

# **CITY OF SULPHUR SPRINGS, TEXAS**

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2018

Prepared by:

Department of Finance

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## INTRODUCTORY SECTION

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January 29, 2019

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, 2018.

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 & Knauth, PLLC, CPA's and Consultants, have issued an unmodified ("clean") opinion on the City of Sulphur Springs, Texas financial statements for the year ended September 30, 2018. 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 16,162. 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.

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**

The economic outlook for Sulphur Springs and Hopkins County continues to remain positive. Over the years, the economy of Sulphur Springs has included a rich history of dairy farming and now includes 3 major food processing industries and 20 manufacturing businesses. The combined efforts of the SS/Hop Co EDC and local governments has brought the area two new manufacturers in the past 2 years that will eventually provide 200 new jobs. In addition to these industrial businesses, Sulphur Springs has seen tremendous growth in restaurant and retail industries. In the past 5 years alone, the City has added a Panda Express, Schlotzsky's, Taco Bueno, Wendy's, Dairy Queen, Starbucks, KFC, and this spring a Chick-Fil-A restaurant will open. In addition to business growth, the City has experienced residential growth as well. In 2018, 23 new single-family residences were added along with 12 multi-family units. The City's revitalization efforts downtown continue to serve as an attractant to businesses and new citizens because of the value it adds to the quality of life here in Sulphur Springs. With the combination of our vibrant downtown, parks, schools, new jobs, and expansion along the I-30 corridor, the City expects to see our local economy flourish in the coming years.

At the end of 2018, the unemployment rate for the area was 3.6% with a slight increase in wages over December 2017. In 2018, the City benefitted from the positive economic growth occurring locally, statewide and nationwide. Sales tax revenue increased in 2013 by 10.7%, 3.4% in 2014, 4.3% in 2015 and 5.1% in 2016 but showed no increase in 2017. In 2018, sales tax revenue increased by 10.17% and as of January 2019, sales tax is up 10.83%.

## **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. Significant progress was made from 2008-2016 on capital projects but has been scaled back in recent years due to budgetary constraints and increase in the cost of materials over time. In 2018, a new CIP was adopted that includes the reconstruction of 10 streets, and associated utilities and drainage. Along with the 10 streets being reconstructed over the next 5 years, 24 streets are a part of the Street Improvement Plan (SIP) in which they will receive maintenance and overlays. The CIP and SIP are budgeted in conjunction with the annual adopted operating budget. In the past, the City has used debt to fund a significant portion of the capital projects. Our new 5-year plan does not include the issuance of any new debt for these projects.

In December 2018, the City Council approved a Street Maintenance Fee (SMF). A Street Maintenance Fee (SMF) is a fee collected from benefitted properties within the city limits for the purpose of maintaining the street system. The collected fees will go into a separate fund named a Street Improvement Fund. Monies collected will be separate from the General Fund and can only be applied to activities related to maintaining the street system. January 2019 marked the first month of collection of the SMF. The City initially planned to spend roughly \$560,000 annually over the next five years which would allow us to maintain about 2 miles of street network a year. With the SMF, we anticipate an additional \$500,000 annually that will allow the City to essentially double our efforts for street maintenance but still be well short of what is needed. In the overall picture, we will still be about \$500,000 (in today's dollars) short of properly funding street maintenance.

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 financially guided that work through its completion. 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. Since 2007, taxable values of properties located in the TIFRZ have increased 55%.

## Major Initiatives

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 Walmart and Lowes have frontage, creating the opportunity for additional commercial development. Six years ago, the school district opened a new Middle School on that highway. In 2012, two new apartment complexes were started on that highway and completed as of 2014. Development in that area had been largely stalled because of a Pro Rata agreement that the school district had for the water and sewer lines that they paid for. The agreement will end February 1, 2019 and allow the opportunity for more development to occur.

The City Council is currently in the process of annexing two industrial parks into the City limits. If successful, it is anticipated that businesses located in the parks will provide the City with an increase in property tax revenue of \$63,500 annually.

In October 2018, the City signed a development agreement with Luminant Mining Company that will lead to the City owning 4,901 acres located just outside of the City limits. It is anticipated that Luminant will begin deeding portions of the land over to the City within 12-18 months. Part of the agreement is that the City will annex the land into the City limits. The donation of this land provides the City and its citizens with significant possibilities in the near future.

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%. As of January 2019, roughly 82.18% of that project has been completed and is expected to be completed during 2019.

## 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, 2017. This was the twenty-eighth 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

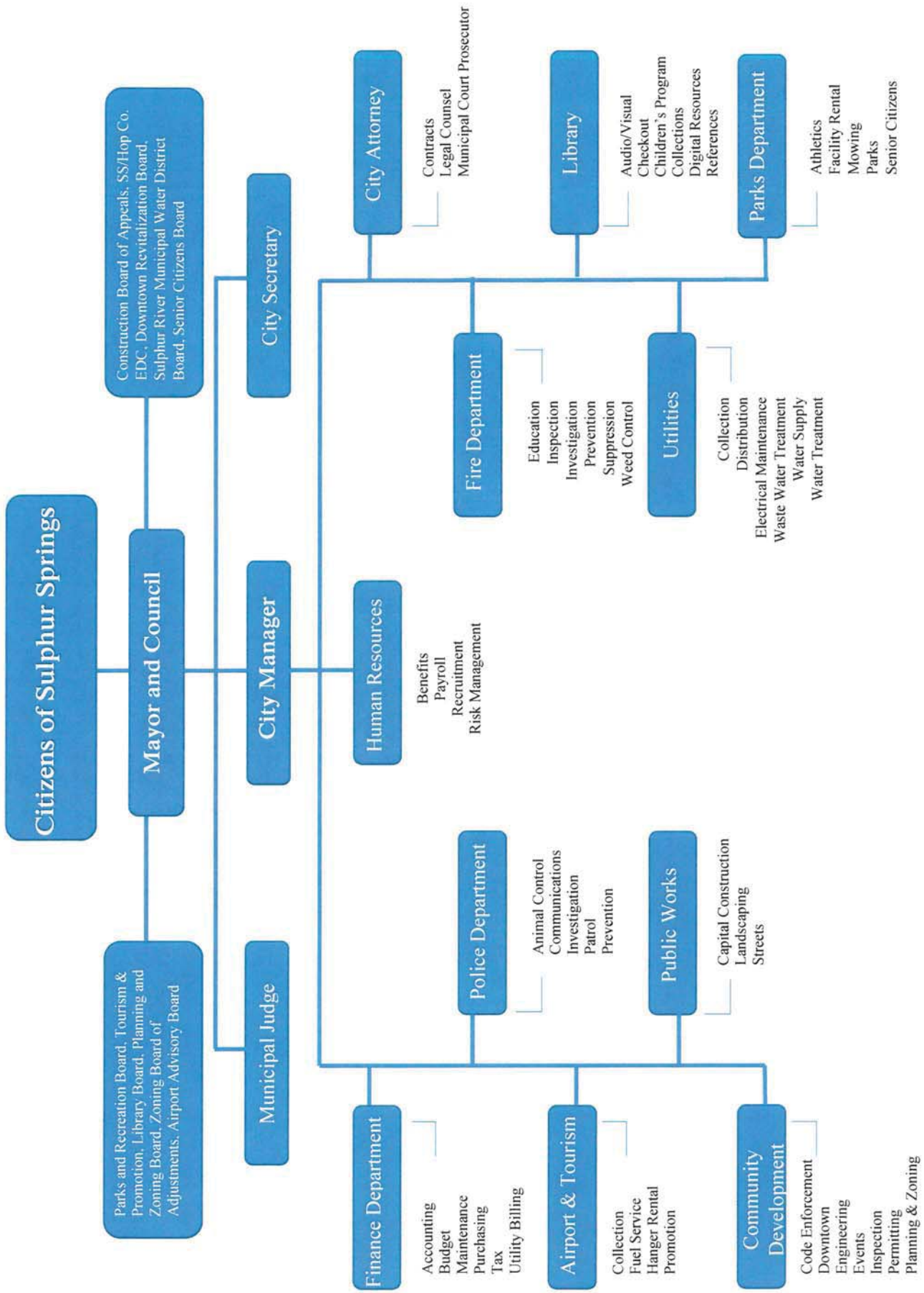
**City of Sulphur Springs  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO



**CITY OF SULPHUR SPRINGS, TEXAS**

List of Principal Officials

September 30, 2018

<u>Title</u>	<u>Name</u>
Mayor	John Sellers
Mayor Pro-Tem	Emily Glass
Councilman	Doug Moore
Councilwoman	Erica Armstrong
Councilman	Freddie Taylor
Councilman	Norman Sanders
Councilman	Jimmy Lucas
City Manager	Marc Maxwell
City Secretary	Gale Roberts
City Attorney	Jim McLeroy
Finance Director	Lesia Smith
City Engineer	David Reed
Community Development Director	Tory Niewiadomski
Director of Public Safety	Jay Sanders
Director of Human Resources	Gordon Frazier
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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## 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2018, 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; Schedule of Changes in Net Pension Liability, Schedule of Changes in Net OPEB Liability and Related Ratios and Schedule of Contributions 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 combining and individual fund financial statements and schedules and other information such as the introductory section 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 & Knauth, PLLC*

Evans & Knauth, PLLC  
Frisco, TX  
January 29, 2019

## 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, 2018. 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 \$45,279,510 (net position). Of this amount, \$16,354,549, (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 \$2,385,036. 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 \$4,149,894, an increase of \$505,861 in comparison with the prior year. The reason for the increase in fund balances is a reduction in capital outlay purchases.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,075,844 or 30 percent of total general fund expenditures.
- The City of Sulphur Springs long-term debt decreased by \$5,011,060 during the current fiscal year.

### Overview of the Financial Statements

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

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

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

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

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



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

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

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

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

Because the focus of governmental funds is 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 24 – 34 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 35 – 39 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 40 – 41 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 42 – 66 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 – 77 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 \$45,279,510 at the close of the most recent fiscal year.

A portion of the City of Sulphur Springs’ net position (63 percent) reflects its investment in capital assets (e.g. land, building, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Sulphur Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sulphur Springs’ investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF SULPHUR SPRINGS – Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current & Other Assets	\$ 5,530,740	5,204,982	13,530,872	20,297,404	19,061,612	25,502,386
Capital Assets	35,304,117	35,227,995	39,322,687	33,117,864	74,626,804	68,345,859
Total Assets	40,834,857	40,432,977	52,853,559	53,415,268	93,688,416	93,848,245
Deferred Outflows	547,613	1,793,689	332,562	769,928	880,175	2,563,617
Total Assets & Deferred Outflows	41,382,470	42,226,666	53,186,121	54,185,196	94,568,591	72,375,020
Long-Term Liabilities	14,956,373	17,605,761	27,330,097	29,691,769	42,286,470	47,297,530
Other Liabilities	1,884,477	1,879,727	3,808,336	3,695,411	5,692,813	5,575,138
Total Liabilities	16,840,850	19,485,488	31,138,433	33,387,180	47,979,283	52,872,668
Deferred Inflows	975,900	147,729	333,898	50,545	1,309,798	198,274
Total Liabilities & Deferred Inflows	17,816,750	19,633,217	31,472,331	33,437,725	49,289,081	53,070,942
Net Position						
Net Invested in Capital Assets	20,507,596	18,596,821	7,908,106	2,572,853	28,415,702	21,169,674
Restricted	11,238	8,222	498,021	531,550	509,259	539,772
Unrestricted	3,046,886	3,988,406	13,307,663	17,643,068	16,354,549	21,631,474
Total Net Position	\$ 23,565,720	22,593,449	21,713,790	20,747,471	45,279,510	43,340,920

An additional portion of the City of Sulphur Springs’ net position (1.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$16,354,549 is available for capital outlay and 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.

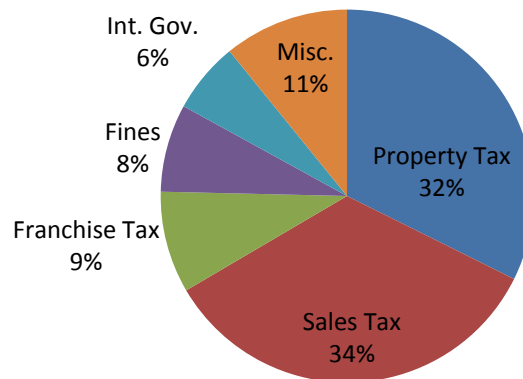
There was an increase of \$7,246,028 in net investment in capital assets.

The government's net position increased by \$2,385,036 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 \$1,309,846.

