,043	223,163	105,723
Deposits	445,973	437,213	-
Accrued Interest	49,299	49,299	-
Compensated Absences Payable	80,213	74,598	-
Current Portion of Revenue Certificates of Obligation Payable	441,210	569,429	-
Current Portion of General Obligation Enterprise Bonds Payable	637,310	623,598	-
Total Current Liabilities	<u>1,805,048</u>	<u>1,977,300</u>	<u>105,723</u>
Noncurrent Liabilities:			
Compensated Absences	-	5,615	-
Revenue Certificates of Obligation Payable	5,572,115	5,823,781	-
General Obligation Bonds Payable	2,775,660	3,412,970	-
Net Pension Liability	850,669	150,333	-
Total Noncurrent Liabilities	<u>9,198,444</u>	<u>9,392,699</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows	39,477	-	-
Total Deferred Inflows of Resources	<u>39,477</u>	<u>-</u>	<u>-</u>
Total Liabilities & Deferred Inflows	<u>11,042,969</u>	<u>11,369,999</u>	<u>105,723</u>
<b>NET POSITION</b>			
Net Invested in Capital Assets	15,898,639	13,044,488	-
Restricted for:			
Revenue Bond Current Debt Service	591,358	617,932	-
Unrestricted	3,878,387	6,324,897	854,487
Total Net Position	<u>\$ 20,368,384</u>	<u>19,987,317</u>	<u>854,487</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, 2016

	Business-Type Activities		Governmental Activities
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
<b>OPERATING REVENUES</b>			
Charges for Sales & Services	\$ -	-	1,475,051
Water Sales	5,308,547	5,173,493	-
Sewer Charges	3,743,944	3,853,277	-
Sanitation Charges	3,035,713	2,826,303	-
Service Charges	116,888	113,077	-
Water & Sewer Connections	59,050	36,398	-
Miscellaneous Revenues	51,885	43,950	-
Total Operating Revenues	<u>12,316,027</u>	<u>12,046,498</u>	<u>1,475,051</u>
<b>OPERATING EXPENSES</b>			
Cost of Sales & Services	-	-	1,371,072
Administration	-	-	124,746
Personnel Services	2,520,845	2,290,889	-
Supplies	1,167,855	1,079,142	-
Contractual Services	4,413,247	3,660,964	-
Depreciation	1,303,601	1,238,255	-
Total Operating Expenses	<u>9,405,548</u>	<u>8,269,250</u>	<u>1,495,818</u>
Operating Income (Loss)	<u>2,910,479</u>	<u>3,777,248</u>	<u>(20,767)</u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>			
Interest Revenue	17,959	5,828	1,753
Interest Expense & Fiscal Charges	<u>(293,835)</u>	<u>(252,280)</u>	-
Total Nonoperating Revenues (Expenses)	<u>(275,876)</u>	<u>(246,452)</u>	<u>1,753</u>
Net Income/(Loss) Before Transfers	2,634,603	3,530,796	(19,014)
Transfers In	-	-	172,000
Transfers Out	(2,253,536)	(2,006,121)	-
Bonded Debt Proceeds	-	355,000	-
Insurance Proceeds	-	-	339,458
Insurance Claim Expenditures	-	-	(222,125)
Change in Net Position	381,067	1,879,675	270,319
Net Position - Beginning - Restated	<u>19,987,317</u>	<u>18,107,642</u>	<u>584,168</u>
Net Position - Ending	<u>\$ 20,368,384</u>	<u>19,987,317</u>	<u>854,487</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, 2016

	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 & Users	\$ 12,506,638	11,982,799	1,814,509
Cash Payments to Suppliers for Goods & Services	(5,653,222)	(4,653,542)	(1,717,943)
Cash Payments to Employees for Services	(2,320,031)	(2,179,713)	-
Net Cash Provided/(Used) by Operating Activities	<u>4,533,385</u>	<u>5,149,544</u>	<u>96,566</u>
Cash Flows from Noncapital Financing Activities:			
Transfers to Other Funds	(2,253,536)	(2,006,121)	-
Transfers from Other Funds	-	355,000	172,000
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(2,253,536)</u>	<u>(1,651,121)</u>	<u>172,000</u>
Cash Flows from Capital & Related Financing Activities:			
Acquisition & Construction of Capital Assets	(2,536,337)	(2,713,656)	
Principal Paid on Bonds	(1,003,483)	(2,177,668)	
Proceeds from Sale of Bonds	-	1,490,000	
Interest Paid on Debt	(293,835)	(275,012)	
Net Cash Provided/(Used) by Capital & Related Financing Activities	<u>(3,833,655)</u>	<u>(3,676,336)</u>	
Cash Flows from Investing Activities:			
Proceeds from Sale of Investments	(178,571)	2,261,246	-
Purchase of Investments	(490,725)	-	-
Interest on Deposits & Investments	17,959	5,828	1,753
Net Cash Provided/(Used) by Investing Activities	<u>(651,337)</u>	<u>2,267,074</u>	<u>1,753</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,205,143)	2,089,161	270,319
Cash & Cash Equivalents - Beginning	<u>4,086,161</u>	<u>1,997,000</u>	<u>689,891</u>
Cash & Cash Equivalents - Ending	<u>\$ 1,881,018</u>	<u>4,086,161</u>	<u>960,210</u>

**CITY OF SULPHUR SPRINGS**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2016  
*continued*

	Business-Type Activities		Governmental Activities
	Enterprise Fund	Enterprise Fund	Internal Service Fund
	Current Year	Prior Year	Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income/(Loss)	\$ 2,910,479	3,777,248	96,566
<b>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities</b>			
Depreciation Expense	1,303,601	1,238,255	-
(Increase)/Decrease in Accounts Receivable	177,315	(68,878)	-
(Increase)/Decrease in Sales Tax Receivable	4,536	(591)	-
(Increase)/Decrease in Deferred Outflows	(538,999)	(14,513)	-
Increase/(Decrease) in Accounts Payable	(72,120)	86,564	-
Increase/(Decrease) in Customer Deposits	8,760	5,770	-
Increase/(Decrease) in Compensated Absences	-	-	-
Increase/(Decrease) in Net Pension Liability	700,336	150,333	-
Increase/(Decrease) in Deferred Inflows	39,477	(24,644)	-
Total Adjustments	1,622,906	1,372,296	-
Net Cash Provided/(Used) by Operating Activities	\$ 4,533,385	5,149,544	96,566

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

**CITY OF SULPHUR SPRINGS**  
Statement of Fiduciary Net Position  
Private Purpose Trust Funds  
September 30, 2016

	Private Purpose Trust Funds	
	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 19,762	122,113
Total Assets	19,762	122,113
 <b>LIABILITIES</b>		
Accounts Payable	-	1,847
Total Liabilities	-	1,847
 <b>NET POSITION</b>		
Held in Trust	\$ 19,762	120,266

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

**CITY OF SULPHUR SPRINGS**  
Statement of Changes in Fiducirary Net Position  
Private Purpose Trust Funds  
For the Fiscal Year Ended September 30, 2016

	Private Purose Trust Funds	
	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan
<b>ADDITIONS</b>		
Contributions	\$ 5,429	202,598
Interest Income	-	345
Total Additions	5,429	202,943
<b>DEDUCTIONS</b>		
General Government	2,300	165,369
Total Deductions	2,300	165,369
Change in Net Position	3,129	37,574
Net Position, Beginning	16,633	82,692
Net Position, Ending	\$ 19,762	120,266

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

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

**(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 & 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, 2016

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

**B. Government – Wide & 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 & 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, 2016

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

**C. Measurement Focus, Basis of Accounting & 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. This was a volunteer single-employer defined contribution plan for volunteer fire fighters before the City established a fire department. No contributions are being made into the plan and once assets are depleted the plan will be closed.

The *employee pension fund* is used to account for employee contributions and employers match to an employee supplemental retirement plan. This is a volunteer single-employer define contribution plan established under section 457(b) of the Internal Revenue Code. Approximately 85 active employees participate in the plan. The City matches fifty percent of the employee's contribution limited to \$3,216 per employee per year. Total City contributions were \$164,780.

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, 2016

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

**C. Measurement Focus, Basis of Accounting & 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 & Net Position or Equity**

**1. Deposits & 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, 2016.

**3. Inventories & 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, 2016

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

**D. Assets, Liabilities & 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, 2016

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

**D. Assets, Liabilities & 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, 2016

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

**D. Assets, Liabilities & 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, 2016.
- **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, 2016, fund balances are composed of the following:

	General Fund	Airport Fund	Debt Service Fund	Capital Projects Funds	Special Revenue Funds	Total Governmental Funds
Nonspendable:						
Inventories	\$ -	21,840	-	-	-	21,840
Restricted:						-
Debt Service	-	-	48,746	-	-	48,746
Capital Projects	-	-	-	2,363,169	-	2,363,169
Committed	-	-	-	-	-	-
Assigned:						-
Tourism	-	-	-	-	96,297	96,297
Police Contingency	-	-	-	-	100,097	100,097
Revolving Loan Fund	-	-	-	-	118,745	118,745
Airport Contingency	-	157,021	-	-	-	157,021
Unassigned	2,230,539	-	-	-	-	2,230,539
<b>Total Fund Balances</b>	<b>\$ 2,230,539</b>	<b>178,861</b>	<b>48,746</b>	<b>2,363,169</b>	<b>315,139</b>	<b>5,136,454</b>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

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

**E. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS.

For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(2) **RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS**

**A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet & 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 \$101,378 adjustment are as follows:

Long-Term Debt:	
Compensated Absences Payable	\$ (177,230)
Deferred Revenue:	
To Remove the Uncollected Tax Levy from Deferred Revenue	280,138
Capital Assets	
Disposal of Capital Assets	<u>(1,530)</u>
Net Adjustment to Decrease Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ 101,378</u>

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances & 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.”

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

**(2) RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS**  
*(continued)*

**B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances & the Government – Wide Statement of Activities** *(continued)*

The details of this \$(49,079) adjustment are as follows:

Long-Term Debt:	
Changes in Compensated Absences Payable	\$ (12,722)
Taxes:	
To Move the Uncollected Tax Levy to Revenue	280,138
To Remove the Prior Year Tax Collections from Current Year Revenue	(314,965)
	(34,827)
Capital Assets:	
Disposal of Capital Assets	(1,530)
	(1,530)
Net Adjustment to Decrease Net Changes in Fund Balance - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	\$ (49,079)
	(49,079)

**(3) STEWARDSHIP, COMPLIANCE & 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.



**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

**(3) STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY (continued)**

**A. Budgetary Information (continued)**

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.

**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 &amp; Sewer Fund</u>
Net Position (Budget)	\$ 21,671,985
Depreciation	(1,303,601)
Net Position (GAAP)	\$ 20,368,384

**(4) DETAILED NOTES ON ALL FUNDS**

**A. Deposits & 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, 2016, the government's carrying amount of deposits was \$286,112 and the bank balance of the government's deposits was \$375,059. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$125,029 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, 2016

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

**A. Deposits & Investments** *(continued)*

The carrying amount of deposits for the EDC, a discretely presented component unit, was \$3,396,205 and the bank balance was \$3,439,563. Of the bank balance, \$500,000 was covered by federal depository insurance and \$2,939,563 was covered by collateral held by the pledging financial institution's trust department or agent in the government's name.

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.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

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

**A. Deposits & Investments (continued)**

- 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. 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	\$ 3,489,335
State Treasurer's Investment Pool	6,016,064
Certificates of Deposit	750,000
Total Investments	\$ 10,255,399

**B. Receivables**

Receivables at September 30, 2016 consist of the following:

	General	Airport	Debt Service	Enterprise	Capital Projects	Special Revenue Funds	Total
Receivables:							
Utility Bills	\$ -	-	-	744,118	-	-	744,118
Delinquent Taxes	240,919	-	39,219	-	-	-	280,138
Sales Taxes	298,988	-	-	10,771	-	-	309,759
Alcoholic Beverage Taxes	7,894	-	-	-	-	-	7,894
Franchise Taxes	225,445	-	-	-	-	-	225,445
Other	377	478,574	-	-	-	20,433	499,384
Gross Receivables	773,623	478,574	39,219	754,889	-	20,433	2,066,738
Less: Allowance for Uncollectibles	(12,046)	-	-	-	-	-	(12,046)
Net Total Receivables	\$ 761,577	478,574	39,219	754,889	-	20,433	2,054,692

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, 2016, the EDC had sales taxes receivable of \$149,437. No allowance for uncollectibles has been made.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

(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.

Beginning Balance	Additions	Retirements	Ending Balance
\$ 610,808	-	(147,551)	\$ 463,257

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2016 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	1,031,440	-	-	1,031,440
Construction in Progress	125,225	1,472,755	(1,008,123)	589,857
Total Capital Assets Not Being Depreciated	1,156,665	1,472,755	(1,008,123)	1,621,297
Capital Assets Being Depreciated:				
Buildings & Improvements	19,390,079	1,398,974	-	20,789,053
Furniture & Equipment	4,503,454	195,468	(16,204)	4,682,718
Infrastructure	20,059,781	1,057,139	-	21,116,920
Total Capital Assets Being Depreciated	43,953,314	2,651,581	(16,204)	46,588,691
Less Accumulated Depreciation for:				
Buildings & Improvements	(4,889,379)	(606,625)	-	(5,496,004)
Furniture & Equipment	(2,994,911)	(296,143)	14,674	(3,276,380)
Infrastructure	(5,359,126)	(742,852)	-	(6,101,978)
Total Accumulated Depreciation	(13,243,416)	(1,645,620)	14,674	(14,874,362)
Total Capital Assets Being Depreciated, Net	30,709,898	1,005,961	(1,530)	31,714,329
Governmental Activities				
Net Investment in Capital Assets	\$ 31,866,563	2,478,716	(1,009,653)	33,335,626