## Revenue by Source Governmental Activities



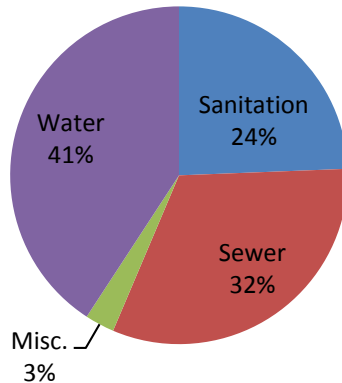
### CITY OF SULPHUR SPRINGS – Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,297,325	1,585,511	13,040,780	12,352,883	14,338,105	13,938,394
Operating Grants & Contributions	377,793	364,976	-	-	377,793	364,976
Capital Grants & Contributions	520,264	21,497	-	-	520,264	21,497
General Revenues:						
Property Taxes	4,089,425	3,998,425	-	-	4,089,425	3,998,425
Other Taxes	5,445,362	5,060,254	-	-	5,445,362	5,060,254
Other	604,676	222,604	303,430	160,891	908,106	383,495
<b>Total Revenues</b>	<b>12,334,845</b>	<b>11,253,267</b>	<b>13,344,210</b>	<b>12,513,774</b>	<b>25,679,055</b>	<b>23,767,041</b>
Expenses:						
General Government	2,713,215	2,976,802	-	-	2,713,215	2,976,802
Public Safety	5,716,140	6,070,405	-	-	5,716,140	6,070,405
Transportation	1,432,671	2,021,773	-	-	1,432,671	2,021,773
Sanitation	-	-	2,632,550	2,545,514	2,632,550	2,545,514
Culture & Recreation	2,855,544	1,874,775	-	-	2,855,544	1,874,775
Interest on Long-Term Debt	538,173	512,039	-	-	538,173	512,039
Water & Sewer	-	-	7,405,727	7,726,688	7,405,727	7,726,688
<b>Total Expenses</b>	<b>13,255,742</b>	<b>13,455,794</b>	<b>10,038,277</b>	<b>10,272,202</b>	<b>23,294,019</b>	<b>23,727,996</b>
Increase/(Decrease) in Net Position Before Transfers	(920,897)	(2,202,527)	3,305,933	2,241,572	2,385,036	39,045
Transfers	2,230,743	1,862,485	(2,230,743)	(1,862,485)	-	-
<b>Increase/(Decrease) in Net Position</b>	<b>1,309,846</b>	<b>(340,042)</b>	<b>1,075,190</b>	<b>379,087</b>	<b>2,385,036</b>	<b>39,045</b>
Net Position - Beginning	22,593,449	22,933,491	20,747,471	20,368,384	43,340,920	43,301,875
Prior Period Adjustment	(337,575)	-	(108,871)	-	(446,446)	-
<b>Net Position - Ending</b>	<b>\$ 23,565,720</b>	<b>22,593,449</b>	<b>21,713,790</b>	<b>20,747,471</b>	<b>45,279,510</b>	<b>43,340,920</b>

Business-Type Activities

Business-Type Activities (after transfers) increased the City of Sulphur Springs' net position by \$1,309,846.

## 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 \$4,149,894, an increase of \$505,861 from the prior year. Most of the increase is a result of reducing capital outlay purchases. Of the current combined ending fund balance, a total of \$386,213 is restricted for construction, while \$3,075,844 is unassigned in the General Fund. Fund balance restricted for debt service is \$11,238.

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 \$3,075,844. Total unassigned fund balance represents 30% of total general fund expenditures.

The airport fund has a total fund balance of \$177,560. The airport fund had an increase of \$16,316 in fund balance.

The debt service fund has a total fund balance of \$11,238, all of which is restricted for payment of debt service. The debt service fund had a \$3,016 increase in fund balance.

The Capital Project Funds have a total fund balance of \$386,213, all of which is restricted for construction. The increase in fund balance of \$132,631 represents an increase in recognition of bond funds.

**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 \$13,307,663. The total increase in net position of the Enterprise Fund was \$1,075,190. 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 \$561,153 more than budgetary estimates and expenditures were \$253,178 more than budgetary estimates. The budget had called for a \$8365,151 decrease in fund balance (prior to transfers, while actual results display an increase in fund balance of \$449,180.

### **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, 2018, amounts to \$74,626,804 (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:

- Street improvements, Crosstown Trail construction project, Firetruck, and multiple vehicle purchases throughout the district were the major additions to governmental activity capital assets.
- Replacement of major sections of both the water distribution and sewer collection systems and continued progress on the Waste Water Treatment Plant were the major additions to the business-type capital assets.

Additional information on the City of Sulphur Springs' capital assets can be found in the notes to the financial statements on pages 53 – 55 of this report.

**Long-Term Debt.** At the end of the current fiscal year, the City of Sulphur Springs had bonded debt outstanding of \$43,230,000. Of this amount, \$4,235,000 comprises General Obligation Bonds and \$38,995,000 represents Combination Tax and Revenue Bonds.

Additional information on the City of Sulphur Springs' long-term debt can be found in the notes to the financial statements on pages 56 – 59 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 - FY 2016 continued to grow but more modestly at 3.4%, 4.3% and 5.1% respectively. Sales Tax Revenue regressed to no change in FY 2017, while sales increased 10.17% in 2018.
- 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 2019.
- The FY 2018 budget uses \$268,704 of fund balance which is being used for increased transfers to the Capital Fund, and equipment purchase. Property tax rates stay the same at the long term historical level of 44 cents per hundred. Water and Sewer rates increased by 2.0%. Sanitation rates increased by 2.25%. Employees were given a 1.25% COLA 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**

**CITY OF SULPHUR SPRINGS**

Statement of Net Position

September 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Economic Development
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 3,602,400	6,780,497	10,382,897	1,790,904
Investments	746,927	2,240,782	2,987,709	-
Restricted Cash & Cash Equivalents	-	3,235,395	3,235,395	-
Receivables (Net of Allowance for Uncollectibles):				
Utility Bills	-	911,489	911,489	-
Delinquent Property Taxes	247,836	-	247,836	-
Other Taxes	605,653	13,864	619,517	160,847
Other	207,983	164,826	372,809	-
Notes Receivable	-	-	-	4,444,481
Inventory	119,941	184,019	303,960	-
Capital Assets Not Being Depreciated				
Land & Right of Way	976,338	1,452,760	2,429,098	1,990,468
Lakes	-	401,408	401,408	-
Dams/Spillways/Appurtenances	-	2,629,410	2,629,410	-
Construction in Progress	526,902	16,413,690	16,940,592	-
Capital Assets (Net of Accumulated Depreciation):				
Building, Systems & Improvements	14,225,464	17,549,905	31,775,369	14,693,190
Furniture & Equipment	1,711,833	875,514	2,587,347	7,559
Infrastructure	17,863,580	-	17,863,580	-
Total Assets	<u>40,834,857</u>	<u>52,853,559</u>	<u>93,688,416</u>	<u>23,087,449</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred Outflows - TMRS Pension	514,093	175,893	689,986	-
Deferred Outflows - TMRS OPEB	33,520	11,468	44,988	-
Deferred Outflows - Other	-	145,201	145,201	-
Total Deferred Outflow of Resources	<u>547,613</u>	<u>332,562</u>	<u>880,175</u>	<u>-</u>
Total Assets & Deferred Outflows	<u>41,382,470</u>	<u>53,186,121</u>	<u>94,568,591</u>	<u>23,087,449</u>
<b>LIABILITIES</b>				
Accounts Payable	276,151	1,267,694	1,543,845	273,463
Deposits	-	502,121	502,121	-
Accrued Interest Payable	64,973	49,299	114,272	-
Noncurrent Liabilities:				
Due Within One Year	1,543,353	1,989,222	3,532,575	5,771,719
Due in More than One Year	13,601,722	26,866,611	40,468,333	3,639,738
Net Pension Liability	962,808	329,419	1,292,227	-
Net OPEB Liability	391,843	134,067	525,910	-
Total Liabilities	<u>16,840,850</u>	<u>31,138,433</u>	<u>47,979,283</u>	<u>9,684,920</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows - TMRS Pension	975,900	333,898	1,309,798	-
Total Deferred Inflows of Resources	<u>975,900</u>	<u>333,898</u>	<u>1,309,798</u>	<u>-</u>
Total Liabilities & Deferred Inflows	<u>17,816,750</u>	<u>31,472,331</u>	<u>49,289,081</u>	<u>9,684,920</u>
<b>NET POSITION</b>				
Net Invested in Capital Assets	20,507,596	7,908,106	28,415,702	7,279,760
Restricted for:				
Debt Service	11,238	498,021	509,259	-
Unrestricted	3,046,886	13,307,663	16,354,549	6,122,769
Total Net Position	<u>\$ 23,565,720</u>	<u>21,713,790</u>	<u>45,279,510</u>	<u>13,402,529</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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 2,713,215	196,412	47,401	-
Public Safety	5,716,140	596,041	189,435	-
Transportation	1,432,671	495,034	-	43,739
Culture & Recreation	2,855,544	9,838	140,957	476,525
Interest & Fiscal Charges	538,173	-	-	-
Total Governmental Activities	<u>13,255,742</u>	<u>1,297,325</u>	<u>377,793</u>	<u>520,264</u>
Business-Type Activities:				
Water & Sewer	7,405,727	9,840,485	-	-
Sanitation	<u>2,632,550</u>	<u>3,200,295</u>	-	-
Total Business-Type Activities	<u>10,038,277</u>	<u>13,040,780</u>	-	-
Total Primary Government	<u>\$ 23,294,019</u>	<u>14,338,105</u>	<u>377,793</u>	<u>520,264</u>
<b>Component Unit:</b>				
Economic Development	<u>\$ 1,683,231</u>	-	-	-
Total Component Unit	<u>\$ 1,683,231</u>	-	-	-

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

Change in Net Position

Net Position - Beginning  
Prior Period Adjustment

Net Position - Ending

Net (Expense) Revenue and  
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development
(2,469,402)		(2,469,402)	
(4,930,664)		(4,930,664)	
(893,898)		(893,898)	
(2,228,224)		(2,228,224)	
(538,173)		(538,173)	
<u>(11,060,360)</u>		<u>(11,060,360)</u>	
	2,434,758	2,434,758	
	<u>567,745</u>	<u>567,745</u>	
	<u>3,002,503</u>	<u>3,002,503</u>	
<u>(11,060,360)</u>	<u>3,002,503</u>	<u>(8,057,857)</u>	
			<u>(1,683,231)</u>
			<u>(1,683,231)</u>
4,089,425	-	4,089,425	-
4,287,402	-	4,287,402	2,053,532
1,115,734	-	1,115,734	-
42,226	-	42,226	-
118,202	226,362	344,564	132,267
486,474	77,068	563,542	631,550
<u>2,230,743</u>	<u>(2,230,743)</u>	<u>-</u>	<u>-</u>
<u>12,370,206</u>	<u>(1,927,313)</u>	<u>10,442,893</u>	<u>2,817,349</u>
1,309,846	1,075,190	2,385,036	1,134,118
22,593,449	20,747,471	43,340,920	12,268,411
<u>(337,575)</u>	<u>(108,871)</u>	<u>(446,446)</u>	<u>-</u>
<u>\$ 23,565,720</u>	<u>21,713,790</u>	<u>45,279,510</u>	<u>13,402,529</u>

**CITY OF SULPHUR SPRINGS**

Balance Sheet  
Governmental Funds  
September 30, 2018

	General Fund	Airport Fund	Debt Service Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash & Cash Equivalents	1,903,946	67,749	11,238
Investments	746,927	-	-
Receivables (Net of Allowance for Uncollectibles):			
Delinquent Property Taxes	213,047	-	34,789
Other Taxes	605,653	-	-
Other	-	79,626	-
Inventory	-	32,170	-
Total Assets	<u>3,469,573</u>	<u>179,545</u>	<u>46,027</u>
 <b>LIABILITIES</b>			
Liabilities:			
Accounts Payable	168,636	1,985	-
Total Liabilities	<u>168,636</u>	<u>1,985</u>	<u>-</u>
 <b>DEFERRED INFLOW OF RESOURCES</b>			
Unavailable Revenue Property Taxes	225,093	-	34,789
Total Deferred Inflow of Resources	<u>225,093</u>	<u>-</u>	<u>34,789</u>
 <b>FUND BALANCES:</b>			
Nonspendable:			
Inventory	-	32,170	-
Restricted:			
Debt Service	-	-	11,238
Capital Projects	-	-	-
Assigned:			
Tourism	-	-	-
Police Contingency	-	-	-
Revolving Loan Fund	-	-	-
Airport Contingency	-	145,390	-
Unassigned	3,075,844	-	-
Total Fund Balances	<u>3,075,844</u>	<u>177,560</u>	<u>11,238</u>
 Total Liabilities, Deferred Inflows, & Fund Balances	<u>\$ 3,469,573</u>	<u>179,545</u>	<u>46,027</u>

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

Capital Project Funds	Special Revenue Funds	Total Governmental Funds
230,090	440,484	2,653,507
-	-	746,927
-	-	247,836
-	-	605,653
69,802	58,555	207,983
87,771	-	119,941
<u>387,663</u>	<u>499,039</u>	<u>4,581,847</u>
1,450	-	172,071
<u>1,450</u>	<u>-</u>	<u>172,071</u>
-	-	259,882
<u>-</u>	<u>-</u>	<u>259,882</u>
-	-	32,170
-	-	11,238
386,213	-	386,213
-	177,492	177,492
-	199,764	199,764
-	121,783	121,783
-	-	145,390
-	-	3,075,844
<u>386,213</u>	<u>499,039</u>	<u>4,149,894</u>
<u>387,663</u>	<u>499,039</u>	<u>\$ 4,581,847</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, 2018