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

(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	\$ 1,452,760	-	-	1,452,760
Lakes	401,408	-	-	401,408
Dam/Spillway	2,629,410	-	-	2,629,410
Construction in Progress	657,431	1,023,849	(82,988)	1,598,292
Total Capital Assets Not Being Depreciated	5,141,009	1,023,849	(82,988)	6,081,870
Capital Assets Being Depreciated:				
Buildings & Plant	38,861,961	1,452,135	-	40,314,096
Equipment	2,482,797	143,341	-	2,626,138
Total Capital Assets Being Depreciated	41,344,758	1,595,476	-	42,940,234
Less Accumulated Depreciation for:				
Buildings & Plant	(20,822,833)	(1,105,613)	-	(21,928,446)
Equipment	(1,570,736)	(197,988)	-	(1,768,724)
Total Accumulated Depreciation	(22,393,569)	(1,303,601)	-	(23,697,170)
Total Capital Assets Being Depreciated, Net	18,951,189	291,875	-	19,243,064
Business-Type Activities				
Net Investment in Capital Assets	\$ 24,092,198	1,315,724	(82,988)	25,324,934

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

Governmental Activities:	
General Government	\$ 113,535
Public Safety	161,412
Transportation	1,143,168
Culture & Recreation	227,505
Total Depreciation Expense - Governmental Activities	\$ 1,645,620
Business-Type Activities: Water & Sewer	
Total Depreciation Expense - Business-Type Activities	\$ 1,303,601

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

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

**C. Capital Assets (continued)**

Capital asset activity for the EDC for the year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Component Unit:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,968,812	-	(316,200)	1,652,612
Total Capital Assets Not Being Depreciated	<u>1,968,812</u>	<u>-</u>	<u>(316,200)</u>	<u>1,652,612</u>
Capital Assets Being Depreciated:				
Buildings	10,859,195	1,480,362	(2,993,679)	9,345,878
Office Equipment	37,588	-	-	37,588
Total Capital Assets Being Depreciated	<u>10,896,783</u>	<u>1,480,362</u>	<u>(2,993,679)</u>	<u>9,383,466</u>
Less Accumulated Depreciation for:				
Buildings	(422,055)	(233,647)	-	(655,702)
Office Equipment	(19,072)	(4,115)	-	(23,187)
Total Accumulated Depreciation	<u>(441,127)</u>	<u>(237,762)</u>	<u>-</u>	<u>(678,889)</u>
Total Capital Assets Being Depreciated, Net	<u>10,455,656</u>	<u>1,242,600</u>	<u>(2,993,679)</u>	<u>8,704,577</u>
Component Unit				
Net Investment in Capital Assets	<u>\$ 12,424,468</u>	<u>1,242,600</u>	<u>(3,309,879)</u>	<u>10,357,189</u>

**D. Inter-Fund Transfers**

Inter-fund transfer activity for the year ended September 30, 2016, was as follows:

<b>Transfers Out:</b>									
General Fund	Airport Fund	Debt Service Fund	Capital Projects	Tax Increment Financing	Tourism	Police Fund	Water & Sewer Fund	Total	
General Fund	-	-	-	-	50,000	-	1,571,041	1,621,041	
Airport Fund	30,000	-	16,000	-	-	-	10,000	56,000	
Debt Service Fund	306,836	-	1,107,579	-	-	-	251,348	1,665,763	
Capital Projects	1,656,632	40,000	80,325	39,521	-	17,866	328,002	2,162,346	
Tourism	-	12,500	-	-	-	-	-	12,500	
Internal Services Fund	78,855	-	-	-	-	-	93,145	172,000	
Total	<u>\$ 2,072,323</u>	<u>52,500</u>	<u>80,325</u>	<u>1,123,579</u>	<u>39,521</u>	<u>50,000</u>	<u>17,866</u>	<u>5,689,650</u>	

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

(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. 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. Thus, the Enterprise Fund sent the General Fund \$575,812. The Enterprise Fund sent the General Fund an additional \$995,229 to pay for its percentage of Administration, Finance, Planning, and Engineering. The General Fund transferred \$1,656,632 to the Capital Fund to pay for street and drainage projects. The Airport Fund received \$30,000 from the General 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 \$78,855 and \$93,145 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 August 23, 2006, the Corporation purchased another 248 acres of land that was also financed by the Hopkins County Industrial Fund, Inc. under the same terms as the previous note.

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.

On November 25, 2014, the Corporation entered into a draw note (2014 Note) to borrow a maximum of \$4,000,000 from Guaranty Bank & Trust, N.A. for the purpose of financing various projects. The Corporation paid off the outstanding balance of this draw note in August of 2016.

**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, 2016

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

**F. Long-Term Debt** (continued)

Long-term liability activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 17,490,222	-	(1,536,517)	15,953,705	1,446,480
Compensated Absences	164,508	177,230	(164,508)	177,230	177,230
Totals	<u>\$ 17,654,730</u>	<u>177,230</u>	<u>(1,701,025)</u>	<u>16,130,935</u>	<u>1,623,710</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, 2016 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.

\$ 471,675

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.

3,490,000

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.

1,112,030

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.

6,270,000

Combination Tax & Limited Surplus Revenue Certificates of Obligation

A bond issue of \$5,350,000 (93.37% Debt Service Fund portion) dated December 4, 2014 maturing serially July 1, 2016 to July 1, 2035. Interest rates range from 1.5% to 3.5%, payable January 1 and July 1 to July 1, 2035.

4,610,000

Combined Debt

\$ 15,953,705



**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

(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, 2016 are as follows:

Year Ending	Principal	Interest	Total
2017	\$ 1,446,480	540,138	1,986,618
2018	998,733	495,880	1,494,613
2019	1,032,405	470,571	1,502,976
2020	1,007,025	443,699	1,450,724
2021	1,031,183	416,892	1,448,075
2022-2026	4,289,367	1,683,161	5,972,528
2027-2031	2,539,960	1,075,861	3,615,821
2032-2036	1,893,552	647,449	2,541,001
2037-2041	1,540,000	206,925	1,746,925
2042	175,000	6,563	181,563
Totals	<u>\$ 15,953,705</u>	<u>5,987,139</u>	<u>21,940,844</u>

During the year ended September 30, 2016, the following changes occurred in liabilities reported for the EDC:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes payable	<u>\$6,334,684</u>	<u>900,000</u>	<u>(3,083,411)</u>	<u>4,151,273</u>	<u>176,346</u>
	<u>\$6,334,684</u>	<u>900,000</u>	<u>(3,083,411)</u>	<u>4,151,273</u>	<u>176,346</u>

During the year ended September 30, 2016, the following changes occurred in liabilities reported in the Water and Sewer Fund.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Business-Type Activities:					
Bonds Payable	\$ 10,429,778	-	(1,003,483)	9,426,295	1,078,520
Compensated Absences	80,213	80,213	(80,213)	80,213	80,213
	<u>\$ 10,509,991</u>	<u>80,213</u>	<u>(1,083,696)</u>	<u>9,506,508</u>	<u>1,158,733</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

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

**F. Long-Term Debt** *(continued)*

Bonds payable at September 30, 2016 are comprised of the following issues for the Water and Sewer fund:

Combination Tax & 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.

\$ 1,635,000

Combination Tax & 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.

58,325

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.

1,437,970

Combination Tax & 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.

3,965,000

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.

1,065,000

General Obligation Refunding Bonds

A bond issue \$1,135,000 dated April 16, 2015 maturing serially July 1, 2016 to July 1, 2020. Interest is 1.47%, payable July 1 each year. These bonds were issued to redeem \$1,110,000 of Combination Tax and Revenue Refunding Bonds dated April 14, 2005. This transaction resulted in a cash savings of \$54,640 and a present value savings of \$52,248.