**Total Fund Balances - Governmental Funds** \$ 4,149,894

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. 844,813

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 \$51,887,856 and the accumulated depreciation was \$(14,874,362). In addition, long-term liabilities, including bonds payable of \$(15,953,705), 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. 19,260,241

Current year capital outlays of \$2,148,386 and long-term debt principal payments of \$1,171,233 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. 3,319,619

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. (64,973)

The current year depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. (1,987,014)

Included in the noncurrent liabilities is the recognition of the City's net pension liability required by GASB 68 in the amount of \$(962,808), a deferred resource inflow in the amount of \$(975,900), and a deferred resource outflow in the amount of \$514,093. The net effect of the GASB 68 adjustment is to decrease net position. (1,424,615)

Included in the noncurrent liabilities is the recognition of the City's net OPEB liability required by GASB 75 in the amount of \$(391,843), and a deferred resource outflow in the amount of \$33,520. The net effect of the GASB 75 adjustment is to decrease net position. (358,323)

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, recognizing the liabilities associated with compensated absences, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the gain or loss on disposal of capital assets. The net effect of these reclassifications is to increase net position. (173,922)

**Net Position of Governmental Activities** \$ 23,565,720

**CITY OF SULPHUR SPRINGS**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended September 30, 2018

	<u>General Fund</u>	<u>Airport Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 3,536,514	-	528,301
Sales	4,102,033	-	-
Franchise	1,115,734	-	-
Alcoholic Beverage	42,226	-	-
Licenses & Permits	196,412	-	-
Intergovernmental	179,500	43,739	-
Charges for Services	9,838	495,034	-
Fines & Forfeitures	896,479	-	-
Interest	76,281	2,192	12,848
Contributions	-	-	-
Miscellaneous	450,051	900	-
Total Revenues	<u>10,605,068</u>	<u>541,865</u>	<u>541,149</u>
<b>EXPENDITURES</b>			
Current:			
General Government	2,462,792	-	-
Public Safety	5,193,186	-	-
Transportation	590,145	562,168	-
Culture & Recreation	1,260,434	-	-
Capital Outlay	649,331	14,381	-
Debt Service:			
Principal	-	-	1,171,233
Interest & Fiscal Charges	-	-	543,703
Total Expenditures	<u>10,155,888</u>	<u>576,549</u>	<u>1,714,936</u>
Excess/(Deficiency) of Revenues			
Over/(Under) Expenditures	<u>449,180</u>	<u>(34,684)</u>	<u>(1,173,787)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,747,633	51,000	1,176,803
Transfers Out	(1,943,867)	-	-
Bonded Debt Proceeds	-	-	-
Total Other Financing Sources (Uses)	<u>(196,234)</u>	<u>51,000</u>	<u>1,176,803</u>
Net Change in Fund Balances	252,946	16,316	3,016
Fund Balances - Beginning - Restated	<u>2,822,898</u>	<u>161,244</u>	<u>8,222</u>
Fund Balances - Ending	<u>\$ 3,075,844</u>	<u>177,560</u>	<u>11,238</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>
-	29,554	4,094,369
-	185,369	4,287,402
-	-	1,115,734
-	-	42,226
-	-	196,412
476,525	79,726	779,490
-	-	504,872
-	68,044	964,523
1,468	6,270	99,059
9,935	108,632	118,567
-	3,213	454,164
<u>487,928</u>	<u>480,808</u>	<u>12,656,818</u>
-	-	2,462,792
-	100,051	5,293,237
-	-	1,152,313
-	132,306	1,392,740
1,529,970	-	2,193,682
-	-	-
-	-	1,171,233
-	-	543,703
<u>1,529,970</u>	<u>232,357</u>	<u>14,209,700</u>
<u>(1,042,042)</u>	<u>248,451</u>	<u>(1,552,882)</u>
1,783,413	7,900	4,766,749
(608,740)	(155,399)	(2,708,006)
-	-	-
<u>1,174,673</u>	<u>(147,499)</u>	<u>2,058,743</u>
132,631	100,952	505,861
<u>253,582</u>	<u>398,087</u>	<u>3,644,033</u>
<u><u>386,213</u></u>	<u><u>499,039</u></u>	<u><u>4,149,894</u></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, 2018

**Total Net Change in Fund Balances - Governmental Funds** \$ 505,861

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. (145,029)

Current year capital outlays of \$2,148,386 and long-term debt principal payments of \$1,171,233, are expenditures and sources in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position. 3,319,619

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. 5,530

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. (1,987,014)

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 12/31/17 caused the change in the ending net position to increase in the amount of \$322,495. 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 \$(307,495). The City's reported TMRS net pension expense had to be recorded. The net pension expense decreased the change in net position by \$(276,335). The net effect of the GASB 68 adjustment is to decrease net position. (261,335)

The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/17 caused the change in the ending net position to increase in the amount of \$9,588. 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 \$(8,981). The City's reported TMRS net OPEB expense had to be recorded. The net OPEB expense decreased the change in net position by \$(21,355). The net effect of the GASB 75 adjustment is to decrease net position. (20,748)

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. (107,038)

**Change in Net Position of Governmental Activities** \$ 1,309,846

**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, 2018

	Original & Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Taxes:			
Property	\$ 3,509,415	3,536,514	27,099
Sales	3,840,000	4,102,033	262,033
Franchise	1,145,000	1,115,734	(29,266)
Alcoholic Beverages	30,000	42,226	12,226
License & Permits	126,200	196,412	70,212
Intergovernmental	179,500	179,500	-
Charges for Services	1,800	9,838	8,038
Fines & Forfeitures	912,000	896,479	(15,521)
Interest	22,000	76,281	54,281
Miscellaneous	278,000	450,051	172,051
Total Revenues	<u>10,043,915</u>	<u>10,605,068</u>	<u>561,153</u>
<b>EXPENDITURES</b>			
Current:			
General Government			
Administration	617,324	671,263	(53,939)
Finance & Tax	404,262	386,611	17,651
Municipal Court	540,464	483,506	56,958
Community Development	583,171	560,333	22,838
Maintenance - Purchasing	346,889	361,079	(14,190)
Department Capital	32,000	38,968	(6,968)
Total General Government	<u>2,524,110</u>	<u>2,501,760</u>	<u>22,350</u>
Public Safety:			
Police	3,365,201	3,302,537	62,664
Fire	1,866,733	1,890,649	(23,916)
Department Capital	623,477	543,897	79,580
Total Public Safety	<u>5,855,411</u>	<u>5,737,083</u>	<u>118,328</u>
Transportation:			
Street	680,754	590,145	90,609
Total Transportation	<u>680,754</u>	<u>590,145</u>	<u>90,609</u>
Culture & Recreation:			
Library	339,906	315,516	24,390
Parks & Recreation	602,454	582,539	19,915
Downtown	374,431	362,379	12,052
Department Capital	32,000	66,466	(34,466)
Total Culture & Recreation	<u>1,348,791</u>	<u>1,326,900</u>	<u>21,891</u>
Total Expenditures	<u>10,409,066</u>	<u>10,155,888</u>	<u>253,178</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ (365,151)</u>	<u>449,180</u>	<u>814,331</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, 2018  
*continued*

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer In	1,735,133	1,747,633	12,500
Transfer Out	<u>(2,661,805)</u>	<u>(1,943,867)</u>	<u>717,938</u>
Total Other Financing Sources/(Uses)	<u>(926,672)</u>	<u>(196,234)</u>	<u>730,438</u>
Net Change in Fund Balances	(1,291,823)	252,946	1,544,769
Fund Balances - Beginning	<u>2,822,898</u>	<u>2,822,898</u>	<u>-</u>
Fund Balances - Ending	<u><u>1,531,075</u></u>	<u><u>3,075,844</u></u>	<u><u>1,544,769</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, 2018

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental	\$ 50,000	43,739	(6,261)
Charges for Services	409,639	495,034	85,395
Interest	-	2,192	2,192
Miscellaneous	62,160	900	(61,260)
Total Revenues	<u>521,799</u>	<u>541,865</u>	<u>20,066</u>
<b>EXPENDITURES</b>			
Transportation	499,693	562,168	(62,475)
Capital Outlay	97,654	14,381	83,273
Total Expenditures	<u>597,347</u>	<u>576,549</u>	<u>20,798</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(75,548)</u>	<u>(34,684)</u>	<u>40,864</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	51,000	51,000	-
Transfer Out	3,889	-	(3,889)
Total Other Financing Sources/(Uses)	<u>54,889</u>	<u>51,000</u>	<u>(3,889)</u>
Net Change in Fund Balances	(20,659)	16,316	36,975
Fund Balances - Beginning	<u>161,244</u>	<u>161,244</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 140,585</u>	<u>177,560</u>	<u>36,975</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, 2018

	Business-Type Activities		Governmental
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
<b>ASSETS</b>			
Current Assets:			
Cash & Cash Equivalents	\$ 6,780,497	9,628,925	948,893
Investments	2,240,782	6,720,668	-
Restricted Cash & Cash Equivalents	3,235,395	3,134,980	-
Receivables (Net of Allowance of Uncollectibles)			
Utility Bills	911,489	800,787	-
Sales Taxes	13,864	12,044	-
Other	164,826	-	-
Inventory	184,019	-	-
Total Current Assets	<u>13,530,872</u>	<u>20,297,404</u>	<u>948,893</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	41,866,923	41,623,567	-
Equipment	3,093,486	3,072,777	-
Construction in Progress	16,413,690	9,024,192	-
Less: Accumulated Depreciation	<u>(26,534,990)</u>	<u>(25,086,250)</u>	<u>-</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>39,322,687</u>	<u>33,117,864</u>	<u>-</u>
Total Noncurrent Assets	<u>39,322,687</u>	<u>33,117,864</u>	<u>-</u>
Total Assets	<u>52,853,559</u>	<u>53,415,268</u>	<u>948,893</u>
Deferred Outflow of Resources:			
Deferred Outflows - TMRS Pension	175,893	613,699	-
Deferred Outflows - TMRS OPEB	11,468	-	-
Deferred Outflows - Other	145,201	156,229	-
Total Deferred Outflow of Resources	<u>332,562</u>	<u>769,928</u>	<u>-</u>
Total Assets & Deferred Outflows	<u>53,186,121</u>	<u>54,185,196</u>	<u>948,893</u>

**CITY OF SULPHUR SPRINGS**

Statement of Net Position

Proprietary Fund

September 30, 2018

*continued*

	Business-Type Activities		Governmental
	Enterprise Fund Current Year	Enterprise Fund Prior Year	Internal Service Fund
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 1,267,694	1,230,437	104,080
Deposits	502,121	460,982	-
Accrued Interest	49,299	49,299	-
Compensated Absences Payable	125,227	140,288	-
Current Portion of Revenue Certificates of Obligation Payable	1,050,715	1,022,095	-
Current Portion of General Obligation Enterprise Bonds Payable	813,280	792,310	-
Total Current Liabilities	<u>3,808,336</u>	<u>3,695,411</u>	<u>104,080</u>
Noncurrent Liabilities:			
Revenue Certificates of Obligation Payable	24,180,836	25,231,551	-
General Obligation Bonds Payable	2,685,775	3,499,055	-
Net Pension Liability	329,419	961,163	-
Net OPEB Liability	134,067	-	-
Total Noncurrent Liabilities	<u>27,330,097</u>	<u>29,691,769</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - TMRS Pension	333,898	50,545	-
Deferred Inflows - TMRS OPEB	-	-	-
Deferred Inflows - Other	-	-	-
Total Deferred Inflows of Resources	<u>333,898</u>	<u>50,545</u>	<u>-</u>
 Total Liabilities & Deferred Inflows	<u>31,472,331</u>	<u>33,437,725</u>	<u>104,080</u>
<b>NET POSITION</b>			
Net Invested in Capital Assets	7,908,106	2,572,853	-
Restricted for:			
Revenue Bond Current Debt Service	498,021	531,550	-
Unrestricted	13,307,663	17,643,068	844,813
Total Net Position	<u>\$ 21,713,790</u>	<u>20,747,471</u>	<u>844,813</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, 2018

	Business-Type Activities		Governmental
	Enterprise	Enterprise	Internal
	Fund	Fund	Service
	Current Year	Prior Year	Fund
<b>OPERATING REVENUES</b>			
Charges for Sales & Services	\$ -	-	1,265,893
Water Sales	5,266,702	5,127,921	-
Sewer Charges	4,197,870	3,946,630	-
Sanitation Charges	3,200,295	3,099,112	-
Service Charges	127,972	123,395	-
Water & Sewer Connections	83,115	55,825	-
Intergovernmental	164,826	-	-
Miscellaneous Revenues	77,068	69,315	120
Total Operating Revenues	<u>13,117,848</u>	<u>12,422,198</u>	<u>1,266,013</u>
<b>OPERATING EXPENSES</b>			
Cost of Sales & Services	-	-	1,513,454
Administration	-	-	121,041
Personnel Services	2,565,010	2,747,586	-
Supplies	1,300,483	1,196,918	-
Contractual Services	4,171,071	3,957,731	-
Depreciation	1,459,768	1,400,108	-
Total Operating Expenses	<u>9,496,332</u>	<u>9,302,343</u>	<u>1,634,495</u>
Operating Income (Loss)	<u>3,621,516</u>	<u>3,119,855</u>	<u>(368,482)</u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>			
Interest Revenue	226,362	91,576	19,143
Interest Expense & Fiscal Charges	(541,945)	(969,859)	-
Insurance Proceeds	-	-	48,569
Insurance Claim Expenses	-	-	(16,259)
Total Nonoperating Revenues (Expenses)	<u>(315,583)</u>	<u>(878,283)</u>	<u>51,453</u>
Net Income/(Loss) Before Transfers	3,305,933	2,241,572	(317,029)
Transfers In	-	402,906	172,000
Transfers Out	<u>(2,230,743)</u>	<u>(2,265,391)</u>	<u>-</u>
Change in Net Position	1,075,190	379,087	(145,029)
Net Position - Beginning	20,747,471	20,368,384	989,842
Prior Period Adjustment	<u>(108,871)</u>	<u>-</u>	<u>-</u>
Net Position - Ending	<u>\$ 21,713,790</u>	<u>20,747,471</u>	<u>844,813</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, 2018

	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	\$ 12,881,639	12,379,265	1,266,013
Cash Payments to Suppliers for Goods & Services	(5,618,316)	(4,075,255)	(1,618,170)
Cash Payments to Employees for Services	(2,465,900)	(2,428,966)	-
Net Cash Provided/(Used) by Operating Activities	<u>4,797,423</u>	<u>5,875,044</u>	<u>(352,157)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers to Other Funds	(2,230,743)	(2,265,391)	-
Transfers from Other Funds	-	402,906	172,000
Insurance Proceeds, Net	-	-	32,310
Net Cash Provided/(Used) by Noncapital Financing Activities	<u>(2,230,743)</u>	<u>(1,862,485)</u>	<u>204,310</u>
Cash Flows from Capital & Related Financing Activities:			
Acquisition & Construction of Capital Assets	(7,653,563)	(9,182,010)	
Principal Paid on Bonds	(1,814,405)	(3,084,930)	
Proceeds from Sale of Bonds	-	24,203,646	
Interest Paid on Debt	(541,945)	(969,859)	
Net Cash Provided/(Used) by Capital & Related Financing Activities	<u>(10,009,913)</u>	<u>10,966,847</u>	
Cash Flows from Investing Activities:			
Proceeds from Sale of Investments	4,468,859	-	-
Purchase of Investments	-	(4,188,095)	-
Interest on Deposits & Investments	226,362	91,576	19,143
Net Cash Provided/(Used) by Investing Activities	<u>4,695,221</u>	<u>(4,096,519)</u>	<u>19,143</u>
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,748,013)	10,882,887	(128,704)
Cash & Cash Equivalents - Beginning	<u>12,763,905</u>	<u>1,881,018</u>	<u>1,077,597</u>
Cash & Cash Equivalents - Ending	<u>\$ 10,015,892</u>	<u>12,763,905</u>	<u>948,893</u>

**CITY OF SULPHUR SPRINGS**  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended September 30, 2018  
*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)	<u>\$ 3,621,516</u>	<u>3,119,855</u>	<u>(368,482)</u>
<b>Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities</b>			
Depreciation Expense	1,459,768	1,400,108	-
(Increase)/Decrease in Accounts Receivable	(110,702)	(56,669)	-
(Increase)/Decrease in Sales Tax Receivable	(1,820)	(1,273)	-
(Increase)/Decrease in Other Receivables	(164,826)	-	-
(Increase)/Decrease in Inventory	(184,019)	2,543,601	-
(Increase)/Decrease in Deferred Outflows	440,306	136,983	-
Increase/(Decrease) in Accounts Payable	37,257	1,079,394	16,325
Increase/(Decrease) in Customer Deposits	41,139	15,009	-
Increase/(Decrease) in Compensated Absences	(15,061)	60,075	-
Increase/(Decrease) in Net Pension Liability	(631,744)	110,494	-
Increase/(Decrease) in Net OPEB Liability	22,256	-	-
Increase/(Decrease) in Deferred Inflows	283,353	11,068	-
Total Adjustments	<u>1,175,907</u>	<u>5,298,790</u>	<u>16,325</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 4,797,423</u>	<u>8,418,645</u>	<u>(352,157)</u>

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

**CITY OF SULPHUR SPRINGS**  
Statement of Fiduciary Net Position  
Pension Trust Fund  
September 30, 2018

**ASSETS**

Cash & Cash Equivalents	\$ 25,464
Total Assets	<u>25,464</u>

**LIABILITIES**

Accounts Payable	<u>1,847</u>
Total Liabilities	<u>1,847</u>

**NET POSITION**

Net Position Restricted for Pensions	<u><u>\$ 23,617</u></u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF SULPHUR SPRINGS**  
Statement of Changes in Fiducirary Net Position  
Pension Trust Funds  
For the Fiscal Year Ended September 30, 2018

**ADDITIONS**

Contributions	\$ 117,807
Interest Income	1,312
Total Additions	<u>119,119</u>

**DEDUCTIONS**

General Government	<u>196,066</u>
Total Deductions	<u>196,066</u>

Change in Net Position	(76,947)
Net Position, Beginning	<u>100,564</u>
Net Position, Ending	<u><u>\$ 23,617</u></u>

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

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**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.

**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

**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.

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.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

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

**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.
- 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.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

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

**Measurement Focus, Basis of Accounting & Financial Statement Presentation** *(continued)*

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. The 457 plan is a 67% match with the maximum city participation at \$335 per month. Total City contributions were \$194,866.

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.

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.

**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.

**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, 2018.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

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

**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.

**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.

**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 works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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:

Asset	Years
Buildings	30-40
Building Improvements	20-30
Street Infrastructure	10-30
System Infrastructure	15-25
Equipment	5-10
Vehicles	5-7

**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.



**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

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

**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.

**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.
- 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, 2018.
- 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.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

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

**Fund Equity** *(continued)*

As of September 30, 2018, 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	\$ -	32,170	-	-	-	32,170
Restricted:						
Debt Service	-	-	11,238	-	-	11,238
Capital Projects	-	-	-	386,213	-	386,213
Assigned:						
Tourism	-	-	-	-	177,492	177,492
Police Contingency	-	-	-	-	199,764	199,764
Revolving Loan Fund	-	-	-	-	121,783	121,783
Airport	-	145,390	-	-	-	145,390
Unassigned	3,075,844	-	-	-	-	3,075,844
Total Fund Balances	<u>\$3,075,844</u>	<u>177,560</u>	<u>11,238</u>	<u>386,213</u>	<u>499,039</u>	<u>4,149,894</u>

**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.

**RECONCILIATION OF GOVERNMENT-WIDE & FUND FINANCIAL STATEMENTS**

**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 (\$173,922) adjustment are as follows:

Long-Term Debt:	
Compensated Absences Payable	\$ (348,554)
Deferred Revenue:	
To Remove the Uncollected Tax Levy from Deferred Revenue	259,882
Capital Assets	
Disposal of Capital Assets	<u>(85,250)</u>
Net Adjustment to Decrease Fund Balance - Total Governmental Funds to Arrive at Net Position - Governmental Activities	<u>\$ (173,922)</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

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

**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.” The details of this (\$107,038) adjustment are as follows:

Long-Term Debt:	
Changes in Compensated Absences Payable	\$ (16,844)
Taxes:	
To Move the Uncollected Tax Levy to Revenue	259,882
To Remove the Prior Year Tax Collections from Current Year Revenue	(264,826)
	(4,944)
Capital Assets:	
Disposal of Capital Assets	(85,250)
Net Adjustment to Decrease Net Changes in Fund Balance - Total	
Governmental Funds to Arrive at Changes in Net Assets of	
Governmental Activities	\$ (107,038)

**STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY**

**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 (airport 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. Annual budgets are not adopted for non-major special revenue funds or the debt service fund.

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, 2018

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

**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.

**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)	\$ 23,173,558
Depreciation	<u>(1,459,768)</u>
Net Position (GAAP)	<u>\$ 21,713,790</u>

**DEPOSITS & INVESTMENTS**

**Deposits** – State statutes require that all deposits in financial institutions be fully collateralized by U.S. government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were insured up to \$250,000 or collateralized as required by State statutes at September 30, 2018. At year-end, the carrying amount of the City's demand deposits was a balance of \$2,308,287 – bank balance, \$2,785,880. The cash on hand carrying amount totaled \$2,390. Additionally, cash held in escrow for construction was \$819,980 and is being held by an independent institution. The bank balance and certificates of deposits for the primary government were covered by FDIC insurance and collateral held in the City's name by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits for the EDC, a discretely presented component unit, was \$1,790,904 and the bank balance was \$2,204,187. Of the bank balance, \$500,000 was covered by federal depository insurance and \$1,704,187 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, 2018

**DEPOSITS & INVESTMENTS** *(continued)*

Investments – State statutes, city policies, and city resolutions authorize the City's investments. The Director of Financial Services and the Assistant Director of Financial Services are authorized by the City Council to invest all available funds consistent with the investment policy. The City is authorized to invest in United States obligations or its agencies and instrumentalities, direct obligations of the State of Texas or its agencies and instrumentalities, other obligations backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, obligations of states, agencies, counties, cities, and other political subdivisions of any State having an investment rating of not less than "A" or its equivalent, fully collateralized repurchase agreements, certificates of deposit issued by a depository institution that has its main office or branch office in the State of Texas, money market mutual funds regulated by the Securities and Exchange Commission with a dollar weighted average portfolio maturity of 90 days or less, and local government investment pools organized and operating in compliance with the Inter-local Cooperation Act.

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

Credit Risk is the risk that a security issuer may default on an interest or principal payment. 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.

Custodial Credit Risk is the risk that, in the event of the failure of a depository financial institution or counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover its deposits, value of its investments, or collateral securities that are in the possession of an outside party. The PFIA, the government's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments. The government's funds are deposited and invested under terms of a depository contract with amounts greater than the FDIC insurance coverage protected by approved pledged securities held on behalf of the government. Public funds investment pools created to function as money market mutual funds must mark their portfolios to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. The government's policy manages custodial credit risk by requiring securities purchased by a broker-dealer for the government to be held in a Safekeeping account in the government's name. The policy also requires that security transactions be conducted on a delivery-versus-payment basis.

Concentration of Credit Risk 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.

Interest Rate Risk 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.

Foreign Currency Risk is the potential for loss due to fluctuations in exchange rates. The government's policy does not allow for any direct foreign investments, and therefore the government is not exposed to foreign currency risk.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**DEPOSITS & INVESTMENTS** *(continued)*

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

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

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

The City has recurring fair value measurements as presented in the table below. Investment balances of such investments are as follows:

	September 30, 2018	Fair Value Measurements using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Primary Government</u>				
<u>Cash &amp; Cash Equivalents:</u>				
Bank Deposits	\$ 2,310,677	-	-	-
Certificates of Deposit	500,000	-	-	-
Total Cash & Cash Equivalents	<u>2,810,677</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Cash Held for Construction:</u>				
BOK Financial	819,980	-	-	-
Total Cash Held for Construction	<u>819,980</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Investments measured at</u>				
<u>Amortized Costs:</u>				
Texpool	10,013,099	-	-	-
<u>Investments by fair value level:</u>				
US Treasury Notes	2,987,709	-	2,987,709	-
Total Investments	<u>13,000,808</u>	<u>-</u>	<u>2,987,709</u>	<u>-</u>
Total Investments	<u>16,631,465</u>	<u>-</u>	<u>2,987,709</u>	<u>-</u>

*Investment Pools* are measured at amortized costs and are exempt from fair value reporting.

*U.S. Treasury Notes* classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**DEPOSITS & INVESTMENTS** *(continued)*

The *Texpool* investment pool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonable foreseeable redemptions. Texpool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

**RECEIVABLES**

Receivables at September 30, 2018 consist of the following:

	General	Airport	Debt Service	Enterprise	Capital Projects	Special Revenue Funds	Total
Receivables:							
Utility Bills	\$ -	-	-	911,489	-	-	911,489
Delinquent Taxes	225,093	-	34,789	-	-	-	259,882
Sales Taxes	324,422	-	-	13,864	-	-	338,286
Alcoholic Beverage Taxes	7,894	-	-	-	-	-	7,894
Franchise Taxes	273,337	-	-	-	-	-	273,337
Other	-	79,626	-	164,826	69,802	58,555	372,809
Gross Receivables	830,746	79,626	34,789	1,090,179	69,802	58,555	2,163,697
Less: Allowance for Uncollectibles	(12,046)	-	-	-	-	-	(12,046)
Net Total Receivables	<u>\$ 818,700</u>	<u>79,626</u>	<u>34,789</u>	<u>1,090,179</u>	<u>69,802</u>	<u>58,555</u>	<u>2,151,651</u>

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, 2018, the EDC had sales taxes receivable of \$160,847. No allowance for uncollectibles has been made.