910,000

Combination Tax & Limited Surplus Revenue Certificates of Obligation

A bond issue of \$5,350,000 (6.63% Water and Sewer Fund portion) dated December 4, 2014 maturing serially July 1, 2016 to July 1, 2035. Interest rates range from 1.5% to 3.5%, payable January 1 and July 1 to July 1, 2035.

355,000

Combined Debt

\$ 9,426,295

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

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

**G. Long-Term Debt** *(continued)*

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, 2016 are as follows:

Year <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	1,078,520	327,080	1,405,600
2018	1,041,268	254,383	1,295,651
2019	1,082,595	227,834	1,310,429
2020	1,047,975	199,536	1,247,511
2021	838,818	171,738	1,010,556
2022-2026	2,530,633	532,657	3,063,290
2027-2031	1,500,040	172,913	1,672,953
2032-2035	306,446	11,614	318,060
Totals	<u>\$ 9,426,295</u>	<u>1,897,755</u>	<u>11,324,050</u>

**G. Restricted Assets**

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

Customer Deposits	\$ 445,973
Accrued Interest Payable	49,299
Current Revenue CO's Payable	441,210
Current GO Bonds Payable	637,310
Total Restricted Assets	<u>\$ 1,573,792</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

**(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.

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 2016 were as follows:

	2016
Unpaid Claims, Beginning of Year	\$ 105,723
Incurred Claims (Including IBNR)	825,676
Claim Payments	(825,676)
Unpaid Claims, End of Year	\$ 105,723

**(6) RETIREMENT SYSTEM**

Plan Description

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

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

**(6) RETIREMENT SYSTEM** *(continued)*

Plan Description *(continued)*

TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that 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 at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Member may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	<u>Plan Year 2016</u>	<u>Plan Year 2015</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%, Transfers	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	102
Inactive Employees Entitled to but Not Yet Receiving Benefits	53
Active Employees	<u>150</u>
	305

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

**(6) RETIREMENT SYSTEM** *(continued)*

Contributions

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

Employees for the City of Sulphur Springs were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.95% and 6.39% in calendar year 2016 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2016 were \$464,398 and were equal to required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

	Increase/(Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2014	\$ 34,634,735	\$ 34,018,266	\$ 616,469
Changes for the Year:			-
Service Cost	974,458	-	974,458
Interest	2,409,813	-	2,409,813
Change of Benefit Terms	-	-	-
Diff. Between Expected/Actual Experience	(205,165)	-	(205,165)
Changes of Assumptions	638,184	-	638,184
Contributions - Employer	-	471,266	(471,266)
Contributions - Employee	-	456,065	(456,065)
Net Investment Income	-	50,194	(50,194)
Benefit Payments, Including Refunds of Employee Contributions	(1,392,134)	(1,392,134)	-
Administrative Expenses	-	(30,574)	30,574
Other Changes	-	(1,510)	1,510
Net Changes	2,425,156	(446,693)	2,871,849
Balance at 12/31/2015	\$ 37,059,891	\$ 33,571,573	\$ 3,488,318

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

**(6) RETIREMENT SYSTEM** *(continued)*

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
City's Net Pension Liability	\$ 8,146,769	\$ 3,488,318	\$ (411,055)

Pension Expense and Deferred Outflows and Inflows of Resources

For the year ended September 30, 2016, the City recognized pension expense in the amount of \$1,244,729. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected & Actual Economic Experience (net of current year amortization)	\$ 71,086	\$ 161,881
Changes in Actuarial Assumptions	503,546	-
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	2,117,005	-
Contributions Subsequent to the Measurement Date	341,446	-
Total	\$ 3,033,083	\$ 161,881

\$341,446 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2016	\$ 665,718
2017	665,718
2018	654,500
2019	533,820
2020	-

**(7) EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through February 6, 2017 the date which the financial statements were available to be issued.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2016

**(8) RESTATEMENT OF NET ASSETS**

To comply with GASB 68, which became effective during the prior fiscal year, an adjustment was made to true up the calculated deferred outflows, deferred inflows, and net pension liability for both the Governmental and Business-Type Activities. The City further adjusted the general fund to account for overbilled permits that are in the process of being refunded. The net position, as of September 30, 2015, has been restated to reflect these changes.

<u><b>Fund Balance Restatement:</b></u>	<u>General Fund</u>	
Fund Balance - As Originally Reported	2,862,202	
Increase in Liability	(153,828)	
Fund Balance - Restated	2,708,374	
<u><b>Net Position Restatement</b></u>	<u>Governmental</u>	<u>Business-Type</u>
Fund Balance - As Originally Reported	22,402,887	20,009,224
Increase in Liability	(153,828)	-
GASB 68 Changes:		
Increase in Deferred Outflows	119,454	41,674
Decrease in Deferred Inflows	274,713	86,752
Increase in Net Pension Liability	(467,137)	(150,333)
Fund Balance - Restated	22,176,089	19,987,317



**COMBINING & INDIVIDUAL  
FUND STATEMENTS & SCHEDULES**

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## **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  
Special Revenue Funds  
September 30, 2016

	Tax Increment Financing	Tourism	Police Fund	Revolving Loan Fund	Total Special Revenue Funds
<b>ASSETS</b>					
Cash & Cash Equivalents	\$ -	95,587	100,061	99,058	294,706
Notes Receivable	-	-	-	10,255	10,255
Other Receivables	-	710	36	9,432	10,178
Total Assets	<u>\$ -</u>	<u>96,297</u>	<u>100,097</u>	<u>118,745</u>	<u>315,139</u>
<b>LIABILITIES &amp; FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ -	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Assigned:					
Tourism	-	96,297	-	-	96,297
Other Purposes	-	-	100,097	118,745	218,842
Total Fund Balances	<u>-</u>	<u>96,297</u>	<u>100,097</u>	<u>118,745</u>	<u>315,139</u>
Total Liabilities & Fund Balances	<u>\$ -</u>	<u>96,297</u>	<u>100,097</u>	<u>118,745</u>	<u>315,139</u>

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  
Special Revenue Funds  
For the Fiscal Year Ended September 30, 2016

	Tax Increment Financing	Tourism	Police Fund	Revolving Loan Fund	Total Special Revenue Funds
<b>REVENUES</b>					
Property Taxes	\$ 14,710	-	-	-	14,710
Sales Taxes	-	161,561	-	-	161,561
Intergovernmental	24,811	-	165,580	-	190,391
Charges for Services	-	-	-	-	-
Fines & Forfeitures	-	-	55,532	-	55,532
Interest	-	240	78	799	1,117
Contributions	-	-	77,030	-	77,030
Miscellaneous	-	-	62,816	39,864	102,680
Total Revenues	<u>39,521</u>	<u>161,801</u>	<u>361,036</u>	<u>40,663</u>	<u>603,021</u>
<b>EXPENDITURES</b>					
Current:					
Public Safety	-	-	231,463	-	231,463
Culture & Recreation	-	101,986	141,509	-	243,495
Total Expenditures	<u>-</u>	<u>101,986</u>	<u>372,972</u>	<u>-</u>	<u>474,958</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>39,521</u>	<u>59,815</u>	<u>(11,936)</u>	<u>40,663</u>	<u>128,063</u>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Transfers In	-	12,500	-	-	12,500
Transfers Out	(39,521)	(50,000)	(17,866)	-	(107,387)
Total Other Financing Sources/(Uses)	<u>(39,521)</u>	<u>(37,500)</u>	<u>(17,866)</u>	<u>-</u>	<u>(94,887)</u>
Net Change in Fund Balances	-	22,315	(29,802)	40,663	33,176
Fund Balance - Beginning	<u>-</u>	<u>73,982</u>	<u>129,899</u>	<u>78,082</u>	<u>281,963</u>
Fund Balance - Ending	<u>\$ -</u>	<u>96,297</u>	<u>100,097</u>	<u>118,745</u>	<u>315,139</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, 2016