**Notes Receivable – Economic Development Corporation**

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 28, 2013 and continuing until November 28, 2020 when one final payment of \$4,000 is due.

On November 17, 2016, the Corporation sold certain real property (technology center) for \$1,248,694 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in interest free annual payments of \$249,739 beginning December 26, 2016 and continuing until December 25, 2020.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**RECEIVABLES - Notes Receivable – Economic Development Corporation (continued)**

On December 7, 2016, the Corporation sold certain real property (a lot at the municipal airport) for \$280,000 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in interest free annual payments beginning December 30, 2016 and continuing until December 30, 2027.

On October 1, 2017, the Corporation sold certain equipment to Armorock, LLC for \$378,615 and financed the purchase. The loan is collateralized by the equipment. The note is to be repaid in monthly payments of \$7,069, including 4.56% interest, beginning October 1, 2017 and continuing until September 1, 2022.

On November 1, 2017, the Corporation sold certain real property to Plant Process Fabricators for \$3,000,000 and financed the purchase. The loan is collateralized by the real property. The note is to be repaid in monthly payments of \$25,000, including 4.0% interest, beginning December 1, 2017 and continuing until October 1, 2030.

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
\$ 1,415,793	3,403,615	(374,927)	\$ 4,444,481

**CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	1,031,440	-	(55,102)	976,338
Construction in Progress	113,359	1,043,322	(629,779)	526,902
Total Capital Assets Not Being Depreciated	1,144,799	1,043,322	(684,881)	1,503,240
Capital Assets Being Depreciated:				
Buildings & Improvements	21,069,053	-	-	21,069,053
Furniture & Equipment	5,081,900	618,416	(73,673)	5,626,643
Infrastructure	24,592,104	1,116,427	-	25,708,531
Total Capital Assets Being Depreciated	50,743,057	1,734,843	(73,673)	52,404,227
Less Accumulated Depreciation for:				
Buildings & Improvements	(6,174,312)	(669,277)	-	(6,843,589)
Furniture & Equipment	(3,591,086)	(367,249)	43,525	(3,914,810)
Infrastructure	(6,894,463)	(950,488)	-	(7,844,951)
Total Accumulated Depreciation	(16,659,861)	(1,987,014)	43,525	(18,603,350)
Total Capital Assets Being Depreciated, Net	34,083,196	(252,171)	(30,148)	33,800,877
Governmental Activities				
Net Investment in Capital Assets	\$ 35,227,995	791,151	(715,029)	35,304,117



**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**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	9,024,192	7,389,498	-	16,413,690
Total Capital Assets Not Being Depreciated	<u>13,507,770</u>	<u>7,389,498</u>	<u>-</u>	<u>20,897,268</u>
Capital Assets Being Depreciated:				
Buildings & Plant	41,623,567	243,356	-	41,866,923
Equipment	3,072,777	20,709	-	3,093,486
Total Capital Assets Being Depreciated	<u>44,696,344</u>	<u>264,065</u>	<u>-</u>	<u>44,960,409</u>
Less Accumulated Depreciation for:				
Buildings & Plant	(23,092,975)	(1,224,043)	-	(24,317,018)
Equipment	(1,993,275)	(224,697)	-	(2,217,972)
Total Accumulated Depreciation	<u>(25,086,250)</u>	<u>(1,448,740)</u>	<u>-</u>	<u>(26,534,990)</u>
Total Capital Assets Being Depreciated, Net	<u>19,610,094</u>	<u>(1,184,675)</u>	<u>-</u>	<u>18,425,419</u>
Business-Type Activities Net Investment in Capital Assets	<u>\$ 33,117,864</u>	<u>6,204,823</u>	<u>-</u>	<u>39,322,687</u>

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

Governmental Activities:	
General Government	\$ 138,145
Public Safety	239,638
Transportation	1,384,662
Culture & Recreation	224,569
Total Depreciation Expense - Governmental Activities	<u>\$ 1,987,014</u>
Business-Type Activities: Water & Sewer	<u>\$ 1,448,740</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,448,740</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**CAPITAL ASSETS** *(continued)*

Capital asset activity for the EDC for the year ended September 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Component Unit:				
Capital Assets Not Being Depreciated:				
Land	\$ 1,652,612	532,473	(194,617)	1,990,468
Construction in Progress	<u>2,814,468</u>	<u>6,557,056</u>	<u>(3,327,336)</u>	<u>6,044,188</u>
Total Capital Assets Not Being Depreciated	<u>4,467,080</u>	<u>7,089,529</u>	<u>(3,521,953)</u>	<u>8,034,656</u>
Capital Assets Being Depreciated:				
Buildings	9,345,878	3,746,531	(3,618,298)	9,474,111
Office Equipment	<u>37,588</u>	-	-	<u>37,588</u>
Total Capital Assets Being Depreciated	<u>9,383,466</u>	<u>3,746,531</u>	<u>(3,618,298)</u>	<u>9,511,699</u>
Less Accumulated Depreciation for:				
Buildings	(889,349)	(222,208)	286,449	(825,108)
Office Equipment	<u>(27,302)</u>	<u>(2,728)</u>	-	<u>(30,030)</u>
Total Accumulated Depreciation	<u>(916,651)</u>	<u>(224,936)</u>	<u>286,449</u>	<u>(855,138)</u>
Total Capital Assets Being Depreciated, Net	<u>8,466,815</u>	<u>3,521,595</u>	<u>(3,331,849)</u>	<u>8,656,561</u>
Component Unit				
Net Investment in Capital Assets	<u>\$ 12,933,895</u>	<u>10,611,124</u>	<u>(6,853,802)</u>	<u>16,691,217</u>

**INTER-FUND TRANSFERS**

Inter-fund transfer activity for the year ended September 30, 2018, was as follows:

	<u>Transfers Out:</u>						<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Tax Increment Financing</u>	<u>Tourism</u>	<u>Police Fund</u>	<u>Water &amp; Sewer Fund</u>	
<b>Transfers In:</b>							
General Fund	\$ -	-	-	50,000	-	1,697,633	1,747,633
Airport Fund	25,000	16,000	-	-	-	10,000	51,000
Debt Service Fund	369,097	592,740	-	-	-	214,966	1,176,803
Capital Projects	1,463,015	-	76,955	-	28,444	214,999	1,783,413
Police	7,900	-	-	-	-	-	7,900
Internal Services Fund	78,855	-	-	-	-	93,145	172,000
Water & Sewer Fund	-	-	-	-	-	-	-
Total	<u>\$ 1,943,867</u>	<u>608,740</u>	<u>76,955</u>	<u>50,000</u>	<u>28,444</u>	<u>2,230,743</u>	<u>4,938,749</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**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 \$597,459. The Enterprise Fund sent the General Fund an additional \$1,087,674 to pay for its percentage of Administration, Finance, Planning, and Engineering. The General Fund and Enterprise Fund transferred \$1,463,015 and \$214,999 respectively to the Capital Fund to pay for street and drainage projects. The Airport Fund received \$25,000 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.

**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.

Long-term liability activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable	\$ 15,967,754	-	(1,171,233)	14,796,521	1,211,643
Compensated Absences	331,710	348,554	(331,710)	348,554	331,710
Totals	<u>\$ 16,299,464</u>	<u>348,554</u>	<u>(1,502,943)</u>	<u>15,145,075</u>	<u>1,543,353</u>

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

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**LONG-TERM DEBT** *(continued)*

Bonds payable at September 30, 2018 are comprised of the following issues for the debt service fund:

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. \$ 3,325,000

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. 735,945

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. 5,615,000

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. 4,170,000

Combination Tax & Limited Surplus Revenue Certificates of Obligation

A bond issue of \$5,230,000 (20.92% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1, 2037. 950,576

Combined Debt

\$ 14,796,521

The annual requirements to amortize the bonded debt outstanding for the debt service fund as of September 30, 2018 are as follows:

Year Ending	Principal	Interest	Total
2019	1,211,643	510,129	1,721,772
2020	1,186,978	479,672	1,666,650
2021	1,214,683	449,267	1,663,950
2022	1,255,093	414,978	1,670,071
2023	1,005,872	378,312	1,384,184
2024-2028	4,067,252	1,446,003	5,513,255
2029-2033	1,965,000	897,313	2,862,313
2034-2038	1,965,000	473,650	2,438,650
2039-2042	925,000	77,775	1,002,775
Totals	<u>\$ 14,796,521</u>	<u>5,127,097</u>	<u>19,923,618</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**LONG-TERM DEBT** *(continued)*

During the year ended September 30, 2018, 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	\$ 30,232,246	-	(1,798,767)	28,433,479	1,848,357
Compensated Absences	140,288	125,227	(140,288)	125,227	140,288
	30,372,534	125,227	(1,939,055)	28,558,706	1,988,645
Bond Premium	312,765	-	(15,638)	297,127	15,638
	<u>\$ 30,685,299</u>	<u>125,227</u>	<u>(1,954,693)</u>	<u>28,855,833</u>	<u>2,004,283</u>

Bonds payable at September 30, 2018 are comprised of the following issues for the Water and Sewer fund:

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.

894,055

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.

3,490,000

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.

730,000

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.

465,000

Combination Tax & Revenue Certificates of Obligation

A bond issue of \$18,200,000 dated October 4, 2016 maturing serially September 1, 2017 to September 1, 2046. Interest rates range from 0.01% to 1.45%, payable March 1 and September 1 to September 1, 2046.

17,510,000

General Obligation Refunding Bonds

A bond issue \$1,555,000 dated August 17, 2017 maturing serially July 1, 2018 to July 1, 2027. Interest is 2.20%, payable January 1 and July 1 to July 1, 2027. These bonds were issued to redeem \$1,515,000 of Combination Tax and Revenue Refunding Bonds dated July 1, 2007.

1,410,000

Combination Tax & Limited Surplus Revenue Certificates of Obligation

A bond issue of \$5,230,000 (79.08% Debt Service Fund portion) dated August 17, 2017 maturing serially September 1, 2018 to September 1, 2037. Interest rates range from 2.0% to 4.0%, payable March 1 and September 1 to September 1, 2037.

3,934,424

Combined Debt

\$ 28,433,479

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**LONG-TERM DEBT** *(continued)*

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

The annual requirements to amortize all bonded debt outstanding for the Water and Sewer Fund as of September 30, 2018 are as follows:

Year Ending	Principal	Interest	Total
2019	1,848,357	504,989	2,353,346
2020	1,813,022	474,985	2,288,007
2021	1,605,317	445,596	2,050,913
2022	1,644,907	413,079	2,057,986
2023	1,159,128	377,699	1,536,827
2024-2028	5,592,748	1,544,559	7,137,307
2029-2033	5,075,000	1,046,164	6,121,164
2034-2038	4,095,000	600,992	4,695,992
2039-2043	3,425,000	302,576	3,727,576
2044-2046	2,175,000	63,078	2,238,078
Totals	<u>\$ 28,433,479</u>	<u>5,773,718</u>	<u>34,207,197</u>

**Notes Payable – Economic Development Corporation**

During the year ended September 30, 2018, the following changes occurred in liabilities reported for the EDC:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Notes payable	<u>\$ 4,025,277</u>	<u>5,576,886</u>	<u>(190,706)</u>	<u>9,411,457</u>	<u>5,771,719</u>
	<u>\$ 4,025,277</u>	<u>5,576,886</u>	<u>(190,706)</u>	<u>9,411,457</u>	<u>5,771,719</u>

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 May 18, 2017, the Corporation borrowed \$2,236,847 from Southside Bank. The loan is being repaid in 113 monthly payments of \$21,051 (beginning June 1, 2017 and 24 monthly payments of \$8,611 (beginning November 1, 2026), including interest computed at 3.05 percent. The note will be paid in full after the final payment on January 1, 2029.

On February 20, 2018, the Corporation obtained a non-revolving construction line of credit (LOC) from Guaranty Bank. The LOC has maximum allowable funds of \$7,800,000. The principal amount will be advanced upon draw requests, until February 20, 2019 at which point, the balance is due in full. During construction, monthly interest only payments will be made (effective March 20, 2018) at an interest rate of 4.75%.

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
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**RESTRICTED ASSETS**

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

BOK Financial - Bond Funds	\$ 819,980
Customer Deposits	502,121
Accrued Interest Payable	49,299
Current Revenue CO's Payable	1,050,715
Current GO Bonds Payable	813,280
Total Restricted Assets	<u>\$ 3,235,395</u>

**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 \$80,000 per employee and \$1,125,489 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 2018 were as follows:

	<u>2018</u>
Unpaid Claims, Beginning of Year	\$ 87,755
Incurred Claims (Including IBNR)	920,704
Claim Payments	<u>(904,379)</u>
Unpaid Claims, End of Year	<u>\$ 104,080</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**RETIREMENT SYSTEM – PENSION PLAN**

**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.

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.tMrs.com](http://www.tMrs.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. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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 2018</u>	<u>Plan Year 2017</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%, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

**Employees Covered by Benefit Terms** - At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	112
Inactive Employees Entitled to but Not Yet Receiving Benefits	65
Active Employees	<u>143</u>
	320



**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
September 30, 2018

**RETIREMENT SYSTEM – PENSION PLAN** *(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 7.40% and 7.19% in calendar year 2018 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$576,057 and were equal to required contributions.

**Net Pension Liability** - The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	\$ 39,045,311	\$ 35,274,906	\$ 3,770,405
Changes for the Year:			
Service Cost	1,067,537	-	1,067,537
Interest	2,605,150	-	2,605,150
Change of Benefit Terms	-	-	-
Diff. Between Expected/Actual Experience	(235,957)	-	(235,957)
Changes of Assumptions	-	-	-
Contributions - Employer	-	574,089	(574,089)
Contributions - Employee	-	479,074	(479,074)
Net Investment Income	-	4,888,366	(4,888,366)
Benefit Payments, Including Refunds of Employee Contributions	(1,968,528)	(1,968,528)	-
Administrative Expenses	-	(25,337)	25,337
Other Changes	-	(1,284)	1,284
Net Changes	1,468,202	3,946,380	(2,478,178)
Balance at 12/31/2017	<u>\$ 40,513,513</u>	<u>\$ 39,221,286</u>	<u>\$ 1,292,227</u>

**CITY OF SULPHUR SPRINGS**  
Notes to the Financial Statements  
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**RETIREMENT SYSTEM – PENSION PLAN** *(continued)*

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** - The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would 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	\$ 6,260,848	\$ 1,292,227	\$ (2,866,593)

**Pension Expense and Deferred Outflows and Inflows of Resources** - For the year ended September 30, 2018, the City recognized pension expense in the amount of \$932,919. At September 30, 2018, 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)	\$ 22,882	\$ 318,966
Changes in Actuarial Assumptions	234,270	-
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	990,832
Contributions Subsequent to the Measurement Date	432,834	-
Total	\$ 689,986	\$ 1,309,798

\$432,834 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, 2019. 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,		
2019	\$	95,523
2020		(38,157)
2021		(569,982)
2022		(537,030)
2023		-

**RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS**

**Plan Description** - The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). SDBF is an unfunded multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Texas Municipal Retirement System (TMRS).

**OPEB Plan Fiduciary Net Position** - Detailed information about the TMRS SDBF's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. This report may be obtained at [www.tmrs.com](http://www.tmrs.com).

**CITY OF SULPHUR SPRINGS**  
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**RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS** *(continued)*

**Benefits Provided** – SDBF is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit and is a fixed amount of \$7,500.

**Contributions** – City contribution rates for the SDBF are established at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

Employees for the City of Sulphur Springs were not required to contribute to the SDBF. The contribution rates for the City were 0.22% and 0.21% in calendar year 2018 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$17,051 and were equal to required contributions.

**Employees Covered by Benefit Terms** - At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	83
Inactive Employees Entitled to but Not Yet Receiving Benefits	13
Active Employees	143
	239

**Actuarial Assumptions** - The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Discount Rate*	3.31%
Retirees' share of benefit related costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - service retirees	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.
Mortality Rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. Th rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.  
Note: The actuarial assumption used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 – December 31, 2014.

**CITY OF SULPHUR SPRINGS**  
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**RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS** *(continued)*

**Total OPEB Liability** - The City's Total OPEB Liability was determined by an actuarial valuation as of December 31, 2017.

	Increase/(Decrease) Total OPEB Liability
Balance at 12/31/2016	\$ 458,500
Changes for the Year:	
Service Cost	15,171
Interest	17,543
Change of Benefit Terms	-
Diff. Between Expected/Actual Experience	-
Changes of Assumptions	38,688
Contributions - Employer	-
Contributions - Employee	-
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(3,992)
Administrative Expenses	-
Other Changes	-
Net Changes	67,410
Balance at 12/31/2017	\$ 525,910

**Discount Rate Sensitivity Analysis** - The following presents the total OPEB liability of the City, calculated using the discount rate of 3.31%, as well as what the City's total OPEB liability would have been if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current rate.

	1% Decrease (2.31%)	Discount Rate (3.31%)	1% Increase (4.31%)
City's total OPEB Liability	\$ 623,799	\$ 525,910	\$ 448,274

**OPEB Expense and Deferred Outflows and Inflows of Resources** - For the year ended September 30, 2018, the City recognized OPEB expense in the amount of \$39,282. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected & Actual Economic Experience (net of current year amortization)	\$ -	\$ -
Changes in Actuarial Assumptions	32,120	-
Differences Between Projected & Actual Investment Earnings (net of current year amortization)	-	-
Contributions Subsequent to the Measurement Date	12,868	-
Total	\$ 44,988	\$ -

**CITY OF SULPHUR SPRINGS**  
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**RETIREMENT SYSTEM – OTHER POST EMPLOYMENT BENEFITS** *(continued)*

**OPEB Expense and Deferred Outflows and Inflows of Resources** *(continued)*

\$12,868 reported as deferred outflows of resources related to OPEBs resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended December 31,		
2019	\$	6,568
2020		6,568
2021		6,568
2022		6,568
2023		5,848
Thereafter		-

**PRIOR PERIOD ADJUSTMENT**

During fiscal year 2018, the City adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). With GASB 75, The City must assume their proportionate share of the Net OPEB liability of the Texas Municipal Retirement System. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled (\$446,446), which resulted in a restated beginning net position of both Governmental and Business-Type activities. The details are as follows:

<u>Net Position Restatement</u>	<u>Governmental</u>	<u>Business-Type</u>
Net Position - As Originally Reported	\$ 22,593,449	20,747,471
GASB 75 Changes:		
Increase in Deferred Outflows	9,114	2,940
Increase in Net OPEB Liability	<u>(346,689)</u>	<u>(111,811)</u>
Net Position - Restated	<u>22,255,874</u>	<u>20,638,600</u>

**TAX ABATEMENTS**

<u>Company</u>	<u>Abatements</u>		<u>Begins</u>	<u>Ends</u>
	<u>2018 Tax Year</u>	<u>2017 Tax Year</u>		
BEF Foods	\$ 8,438,184	\$ 7,337,551	2013	2022
BEF Foods	37,963,266	33,011,536	2013	2022
BEF Foods	2,211,290	2,211,290	2013	2022
Oceam Spray	2,458,967	2,607,901	2016	2020
CMH Manufacturing	3,200,000	3,200,000	2016	2020
Total	<u>\$ 54,271,707</u>	<u>\$ 48,368,278</u>		

**EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through January 28, 2019 the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SULPHUR SPRINGS**  
Schedule of Changes in Net Pension Liability and Related Ratios  
For the Year Ended September 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 1,067,537	\$ 1,071,312	\$ 974,458	\$ 881,939
Interest (on the Total Pension Liability)	2,605,150	2,487,880	2,409,813	2,280,911
Changes of Benefit Terms	-	-	-	-
Difference Between Expected & Actual Experience	(235,957)	(97,651)	(205,165)	119,290
Change of Assumptions	-	-	638,184	-
Benefit Payments, Including Refunds of Employee Contri	<u>(1,968,528)</u>	<u>(1,476,121)</u>	<u>(1,392,134)</u>	<u>(1,581,767)</u>
Net Change in Total Pension Liability	1,468,202	1,985,420	2,425,156	1,700,373
 Total Pension Liability - Beginning	 <u>39,045,311</u>	 <u>37,059,891</u>	 <u>34,634,735</u>	 <u>32,934,362</u>
 Total Pension Liability - Ending (a)	 <u>\$ 40,513,513</u>	 <u>\$ 39,045,311</u>	 <u>\$ 37,059,891</u>	 <u>\$ 34,634,735</u>
 <b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 574,089	\$ 458,959	\$ 471,266	\$ 481,593
Contributions - Employee	479,074	478,977	456,065	429,994
Net Investment Income	4,888,366	2,268,525	50,194	1,877,990
Benefit Payments, Including Refunds of Employee Contri	(1,968,528)	(1,476,121)	(1,392,134)	(1,581,767)
Administrative Expense	(25,337)	(25,624)	(30,574)	(19,609)
Other	<u>(1,284)</u>	<u>(1,381)</u>	<u>(1,510)</u>	<u>(1,612)</u>
Net Change in Plan Fiduciary Net Position	3,946,380	1,703,335	(446,693)	1,186,589
 Plan Fiduciary Net Position - Beginning	 <u>35,274,908</u>	 <u>33,571,573</u>	 <u>34,018,266</u>	 <u>32,831,677</u>
 Plan Fiduciary Net Position - Ending (b)	 <u>\$ 39,221,288</u>	 <u>\$ 35,274,908</u>	 <u>\$ 33,571,573</u>	 <u>\$ 34,018,266</u>
 Net Pension Liability - Ending (a) - (b)	 \$ 1,292,225	 \$ 3,770,403	 \$ 3,488,318	 \$ 616,469
 Plan Fiduciary Net Position as Percentage of Total Pension Liability	 96.81%	 90.34%	 90.59%	 98.22%
 Covered Employee Payroll	 \$ 7,984,569	 \$ 7,982,952	 \$ 7,601,080	 \$ 7,166,568
 Net Pension Liability as Percentage of Covered Employee Payroll	 16.18%	 47.23%	 45.89%	 8.60%

**CITY OF SULPHUR SPRINGS**  
Schedule of Pension Contributions  
For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 576,057	\$ 544,079	\$ 464,398	\$ 471,266
Contributions in Relation to the Actuarially Determined Contribution	<u>(576,057)</u>	<u>(544,079)</u>	<u>(464,398)</u>	<u>(471,266)</u>
Contribution Deficiency/(Excess)	-	-	-	-
Covered Employee Payroll	\$ 7,841,080	\$ 7,745,406	\$ 7,662,705	\$ 7,601,080
Contributions as Percentage of Covered Employee Payroll	7.35%	7.02%	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	24 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.





**COMBINING & INDIVIDUAL  
FUND STATEMENTS & SCHEDULES**

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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

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

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

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

**CITY OF SULPHUR SPRINGS**

Combining Balance Sheet

Special Revenue Funds

September 30, 2018

	Tax Increment Financing	Tourism	Police Fund	Revolving Loan Fund	Total Special Revenue Funds
<b>ASSETS</b>					
Cash & Cash Equivalents	\$ -	176,463	199,764	64,257	440,484
Notes Receivable	-	-	-	-	-
Other Receivables	-	1,029	-	57,526	58,555
Total Assets	<u>\$ -</u>	<u>177,492</u>	<u>199,764</u>	<u>121,783</u>	<u>499,039</u>
<b>FUND BALANCES</b>					
Fund Balances:					
Assigned:					
Tourism	-	177,492	-	-	177,492
Other Purposes	-	-	199,764	121,783	321,547
Total Fund Balances	<u>-</u>	<u>177,492</u>	<u>199,764</u>	<u>121,783</u>	<u>499,039</u>
Total Liabilities & Fund Balances	<u>\$ -</u>	<u>177,492</u>	<u>199,764</u>	<u>121,783</u>	<u>499,039</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, 2018

	Tax Increment Financing	Tourism	Police Fund	Revolving Loan Fund	Total Special Revenue Funds
<b>REVENUES</b>					
Property Taxes	\$ 29,554	-	-	-	29,554
Sales Taxes	-	185,369	-	-	185,369
Intergovernmental	47,401	-	32,325	-	79,726
Fines & Forfeitures	-	-	68,044	-	68,044
Interest	-	3,464	826	1,980	6,270
Contributions	-	-	108,632	-	108,632
Miscellaneous	-	-	3,213	-	3,213
Total Revenues	<u>76,955</u>	<u>188,833</u>	<u>213,040</u>	<u>1,980</u>	<u>480,808</u>
<b>EXPENDITURES</b>					
Current:					
Public Safety	-	-	100,051	-	100,051
Culture & Recreation	-	91,136	41,170	-	132,306
Total Expenditures	<u>-</u>	<u>91,136</u>	<u>141,221</u>	<u>-</u>	<u>232,357</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>76,955</u>	<u>97,697</u>	<u>71,819</u>	<u>1,980</u>	<u>248,451</u>
<b>OTHER FINANCING SOURCES/(USES)</b>					
Transfers In	-	-	7,900	-	7,900
Transfers Out	(76,955)	(50,000)	(28,444)	-	(155,399)
Total Other Financing Sources/(Uses)	<u>(76,955)</u>	<u>(50,000)</u>	<u>(20,544)</u>	<u>-</u>	<u>(147,499)</u>
Net Change in Fund Balances	-	47,697	51,275	1,980	100,952
Fund Balance - Beginning	<u>-</u>	<u>129,795</u>	<u>148,489</u>	<u>119,803</u>	<u>398,087</u>
Fund Balance - Ending	<u>\$ -</u>	<u>177,492</u>	<u>199,764</u>	<u>121,783</u>	<u>499,039</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, 2018