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
<b>OPERATING REVENUES</b>			
Water Sales	\$ 5,110,049	5,308,547	198,498
Sewer Charges	3,903,000	3,743,944	(159,056)
Sanitation Charges	2,735,558	3,035,713	300,155
Service Charges	120,000	116,888	(3,112)
Water & Sewer Connections	60,000	59,050	(950)
Miscellaneous Revenues	139,500	51,885	(87,615)
Total Operating Revenues	<u>12,068,107</u>	<u>12,316,027</u>	<u>247,920</u>
<b>OPERATING EXPENSES</b>			
Personnel Services	2,276,849	2,520,845	(243,996)
Supplies	2,402,029	1,167,855	1,234,174
Contractual Services	4,226,664	4,413,247	(186,583)
Total Operating Expenses	<u>8,905,542</u>	<u>8,101,947</u>	<u>803,595</u>
Operating Income/(Loss)	<u>3,162,565</u>	<u>4,214,080</u>	<u>1,051,515</u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>			
Interest Revenue	20,000	17,959	(2,041)
Interest Expense & Fiscal Charges	-	(293,835)	(293,835)
Total Nonoperating Revenues/(Expenses)	<u>20,000</u>	<u>(275,876)</u>	<u>(295,876)</u>
Income Before Transfers	3,182,565	3,938,204	755,639
Transfers In		-	
Transfers Out	<u>(2,130,534)</u>	<u>(2,253,536)</u>	<u>(123,002)</u>
Change in Net Position	1,052,031	1,684,668	632,637
Net Position - Beginning	<u>19,987,317</u>	<u>19,987,317</u>	-
Net Position - Ending	<u>\$ 21,039,348</u>	<u>21,671,985</u>	<u>632,637</u>

**CITY OF SULPHUR SPRINGS**  
Schedule of Changes in Net Pension Liability and Related Ratios  
For the Year Ended September 30, 2016

	2015	2014
<b>Total Pension Liability</b>		
Service Cost	\$ 974,458	\$ 881,939
Interest (on the Total Pension Liability)	2,409,813	2,280,911
Changes of Benefit Terms	-	-
Difference Between Expected & Actual Experience	(205,165)	119,290
Change of Assumptions	638,184	-
Benefit Payments, Including Refunds of Employee Contributions	(1,392,134)	(1,581,767)
Net Change in Total Pension Liability	2,425,156	1,700,373
 Total Pension Liability - Beginning	 34,634,735	 32,934,362
Total Pension Liability - Ending (a)	\$ 37,059,891	\$ 34,634,735
 <b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 471,266	\$ 481,593
Contributions - Employee	456,065	429,994
Net Investment Income	50,194	1,877,990
Benefit Payments, Including Refunds of Employee Contributions	(1,392,134)	(1,581,767)
Administrative Expense	(30,574)	(19,609)
Other	(1,510)	(1,612)
Net Change in Plan Fiduciary Net Position	(446,693)	1,186,589
 Plan Fiduciary Net Position - Beginning	 34,018,266	 32,831,677
Plan Fiduciary Net Position - Ending (b)	\$ 33,571,573	\$ 34,018,266
 Net Pension Liability - Ending (a) - (b)	 \$ 3,488,318	 \$ 616,469
 Plan Fiduciary Net Position as Percentage of Total Pension Liability	 90.59%	 98.22%
 Covered Employee Payroll	 \$ 7,601,080	 \$ 7,166,568
 Net Pension Liability as Percentage of Covered Employee Payroll	 45.89%	 8.60%

**CITY OF SULPHUR SPRINGS**  
Schedule of Pension Contributions  
For the Year Ended September 30, 2016

	2016	2015
Actuarially Determined Contribution	\$ 464,398	\$ 471,266
Contributions in Relation to the Actuarially Determined Contribution Contribution Deficiency/(Excess)	(464,398)	(471,266)
	-	-
Covered Employee Payroll	\$ 7,662,705	\$ 7,601,080
Contributions as Percentage of Covered Employee Payroll	6.06%	6.20%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:** Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

**Methods & Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:** Granted 100% ad hoc USC with transfer.



## 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.

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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.

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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.

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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.

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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.

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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				
	2007	2008	2009	2010	2011
<b>Governmental Activities</b>					
Net Investment in Capital Assets	6,028	5,885	6,363	11,148	16,493
Restricted	17	14	4,007	3,216	2,668
Unrestricted	2,338	4,093	1,320	1,803	1,959
<b>Total Governmental Activities Net Position</b>	<b>8,383</b>	<b>9,992</b>	<b>11,690</b>	<b>16,167</b>	<b>21,120</b>
<b>Business-Type Activities</b>					
Net Investment in Capital Assets	10,968	11,476	11,905	12,330	12,662
Restricted	467	467	597	597	468
Unrestricted	3,167	2,931	2,472	2,478	3,512
<b>Total Business-Type Activities Net Position</b>	<b>14,602</b>	<b>14,874</b>	<b>14,974</b>	<b>15,405</b>	<b>16,642</b>
<b>Primary Government</b>					
Net Investment in Capital Assets	16,996	17,361	18,268	23,478	29,155
Restricted	484	481	4,604	3,813	3,136
Unrestricted	5,505	7,024	3,792	4,281	5,471
<b>Total Primary Government Net Position</b>	<b>22,985</b>	<b>24,866</b>	<b>26,664</b>	<b>31,572</b>	<b>37,762</b>

2012	2013	2014	2015	2016
17,947	19,271	20,015	18,084	17,204
49	19	18	35	49
3,630	3,476	3,258	4,284	5,680
<u>21,626</u>	<u>22,766</u>	<u>23,291</u>	<u>22,403</u>	<u>22,933</u>

9,740	10,262	11,499	13,044	15,899
470	617	553	618	591
7,237	6,271	5,916	6,347	3,878
<u>17,447</u>	<u>17,150</u>	<u>17,968</u>	<u>20,009</u>	<u>20,368</u>

27,687	29,533	31,514	31,128	33,103
519	636	571	653	640
10,867	9,747	9,174	10,631	9,558
<u>39,073</u>	<u>39,916</u>	<u>41,259</u>	<u>42,412</u>	<u>43,301</u>

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

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>EXPENSES</b>					
Governmental Activities:					
General Government	1,884	2,012	2,027	2,022	2,116
Public Safety	5,444	5,338	5,205	4,874	4,982
Transportation	2,279	2,038	1,978	1,600	1,952
Culture & Recreation	1,359	1,388	1,530	1,400	1,349
Interest on Long-Term Debt	225	360	395	457	435
Total Governmental Activities	<u>11,191</u>	<u>11,136</u>	<u>11,135</u>	<u>10,353</u>	<u>10,834</u>
Business-Type Activities:					
Water & Sewer	5,874	5,836	6,221	6,105	6,284
Sanitation	1,906	2,049	2,306	2,255	2,202
Total Business-Type Activities	<u>7,780</u>	<u>7,885</u>	<u>8,527</u>	<u>8,360</u>	<u>8,486</u>
Total Primary Government Expenses	<u>18,971</u>	<u>19,021</u>	<u>19,662</u>	<u>18,713</u>	<u>19,320</u>
<b>PROGRAM REVENUES</b>					
Governmental Activities:					
Charges for Services:					
General Government	84	94	86	125	114
Public Safety	909	828	778	895	1,149
Transportation	436	721	441	363	494
Culture & Recreation	145	142	145	155	137
Operating Grants & Contributions	669	1,493	476	712	263
Capital Grants & Contributions	489	5	1,395	3,142	4,220
Total Governmental Activities	<u>2,732</u>	<u>3,283</u>	<u>3,321</u>	<u>5,392</u>	<u>6,377</u>
Business-Type Activities:					
Charges for Services:					
Water & Sewer	6,603	6,803	7,191	7,414	8,277
Sanitation	2,290	2,394	2,718	2,723	2,681
Capital Grants & Contributions	-	-	-	-	102
Total Business-Type Activities	<u>8,893</u>	<u>9,197</u>	<u>9,909</u>	<u>10,137</u>	<u>11,060</u>
Total Primary Government	<u>11,625</u>	<u>12,480</u>	<u>13,230</u>	<u>15,529</u>	<u>17,437</u>
Net (Expense)/Revenue					
Governmental Activities	(8,459)	(7,853)	(7,814)	(4,961)	(4,457)
Business-Type Activities	<u>1,113</u>	<u>1,312</u>	<u>1,382</u>	<u>1,777</u>	<u>2,574</u>
Total Primary Government Net Expense	<u>(7,346)</u>	<u>(6,541)</u>	<u>(6,432)</u>	<u>(3,184)</u>	<u>(1,883)</u>

2012	2013	2014	2015	2016
2,157	2,573	2,647	2,942	2,691
5,925	5,360	5,277	5,112	5,343
2,604	2,136	2,715	3,562	1,989
1,238	1,247	1,333	1,720	2,475
316	586	566	695	611
12,240	11,902	12,538	14,031	13,109
6,644	7,036	6,492	6,130	7,047
2,148	2,393	2,459	2,370	2,652
8,792	9,429	8,951	8,500	9,699
21,032	21,331	21,489	22,531	22,808
110	136	188	152	92
941	914	1,100	873	904
599	375	451	359	275
-	-	-	-	3
760	697	378	318	447
857	165	227	119	444
3,267	2,287	2,344	1,821	2,165
8,226	8,196	8,550	9,176	9,228
2,705	2,889	2,923	2,826	3,036
15	-	-	-	-
10,946	11,085	11,473	12,002	12,264
14,213	13,372	13,817	13,823	14,429
(8,973)	(9,615)	(10,194)	(12,210)	(10,944)
2,154	1,656	2,522	3,502	2,565
(6,819)	(7,959)	(7,672)	(8,708)	(8,379)

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

	Fiscal Year				
	2007	2008	2009	2010	2011
<b>GENERAL REVENUES &amp; OTHER CHANGES</b>					
<b>IN NET POSITION</b>					
Governmental Activities:					
Taxes					
Property Taxes	3,407	3,596	3,719	3,794	3,637
Sales Taxes	2,966	3,066	3,112	2,989	3,067
Franchise Taxes	1,006	1,041	1,082	1,008	1,104
Alcoholic Beverage Taxes	14	18	19	21	21
Investment Earnings	164	211	73	41	17
Miscellaneous	90	241	152	202	199
Gain/(Loss) on Sale of Capital Assets	29	(7)	-	-	-
Transfers	992	1,296	1,355	1,384	1,365
Total Governmental Activities	8,668	9,462	9,512	9,439	9,410
Business-Type Activities:					
Investment Earnings	215	188	61	20	8
Miscellaneous	30	68	12	17	20
Gain on Sale of Capital Asset	1	-	-	-	-
Transfers	(992)	(1,296)	(1,355)	(1,384)	(1,365)
Total Business-Type Activities	(746)	(1,040)	(1,282)	(1,347)	(1,337)
Total Primary Government	7,922	8,422	8,230	8,092	8,073
 <b>CHANGE IN NET POSITION</b>					
Governmental Activities	209	1,609	1,698	4,478	4,953
Business-Type Activities	367	272	100	430	1,237
Total Primary Government	576	1,881	1,798	4,908	6,190

2012	2013	2014	2015	2016
3,620	3,871	3,862	3,914	3,954
3,090	3,416	3,531	3,682	3,884
1,052	1,140	1,204	1,396	1,131
20	25	29	30	31
13	12	4	7	23
247	219	343	201	424
-	-	-	-	-
1,437	2,070	1,747	1,651	2,254
9,479	10,753	10,720	10,881	11,701
13	10	4	6	18
74	106	38	44	52
-	-	-	-	-
(1,437)	(2,070)	(1,747)	(1,651)	(2,254)
(1,350)	(1,954)	(1,705)	(1,601)	(2,184)
8,129	8,799	9,015	9,280	9,517
506	1,138	526	(1,329)	757
804	(298)	817	1,901	381
1,310	840	1,343	572	1,138

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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>
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
2015	3,914	3,682	1,396	30	9,022
2016	\$ 3,954	3,884	1,131	31	9,000

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

	Fiscal Year			
	2007	2008	2009	2010
General Fund				
Unassigned	1,787	1,813	1,858	1,822
Total General Fund	1,787	1,813	1,858	1,822
All Other Governmental Funds				
Nonspendable	25	44	34	25
Restricted	3,795	3,214	6,584	5,266
Assigned	401	375	318	347
Unassigned	30	56	296	97
Total All Other Governmental Funds	4,251	3,689	7,232	5,735