	Original & Final Budgeted Amounts	Actual Amounts	Variance With Budget Positive (Negative)
<b>OPERATING REVENUES</b>			
Water Sales	\$ 5,400,000	5,266,702	(133,298)
Sewer Charges	3,985,000	4,197,870	212,870
Sanitation Charges	3,063,653	3,200,295	136,642
Service Charges	115,000	127,972	12,972
Water & Sewer Connections	55,000	83,115	28,115
Intergovernmental	-	164,826	164,826
Miscellaneous Revenues	31,500	77,068	45,568
Total Operating Revenues	<u>12,650,153</u>	<u>13,117,848</u>	<u>467,695</u>
<b>OPERATING EXPENSES</b>			
Personnel Services	2,515,467	2,565,010	(49,543)
Supplies	2,187,337	1,300,483	886,854
Contractual Services	5,394,370	4,171,071	1,223,299
Total Operating Expenses	<u>10,097,174</u>	<u>8,036,564</u>	<u>2,060,610</u>
Operating Income/(Loss)	<u>2,552,979</u>	<u>5,081,284</u>	<u>2,528,305</u>
<b>NONOPERATING REVENUES/(EXPENSES)</b>			
Interest Revenue	60,000	226,362	166,362
Interest Expense & Fiscal Charges	-	(541,945)	(541,945)
Total Nonoperating Revenues/(Expenses)	<u>60,000</u>	<u>(315,583)</u>	<u>(375,583)</u>
Income Before Transfers	2,612,979	4,765,701	2,152,722
Transfers Out	<u>(2,613,930)</u>	<u>(2,230,743)</u>	<u>383,187</u>
Change in Net Position	(951)	2,534,958	2,535,909
Net Position - Beginning	20,747,471	20,747,471	-
Prior Period Adjustment	<u>-</u>	<u>(108,871)</u>	<u>(108,871)</u>
Net Position - Ending	<u>\$ 20,746,520</u>	<u>23,173,558</u>	<u>2,427,038</u>

**CITY OF SULPHUR SPRINGS**  
Combining Statement of Fiduciary Net Position  
Pension Trust Funds  
September 30, 2018

	Pension Trust Funds	
	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan
<b>ASSETS</b>		
Cash & Cash Equivalents	\$ 23,286	2,178
Total Assets	23,286	2,178
 <b>LIABILITIES</b>		
Accounts Payable	-	1,847
Total Liabilities	-	1,847
 <b>NET POSITION</b>		
Net Position Restricted for Pensions	\$ 23,286	331

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

**CITY OF SULPHUR SPRINGS**  
Combining Statement of Changes in Fiduciary Net Position  
Pension Trust Funds  
For the Fiscal Year Ended September 30, 2018

	Pension Trust Funds	
	Volunteer Fireman Pension Plan	Employee Supplemental Retirement Plan
<b>ADDITIONS</b>		
Contributions	\$ 3,070	114,737
Interest Income	-	1,312
Total Additions	3,070	116,049
<b>DEDUCTIONS</b>		
General Government	1,200	194,866
Total Deductions	1,200	194,866
Change in Net Position	1,870	(78,817)
Net Position, Beginning	21,416	79,148
Net Position, Ending	\$ 23,286	331

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



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## STATISTICAL SECTION

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

### Contents

Financial Trends.....	80
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These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity .....	92
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These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and water & sewer revenues.

Debt Capacity .....	98
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These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information .....	105
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information.....	110
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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				
	2009	2010	2011	2012	2013
Governmental Activities					
Net Investment in Capital Assets	6,363	11,148	16,493	17,947	19,271
Restricted	4,007	3,216	2,668	49	19
Unrestricted	1,320	1,803	1,959	3,630	3,476
Total Governmental Activities Net Position	<u>11,690</u>	<u>16,167</u>	<u>21,120</u>	<u>21,626</u>	<u>22,766</u>
Business-Type Activities					
Net Investment in Capital Assets	11,905	12,330	12,662	9,740	10,262
Restricted	597	597	468	470	617
Unrestricted	2,472	2,478	3,512	7,237	6,271
Total Business-Type Activities Net Position	<u>14,974</u>	<u>15,405</u>	<u>16,642</u>	<u>17,447</u>	<u>17,150</u>
Primary Government					
Net Investment in Capital Assets	18,268	23,478	29,155	27,687	29,533
Restricted	4,604	3,813	3,136	519	636
Unrestricted	3,792	4,281	5,471	10,867	9,747
Total Primary Government Net Position	<u>26,664</u>	<u>31,572</u>	<u>37,762</u>	<u>39,073</u>	<u>39,916</u>

2014	2015	2016	2017	2018
20,015	18,084	17,204	18,597	20,508
18	35	49	8	11
3,258	4,284	5,680	3,988	3,047
<u>23,291</u>	<u>22,403</u>	<u>22,933</u>	<u>22,593</u>	<u>23,566</u>

11,499	13,044	15,899	2,573	7,908
553	618	591	532	498
5,916	6,347	3,878	17,643	13,308
<u>17,968</u>	<u>20,009</u>	<u>20,368</u>	<u>20,748</u>	<u>21,714</u>

31,514	31,128	33,103	21,170	28,416
571	653	640	540	509
9,174	10,631	9,558	21,631	16,355
<u>41,259</u>	<u>42,412</u>	<u>43,301</u>	<u>43,341</u>	<u>45,280</u>

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

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>EXPENSES</b>					
Governmental Activities:					
General Government	2,027	2,022	2,116	2,157	2,573
Public Safety	5,205	4,874	4,982	5,925	5,360
Transportation	1,978	1,600	1,952	2,604	2,136
Culture & Recreation	1,530	1,400	1,349	1,238	1,247
Interest on Long-Term Debt	395	457	435	316	586
Total Governmental Activities	<u>11,135</u>	<u>10,353</u>	<u>10,834</u>	<u>12,240</u>	<u>11,902</u>
Business-Type Activities:					
Water & Sewer	6,221	6,105	6,284	6,644	7,036
Sanitation	2,306	2,255	2,202	2,148	2,393
Total Business-Type Activities	<u>8,527</u>	<u>8,360</u>	<u>8,486</u>	<u>8,792</u>	<u>9,429</u>
Total Primary Government Expenses	<u>19,662</u>	<u>18,713</u>	<u>19,320</u>	<u>21,032</u>	<u>21,331</u>
<b>PROGRAM REVENUES</b>					
Governmental Activities:					
Charges for Services:					
General Government	86	125	114	110	136
Public Safety	778	895	1,149	941	914
Transportation	441	363	494	599	375
Culture & Recreation	145	155	137	-	-
Operating Grants & Contributions	476	712	263	760	697
Capital Grants & Contributions	1,395	3,142	4,220	857	165
Total Governmental Activities	<u>3,321</u>	<u>5,392</u>	<u>6,377</u>	<u>3,267</u>	<u>2,287</u>
Business-Type Activities:					
Charges for Services:					
Water & Sewer	7,191	7,414	8,277	8,226	8,196
Sanitation	2,718	2,723	2,681	2,705	2,889
Capital Grants & Contributions	-	-	102	15	-
Total Business-Type Activities	<u>9,909</u>	<u>10,137</u>	<u>11,060</u>	<u>10,946</u>	<u>11,085</u>
Total Primary Government	<u>13,230</u>	<u>15,529</u>	<u>17,437</u>	<u>14,213</u>	<u>13,372</u>
Program Revenues	<u>13,230</u>	<u>15,529</u>	<u>17,437</u>	<u>14,213</u>	<u>13,372</u>
Net (Expense)/Revenue					
Governmental Activities	(7,814)	(4,961)	(4,457)	(8,973)	(9,615)
Business-Type Activities	<u>1,382</u>	<u>1,777</u>	<u>2,574</u>	<u>2,154</u>	<u>1,656</u>
Total Primary Government Net Expense	<u>(6,432)</u>	<u>(3,184)</u>	<u>(1,883)</u>	<u>(6,819)</u>	<u>(7,959)</u>

2014	2015	2016	2017	2018
2,647	2,942	2,691	2,977	2,713
5,277	5,112	5,343	6,070	5,716
2,715	3,562	1,989	2,022	1,433
1,333	1,720	2,475	1,875	2,856
566	695	611	512	538
12,538	14,031	13,109	13,456	13,256

6,492	6,130	7,047	7,727	7,406
2,459	2,370	2,652	2,545	2,632
8,951	8,500	9,699	10,272	10,038

21,489	22,531	22,808	23,728	23,294
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188	152	92	133	196
1,100	873	904	1,070	596
451	359	275	380	495
-	-	3	2	10
378	318	447	365	378
227	119	444	22	520

2,344	1,821	2,165	1,972	2,195
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8,550	9,176	9,228	9,254	9,841
2,923	2,826	3,036	3,099	3,200
-	-	-	-	-

11,473	12,002	12,264	12,353	13,041
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13,817	13,823	14,429	14,325	15,236
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(10,194)	(12,210)	(10,944)	(11,484)	(11,061)
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2,522	3,502	2,565	2,081	3,003
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(7,672)	(8,708)	(8,379)	(9,403)	(8,058)
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**CITY OF SULPHUR SPRINGS**  
Changes in Net Position  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)  
(Amounts Expressed in Thousand)  
*(continued)*

	Fiscal Year				
	2009	2010	2011	2012	2013
<b>GENERAL REVENUES &amp; OTHER CHANGES IN NET POSITION</b>					
Governmental Activities:					
Taxes					
Property Taxes	3,719	3,794	3,637	3,620	3,871
Sales Taxes	3,112	2,989	3,067	3,090	3,416
Franchise Taxes	1,082	1,008	1,104	1,052	1,140
Alcoholic Beverage Taxes	19	21	21	20	25
Investment Earnings	73	41	17	13	12
Miscellaneous	152	202	199	247	219
Transfers	1,355	1,384	1,365	1,437	2,070
Total Governmental Activities	9,512	9,439	9,410	9,479	10,753
Business-Type Activities:					
Investment Earnings	61	20	8	13	10
Miscellaneous	12	17	20	74	106
Transfers	(1,355)	(1,384)	(1,365)	(1,437)	(2,070)
Total Business-Type Activities	(1,282)	(1,347)	(1,337)	(1,350)	(1,954)
Total Primary Government	8,230	8,092	8,073	8,129	8,799
 <b>CHANGE IN NET POSITION</b>					
Governmental Activities	1,698	4,478	4,953	506	1,138
Business-Type Activities	100	430	1,237	804	(298)
Total Primary Government	1,798	4,908	6,190	1,310	840

2014	2015	2016	2017	2018
3,862	3,914	3,954	3,998	4,089
3,531	3,682	3,884	3,875	4,287
1,204	1,396	1,131	1,149	1,116
29	30	31	37	42
4	7	23	40	118
343	201	424	182	487
1,747	1,651	2,254	1,862	2,231
10,720	10,881	11,701	11,143	12,370
4	6	18	92	226
38	44	52	69	78
(1,747)	(1,651)	(2,254)	(1,862)	(2,231)
(1,705)	(1,601)	(2,184)	(1,701)	(1,927)
9,015	9,280	9,517	9,442	10,443
526	(1,329)	757	(341)	1,309
817	1,901	381	380	1,076
1,343	572	1,138	39	2,385



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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>
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
2017	3,998	3,875	1,149	37	9,059
2018	\$ 4,089	4,287	1,116	42	9,534

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

	Fiscal Year			
	2009	2010	2011	2012
General Fund				
Unassigned	1,858	1,822	2,065	2,404
Total General Fund	<u>1,858</u>	<u>1,822</u>	<u>2,065</u>	<u>2,404</u>
All Other Governmental Funds				
Nonspendable	34	25	36	48
Restricted	6,584	5,266	3,806	6,295
Assigned	318	347	439	369
Unassigned	296	97	26	28
Total All Other Governmental Funds	<u>7,232</u>	<u>5,735</u>	<u>4,307</u>	<u>6,740</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>2,472</u>	<u>2,324</u>	<u>2,862</u>	<u>2,231</u>	<u>2,823</u>	<u>3,076</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>	<u><u>2,823</u></u>	<u><u>3,076</u></u>
54	45	39	22	47	32
2,315	937	3,742	2,412	262	397
428	427	527	472	512	645
-	-	-	-	-	-
<u><u>2,797</u></u>	<u><u>1,409</u></u>	<u><u>4,308</u></u>	<u><u>2,906</u></u>	<u><u>821</u></u>	<u><u>1,074</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			
	2009	2010	2011	2012
<b>REVENUES</b>				
Taxes	7,916	7,793	7,815	7,793
Licenses & Permits	61	59	85	109
Intergovernmental	1,883	3,989	4,644	1,583
Charges for Services	447	366	486	600
Fines	699	847	1,082	939
Investments Earnings	71	39	15	12
Contributions	99	24	8	35
Miscellaneous	283	309	271	247
Total Revenues	<u>11,459</u>	<u>13,426</u>	<u>14,406</u>	<u>11,318</u>
<b>EXPENDITURES</b>				
General Government	2,081	2,156	2,118	2,074
Public Safety	4,999	4,986	4,889	5,749
Transportation	968	962	1,246	1,792
Culture & Recreation	1,348	1,239	1,188	1,035
Capital Outlay	2,495	5,461	6,119	5,444
Debt Service:				
Principal	865	892	839	872
Interest	480	487	437	301
Total Expenditures	<u>13,236</u>	<u>16,183</u>	<u>16,836</u>	<u>17,267</u>
Excess of Revenues Over/(Under)				
Expenditures	<u>(1,777)</u>	<u>(2,757)</u>	<u>(2,430)</u>	<u>(5,949)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,325	3,509	3,489	3,589
Transfers Out	(2,175)	(2,285)	(2,244)	(2,308)
Note Issued	-	-	-	-
Bonds Issued	6,450	-	-	7,440
Premium on Bonds Issued	132	-	-	-
Payment to Refunded Bond Escrow Agent	(2,368)	-	-	-
Capital Leases	-	-	-	-
Sale of Capital Assets	-	-	-	-
Total Other Financing Sources (Uses)	<u>5,364</u>	<u>1,224</u>	<u>1,245</u>	<u>8,721</u>
Net Change in Fund Balances	<u><u>3,587</u></u>	<u><u>(1,533)</u></u>	<u><u>(1,185)</u></u>	<u><u>2,772</u></u>
Debt Service as a Percentage of				
Noncapital Expenditures	12.5%	12.9%	11.9%	9.9%