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>2,065</u>	<u>2,404</u>	<u>2,472</u>	<u>2,324</u>	<u>2,862</u>	<u>2,231</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>	<u><u>2,862</u></u>	<u><u>2,231</u></u>
36	48	54	45	39	22
3,806	6,295	2,315	937	3,742	2,412
439	369	428	427	527	472
26	28	-	-	-	-
<u><u>4,307</u></u>	<u><u>6,740</u></u>	<u><u>2,797</u></u>	<u><u>1,409</u></u>	<u><u>4,308</u></u>	<u><u>2,906</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			
	2007	2008	2009	2010
<b>REVENUES</b>				
Taxes	7,404	7,739	7,916	7,793
Licenses & Permits	69	76	61	59
Intergovernmental	1,153	1,474	1,883	3,989
Charges for Services	421	712	447	366
Fines	870	804	699	847
Investments Earnings	164	205	71	39
Contributions	3	22	99	24
Miscellaneous	306	435	283	309
Total Revenues	<u>10,390</u>	<u>11,467</u>	<u>11,459</u>	<u>13,426</u>
<b>EXPENDITURES</b>				
General Government	2,351	1,989	2,081	2,156
Public Safety	5,132	5,088	4,999	4,986
Transportation	1,015	1,220	968	962
Culture & Recreation	1,150	1,168	1,348	1,239
Capital Outlay	1,545	2,440	2,495	5,461
Debt Service:				
Principal	526	888	865	892
Interest	217	351	480	487
Total Expenditures	<u>11,936</u>	<u>13,144</u>	<u>13,236</u>	<u>16,183</u>
Excess of Revenues Over/(Under)				
Expenditures	<u>(1,546)</u>	<u>(1,677)</u>	<u>(1,777)</u>	<u>(2,757)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,803	3,306	3,325	3,509
Transfers Out	(1,903)	(2,175)	(2,175)	(2,285)
Note Issued	-	-	-	-
Bonds Issued	4,070	-	6,450	-
Premium on Bonds Issued	-	-	132	-
Payment to Refunded Bond Escrow Agent	-	-	(2,368)	-
Capital Leases	-	-	-	-
Sale of Capital Assets	30	11	-	-
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>1,142</u>	<u>5,364</u>	<u>1,224</u>
Net Change in Fund Balances	<u><u>3,454</u></u>	<u><u>(535)</u></u>	<u><u>3,587</u></u>	<u><u>(1,533)</u></u>
Debt Service as a Percentage of				
Noncapital Expenditures	7.2%	11.6%	12.5%	12.9%

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
7,815	7,793	8,487	8,558	8,972	9,035
85	109	205	186	151	92
4,644	1,583	914	561	320	814
486	600	418	472	359	278
1,082	939	862	1,081	1,045	925
15	12	11	4	7	22
8	35	15	44	117	77
<u>271</u>	<u>247</u>	<u>219</u>	<u>343</u>	<u>201</u>	<u>306</u>
<u>14,406</u>	<u>11,318</u>	<u>11,131</u>	<u>11,249</u>	<u>11,172</u>	<u>11,549</u>
2,118	2,074	2,426	2,433	2,499	2,489
4,889	5,749	5,164	5,066	4,889	5,187
1,246	1,792	1,230	1,716	2,271	2,473
1,188	1,035	1,021	1,083	1,401	1,512
6,119	5,444	5,319	2,441	1,457	1,706
839	872	1,166	1,068	1,013	1,536
<u>437</u>	<u>301</u>	<u>596</u>	<u>562</u>	<u>680</u>	<u>607</u>
<u>16,836</u>	<u>17,267</u>	<u>16,922</u>	<u>14,369</u>	<u>14,210</u>	<u>15,510</u>
<u>(2,430)</u>	<u>(5,949)</u>	<u>(5,791)</u>	<u>(3,120)</u>	<u>(3,038)</u>	<u>(3,961)</u>
3,489	3,589	4,506	4,138	4,799	5,518
(2,244)	(2,308)	(2,591)	(2,553)	(3,320)	(3,436)
-	-	-	-	-	-
-	7,440	-	-	4,995	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,245</u>	<u>8,721</u>	<u>1,915</u>	<u>1,585</u>	<u>6,474</u>	<u>2,082</u>
<u>(1,185)</u>	<u>2,772</u>	<u>(3,876)</u>	<u>(1,535)</u>	<u>3,436</u>	<u>(1,879)</u>
11.9%	9.9%	15.2%	13.7%	13.3%	15.5%

**CITY OF SULPHUR SPRINGS**  
 General Government 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>
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
2015	3,864	3,682	1,396	30	8,972
2016	\$ 3,989	3,884	1,131	31	9,035

**CITY OF SULPHUR SPRINGS**  
 Assesed 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					
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%
2015	397,129	566,595	80,619	883,105	0.44000	963,724	91.63%
2016	\$404,027	573,621	84,789	892,859	0.44000	977,648	91.33%

Source: Hopkins County Central Appraisal District

**CITY OF SULPHUR SPRINGS**  
Property Tax Rates  
Direct and Overlapping Governments  
(Per \$100 of Assessed Valued)  
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				
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
2015	0.37730	0.06270	0.44000	1.35048	0.627392	0.2500	2.66787
2016	\$ 0.37940	0.06060	0.44000	1.35048	0.627392	0.2500	2.66787

Source: Applicable Taxing Entities



**CITY OF SULPHUR SPRINGS**  
Principal Property Taxpayers  
September 30, 2016  
(Amounts Expressed in Thousands)

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Saputo Dairy Foods, Inc.	\$ 34,286	1	3.84%	-		
Flowserve US Inc.	30,232	2	3.39%	22,860	1	3.00%
Ocean Spray Cranberries, Inc.	18,637	3	2.09%	15,875	3	2.10%
Jeld-Wen, Inc.	17,421	4	1.95%	14,492	4	1.90%
Wal-Mart Stores, Inc.	14,233	5	1.59%	7,349	7	1.00%
BEF Foods, Inc.	12,548	6	1.41%	-		
Oncor Electric Delivery Co.	8,819	7	0.99%	-		
Grocery Supply Company	7,582	8	0.85%	5,959	10	0.80%
GSC Enterprises	5,616	9	0.63%	-		
Lowe's Home Centers	4,834	10	0.54%	-		
Morningstar Foods, Inc.	-			20,426	2	2.70%
Kimberly-Clark	-			9,132	5	1.20%
TXU Electric	-			7,526	6	1.00%
Wal-Mart, Inc.	-			6,660	8	0.90%
Caterpillar Financial	-			6,379	9	0.80%
<b>Totals</b>	<u>\$ 154,208</u>		<u>17.27%</u>	<u>\$ 116,658</u>		<u>15.40%</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
2007	\$ 3,307,509	3,234,937	97.8%	69,600	3,304,537	99.9%
2008	3,502,000	3,423,591	97.8%	75,707	3,499,298	99.9%
2009	3,670,280	3,576,232	97.4%	91,361	3,667,593	99.9%
2010	3,722,293	3,635,029	97.7%	84,679	3,719,708	99.9%
2011	3,571,114	3,479,170	97.4%	88,874	3,568,044	99.9%
2012	3,558,832	3,487,673	98.0%	68,573	3,556,246	99.9%
2013	3,671,928	3,596,022	97.9%	58,860	3,654,882	99.5%
2014	3,756,497	3,704,064	98.6%	30,909	3,734,973	99.4%
2015	3,878,647	3,779,401	97.4%	25,986	3,805,387	98.1%
2016	\$ 3,928,576	3,854,562	98.1%	-	3,854,562	98.1%

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>
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
2015	5,173	3,853	9,026
2016	\$ 5,308	3,744	9,052

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

Fiscal Year	Governmental Activities			Business-Type Activities			Total Primary Government
	General Obligation Bonds	Notes	Capital Leases	Revenue Bonds	General Obligation Bonds	Notes	
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
2015	17,490			-	10,430		27,920
2016	\$ 15,954			-	9,426		25,380

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 105 for personal income and population data

<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
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
8.36%	1,760
7.53%	1,577

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

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value <sup>(1)</sup> of Property	Per Capita <sup>(2)</sup>
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
2015	27,920	34	27,886	2.89%	1,757
2016	\$ 25,380	49	25,331	2.59%	1,574

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 93 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics on page 105

**CITY OF SULPHUR SPRINGS**  
Direct and Overlapping Governmental Activities Debt  
As of September 30, 2016  
(Amounts Expressed in Thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable<sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Sulphur Springs I.S.D.	\$ 59,060	77.71%	\$ 45,896
Hopkins County	17,473	58.05%	10,143
Hopkins County Hospital District	28,710	58.05%	<u>16,666</u>
Total Overlapping Debt			72,705
City of Sulphur Springs Direct Debt			<u>43,580</u>
Total Direct & Overlapping Debt			<u><u>\$ 116,285</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.