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
8,487	8,558	8,972	9,035	9,075	9,540
205	186	151	92	133	196
914	561	320	814	273	779
418	472	359	278	382	505
862	1,081	1,045	925	978	965
11	4	7	22	34	99
15	44	117	77	114	119
219	343	201	306	317	454
<u>11,131</u>	<u>11,249</u>	<u>11,172</u>	<u>11,549</u>	<u>11,306</u>	<u>12,657</u>
2,426	2,433	2,499	2,489	2,432	2,509
5,164	5,066	4,889	5,187	5,318	5,293
1,230	1,716	2,271	2,473	3,894	1,152
1,021	1,083	1,401	1,512	1,422	1,393
5,319	2,441	1,457	1,706	919	2,148
-	-	-	-	-	-
1,166	1,068	1,013	1,536	1,080	1,171
596	562	680	607	563	544
<u>16,922</u>	<u>14,369</u>	<u>14,210</u>	<u>15,510</u>	<u>15,628</u>	<u>14,210</u>
<u>(5,791)</u>	<u>(3,120)</u>	<u>(3,038)</u>	<u>(3,961)</u>	<u>(4,322)</u>	<u>(1,553)</u>
4,506	4,138	4,799	5,518	5,148	4,767
(2,591)	(2,553)	(3,320)	(3,436)	(3,458)	(2,708)
-	-	-	-	-	-
-	-	4,995	-	1,140	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,915</u>	<u>1,585</u>	<u>6,474</u>	<u>2,082</u>	<u>2,830</u>	<u>2,059</u>
<u>(3,876)</u>	<u>(1,535)</u>	<u>3,436</u>	<u>(1,879)</u>	<u>(1,492)</u>	<u>506</u>
15.2%	13.7%	13.3%	15.5%	11.2%	14.2%

**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>
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
2017	4,014	3,875	1,149	37	9,075
2018	\$ 4,094	4,287	1,116	42	9,539

**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					
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%
2017	411,280	591,195	87,029	915,446	0.44000	1,002,475	91.32%
2018	\$ 418,000	600,620	91,475	927,145	0.44000	1,018,620	91.02%

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				
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	2.65256
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
2017	0.38320	0.05680	0.44000	1.35048	0.624892	0.2500	2.66537
2018	\$0.38260	0.05740	0.44000	1.35048	0.624892	0.2500	2.66537

Source: Applicable Taxing Entities

**CITY OF SULPHUR SPRINGS**  
Principal Property Taxpayers  
September 30, 2018  
(Amounts Expressed in Thousands)

<u>Taxpayer</u>	<u>2018</u>			<u>2009</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>
BEF Foods, Inc.	\$ 62,426	1	6.73%			
Saputo Dairy Foods, Inc.	37,160	2	4.01%			
Flowserve US Inc.	22,543	3	2.43%	15,384	1	1.84%
Ocean Spray Cranberries, Inc.	17,332	4	1.87%	12,464	2	1.49%
Wal-Mart Stores, Inc.	12,901	5	1.39%	-		
Jeld-Wen, Inc.	11,605	6	1.25%	11,488	3	1.38%
Oncor Electric Delivery Co.	9,309	7	1.00%	7,940	8	0.95%
Grocery Supply Company	7,445	8	0.80%	8,988	6	1.08%
GSC Enterprises	5,856	9	0.63%			
Gillis Holdings Inc.	5,175	10	0.56%			
Morningstar Foods, Inc.	-			9,965	4	1.20%
Morningstar Foods, Inc.	-			9,620	5	1.15%
Jeld-Wen, Inc.	-			8,978	7	1.08%
Wal-Mart, Inc.	-			7,679	9	0.92%
Flowserve US, Inc.	-			7,628	10	0.91%
Totals	<u>\$ 191,752</u>		<u>20.68%</u>	<u>\$ 100,134</u>		<u>12.00%</u>

Source: Hopkins County Central Appraisal District

**CITY OF SULPHUR SPRINGS**  
Property Tax Levies and Collections <sup>(1)</sup>  
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
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	3,921,008	3,854,562	98.3%	2,334	3,856,896	98.4%
2017	4,027,960	3,898,955	96.8%	-	3,898,955	96.8%
2018	4,079,438	3,974,985	97.4%	-	3,974,985	97.4%

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>
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
2017	5,307	3,947	9,254
2018	\$ 5,478	4,198	9,676

**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	Capital Leases	
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
2017	15,968			25,941	4,291			46,200
2018	\$ 14,797			24,934	3,499			43,230

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 107 for personal income and population data

<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
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
13.06%	2,859
13.19%	2,675

**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>
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
2017	46,200	8	46,192	4.61%	2,859
2018	\$ 43,230	11	43,219	4.24%	2,674

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 107.

**CITY OF SULPHUR SPRINGS**  
 Direct and Overlapping Governmental Activities Debt  
 As of September 30, 2018  
 (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.	\$ 53,940	59.50%	\$ 32,094
Hopkins County	14,952	36.21%	5,414
Hopkins County Hospital District	26,430	36.21%	<u>9,570</u>
Total Overlapping Debt			47,079
City of Sulphur Springs Direct Debt			<u>54,157</u>
Total Direct & Overlapping Debt			<u><u>\$ 101,236</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	99,521	102,968	100,086	107,321
Total Net Debt Applicable to Limit	<u>23,292</u>	<u>20,992</u>	<u>18,725</u>	<u>28,650</u>
Legal Debt Margin	<u><u>76,229</u></u>	<u><u>81,976</u></u>	<u><u>81,361</u></u>	<u><u>78,671</u></u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	23.40%	20.39%	18.71%	26.70%

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
89,946	70,846	68,567	97,765	100,248	101,862
<u>25,091</u>	<u>23,282</u>	<u>23,185</u>	<u>25,331</u>	<u>46,192</u>	<u>43,219</u>
<u>64,855</u>	<u>47,564</u>	<u>45,382</u>	<u>72,434</u>	<u>54,056</u>	<u>58,643</u>
27.90%	32.86%	33.81%	25.91%	46.08%	42.43%

#### Legal Debt Margin Calculation for Fiscal Year 2018

Assessed Value	\$ 927,145
Add Back: Exempt Real Property	<u>91,475</u>
Total Assessed Value	<u>1,018,620</u>
Debt Limit (10% of Total Assessed Value)	<u>101,862</u>
Debt Applicable to Limit:	
General Obligation Bonds	43,230
Less Amount Set Aside for Repayment of General Obligation Debt	<u>(11)</u>
Total Net Debt Applicable to Limit	<u>43,219</u>
Legal Debt Margin	<u>\$ 58,643</u>

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

Fiscal Year	Water & Sewer Revenue Bonds					
	Charges & Other	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2017	12,514	9,302	3,212	3,085	970	0.79
2018	\$ 13,344	9,496	3,848	1,799	542	1.64

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>
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%
2017	16,162	353,722	21,886	35	13.5	4,334	3.7%
2018	16,162	\$ 327,846	20,285	35	13.5	4,393	3.5%

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>2018</u>			<u>2009</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.	687	1	7.23%	650	1	3.76%
Grocery Supply Company	533	2	5.61%	550	2	3.18%
Hopkins County Hospital	481	3	5.06%			
Saputo Foods, Inc.	430	4	4.52%			
Wal-Mart Stores, Inc.	336	5	3.54%	404	3	2.34%
CMH Manufacturing	264	6	2.78%			
Hopkins County	229	8	2.41%			
BEF Foods	201	7	2.12%			
Flowserve, Inc.	194	9	2.04%	230	5	1.33%
City of Sulphur Springs	182	10	1.92%	161	9	0.93%
M. Hanna Construction				120	10	0.69%
Ocean Spray Cranberries, Inc.				165	8	0.95%
Clayton Homes				227	6	1.31%
Morningstar Foods, Inc.				297	4	1.72%
Owen Sausage				187	7	1.08%
Total	<u>3,537</u>		<u>37.23%</u>	<u>2,991</u>		<u>17.29%</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			
	2009	2010	2011	2012
General Government	30	25	26	28
Public Safety:				
Police:				
Officers	33	32	30	32
Civilians	9	8	9	11
Fire	22	25	23	22
Highways and Streets	16	17	18	21
Culture & Recreation:				
Parks and Recreation	12	13	13	5
Libraries	6	5	5	7
Water	24	19	20	22
Sewer	9	8	8	8
Total	<u>161</u>	<u>152</u>	<u>152</u>	<u>156</u>

Source: Finance Department

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
21	24	21	20	21	21
28	30	29	29	28	28
11	8	9	9	9	12
22	22	22	22	21	21
15	13	25	24	18	19
7	7	6	7	8	8
5	5	4	4	4	4
22	21	21	21	22	22
<u>8</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>8</u>
<u><u>139</u></u>	<u><u>139</u></u>	<u><u>146</u></u>	<u><u>145</u></u>	<u><u>140</u></u>	<u><u>143</u></u>



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

FUNCTION	Fiscal Year			
	2009	2010	2011	2012
<b>Police</b>				
Physical Arrests	1,196	871	1,107	1,092
Accidents	532	556	533	472
Citations	6,314	7,290	8,702	6,222
<b>Fire</b>				
Number of Calls Answered	1,130	1,226	1,603	1,399
Inspections	527	664	571	564
<b>Highways &amp; Streets</b>				
Street Reconstruction (miles)	0.2	0.7	3.6	1.3
Street Resurfacing (miles)	2.1	0.8	2.5	2.7
<b>Sanitation</b>				
Refuse Collected (yd3/year)	132,516	132,516	113,044	124,878
<b>Water</b>				
New Connections	37	32	46	42
Water Main Breaks	178	202	379	295
Average Daily Consumption (thousands of gallons)	4,140	4,212	4,095	3,818
Miles of Water Lines Replaced	0.26	0.66	0.39	0.67
<b>Wastewater</b>				
Average Daily Consumption (thousands of gallons)	2,810	3,200	2,500	2,500
Miles of Sewer Lines Replaced	0.54	0.71	0.31	-

Sources: Various Government Departments

2013	2014	2015	2016	2017	2018
961	1,045	944	893	743	912
466	357	433	468	438	436
6,677	7,794	7,633	6,568	6,773	6,691
1,472	1,354	1,455	1,505	1,561	2,204
989	622	661	752	632	745
0.47	0.55	0.84	0.82	1.97	0.14
1.10	-	2.27	3.44	0.86	1.60
121,762	131,483	118,966	118,487	124,287	118,827
54	54	20	53	39	42
352	352	220	135	127	133
3,997	3,864	4,136	3,822	6,059	3,980
0.17	0.45	3.13	1.21	0.98	-
2,500	2,730	2,900	2,840	2,910	2,790
0.41	0.43	0.49	1.03	1.31	1.05

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

	Fiscal Year			
	2009	2010	2011	2012
<b>FUNCTION</b>				
Public Safety				
Police:				
Stations	1	1	1	1
Patrol Units	6	8	8	10
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	-	-
Tennis Courts	2	2	2	2
Water				
Water Mains (miles)	145	145	145	145
Fire Hydrants	805	848	875	875
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

2013	2014	2015	2016	2017	2018
1	1	1	1	1	1
10	10	10	6	8	7
2	2	2	2	2	2
85	85	85	91	92	92
89	89	89	89	89	89
3	3	3	3	3	3
-	-	-	-	-	-
2	2	2	2	2	2
145	145	145	148	148	149
875	875	875	943	943	943
10,000	10,000	10,000	10,000	10,000	10,000
136	136	136	142	142	143
5,400	5,400	5,400	5,400	5,400	5,400