<sup>1</sup> 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			
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt Limit	90,458	95,017	99,521	102,968
Total Net Debt Applicable to Limit	<u>23,218</u>	<u>20,984</u>	<u>23,292</u>	<u>20,992</u>
Legal Debt Margin	<u>67,240</u>	<u>74,033</u>	<u>76,229</u>	<u>81,976</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	25.67%	22.08%	23.40%	20.39%

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
100,086	107,321	89,946	70,846	68,567	72,434
<u>18,725</u>	<u>28,650</u>	<u>25,091</u>	<u>23,282</u>	<u>23,185</u>	<u>25,331</u>
<u>81,361</u>	<u>78,671</u>	<u>64,855</u>	<u>47,564</u>	<u>45,382</u>	<u>47,103</u>
23.01%	36.42%	38.69%	48.95%	51.09%	53.78%

**Legal Debt Margin Calculation for Fiscal Year 2016**

Assessed Value	\$ 892,859
Add Back: Exempt Real Property	<u>84,789</u>
Total Assessed Value	<u>977,648</u>
Debt Limit (10% of Total Assessed Value)	<u>97,765</u>
Debt Applicable to Limit:	
General Obligation Bonds	25,380
Less Amount Set Aside for Repayment of General Obligation Debt	<u>(49)</u>
Total Net Debt Applicable to Limit	<u>25,331</u>
Legal Debt Margin	<u>\$ 72,434</u>

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

Fiscal Year	Water & Sewer Revenue Bonds					Coverage
	Charges & Other	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	
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
2015	12,051	8,248	3,803	2,178	252	1.57
2016	\$ 12,334	9,406	2,928	1,003	294	2.26

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>
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%
2015	15,868	334,148	21,058	38	13.5	4,356	3.9%
2016	16,098	\$ 337,188	20,946	38	13.5	4,415	3.7%

Date Sources

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

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

<u>Employer</u>	<u>2016</u>			<u>2007</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>
Sulphur Springs I.S.D.	669	1	5.30%	629	1	3.65%
Hopkins County Hospital	534	2	4.23%	-		
Grocery Supply Company	483	3	3.83%	360	3	2.09%
Wal-Mart Stores, Inc.	407	4	3.22%	420	2	2.44%
Saputo Foods, Inc.	333	5	2.64%	-		
CMH Manufacturing	285	6	2.26%	-		
BEF Foods	215	7	1.70%	-		
Hopkins County	207	8	1.64%	-		
Flowserve, Inc.	185	9	1.47%	263	5	1.53%
City of Sulphur Springs	180	10	1.43%	168	7	0.98%
Morningstar Foods, Inc.	-			270	4	1.57%
Clayton Homes	-			230	6	1.34%
Ocean Spray Cranberries, Inc.	-			160	8	0.93%
Challenge Door	-			150	9	0.87%
A.K. Gillis & Sons, Inc.	-			125	10	0.73%
Total	<u>3,498</u>		<u>27.72%</u>	<u>2,775</u>		<u>16.13%</u>

Source: Texas Workforce Commission

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

FUNCTION	Fiscal Year			
	2007	2008	2009	2010
General Government	29	30	30	25
Public Safety:				
Police:				
Officers	29	31	33	32
Civilians	11	11	9	8
Fire	31	23	22	25
Highways and Streets	9	13	16	17
Culture & Recreation:				
Parks and Recreation	16	13	12	13
Libraries	5	7	6	5
Water	27	25	24	19
Sewer	11	8	9	8
Total	<u>168</u>	<u>161</u>	<u>161</u>	<u>152</u>

Source: Finance Department

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
26	28	21	24	21	20
30	32	28	30	29	29
9	11	11	8	9	9
23	22	22	22	22	22
18	21	15	13	25	24
13	5	7	7	6	7
5	7	5	5	4	4
20	22	22	21	21	21
<u>8</u>	<u>8</u>	<u>8</u>	<u>9</u>	<u>9</u>	<u>9</u>
<u><u>152</u></u>	<u><u>156</u></u>	<u><u>139</u></u>	<u><u>139</u></u>	<u><u>146</u></u>	<u><u>145</u></u>

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

	Fiscal Year			
	2007	2008	2009	2010
<b>FUNCTION</b>				
<b>Police</b>				
Physical Arrests	993	1,139	1,196	871
Accidents	433	430	532	556
Citations	6,627	6,261	6,314	7,290
<b>Fire</b>				
Number of Calls Answered	1,100	1,116	1,130	1,226
Inspections	656	470	527	664
<b>Highways &amp; Streets</b>				
Street Reconstruction (miles)	0.7	0.3	0.2	0.7
Street Resurfacing (miles)	4.5	2.1	2.1	0.8
<b>Sanitation</b>				
Refuse Collected (yd3/year)	107,909	121,189	132,516	132,516
<b>Water</b>				
New Connections	1,194	52	37	32
Water Main Breaks	144	182	178	202
Average Daily Consumption (thousands of gallons)	3,612	4,179	4,140	4,212
<b>Wastewater</b>				
Average Daily Consumption (thousands of gallons)	2,980	3,000	2,810	3,200

Sources: Various Government Departments



2011	2012	2013	2014	2015	2016
1,107	1,092	961	1,045	944	893
533	472	466	357	433	468
8,702	6,222	6,677	7,794	7,633	6,568
1,603	1,399	1,472	1,354	1,455	1,505
571	564	989	622	661	752
3.60	1.30	0.47	0.55	0.84	0.82
2.50	2.70	1.10	-	2.27	3.44
113,044	124,878	121,762	131,483	118,966	118,487
46	42	54	54	20	53
379	295	352	352	220	135
4,095	3,818	3,997	3,864	4,136	3,822
2,500	2,500	2,500	2,730	2,900	2,840

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

	Fiscal Year			
	2007	2008	2009	2010
<b>FUNCTION</b>				
Public Safety				
Police:				
Stations	1	1	1	1
Patrol Units	6	6	6	8
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	2	2	2	2
Water				
Water Mains (miles)	145	145	145	145
Fire Hydrants	805	805	805	848
Maximum Daily Capacity (thousands of gallons)	10,000	10,000	10,000	10,000
Sewer				
Sanitary Sewers (miles)	136	136	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

2011	2012	2013	2014	2015	2016
1	1	1	1	1	1
8	10	10	10	10	6
2	2	2	2	2	2
85	85	85	85	85	91
89	89	89	89	89	89
3	3	3	3	3	3
-	-	-	-	-	-
2	2	2	2	2	2
145	145	145	145	145	148
875	875	875	875	875	943
10,000	10,000	10,000	10,000	10,000	10,000
136	136	136	136	136	142
5,400	5,400	5,400	5,400	5,400	5,400