

**CITY OF OVERTON  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITORS' REPORT  
SEPTEMBER 30, 2015**

**CITY OF OVERTON, TEXAS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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 the City of Overton, Texas (City), as of and for the year ended September 30, 2015, 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.

### ***Auditors' 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 units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14 and the TMRS Schedule of Funding Progress on page 48 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's basic financial statements. The non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Prothro, Wilhelmi & Company, PLLC". The signature is written in a cursive, flowing style.

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, Texas  
February 20, 2020



**City of Overton**  
1200 S. Commerce  
Overton, Texas 75684



**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF OVERTON  
SEPTEMBER 30, 2015**

This section of the City of Overton, Texas' annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2015. Please read it in conjunction with the City's financial statements, which follow this section.

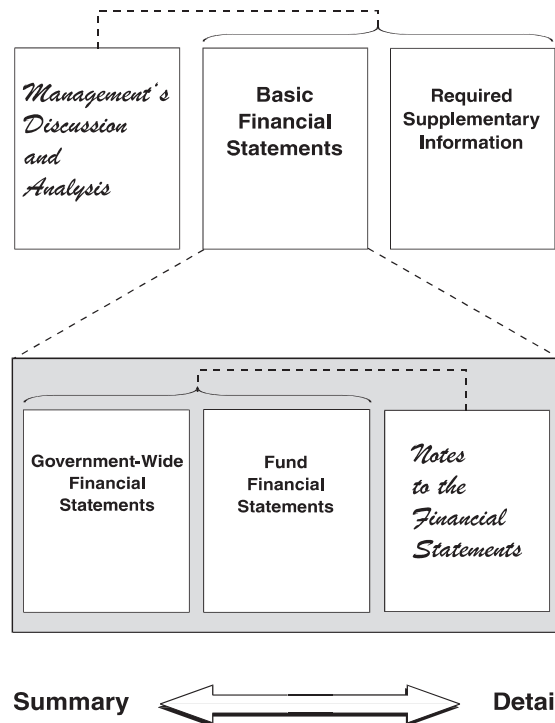
**FINANCIAL HIGHLIGHTS**

- The assets of the City of Overton, including the Component Units, exceeded its liabilities at the close of the most recent fiscal year by \$2,859,452 (Net Assets). Of this amount, \$2,027,289 (Total Net Assets, less investment in capital assets and other restrictions) may be used to meet the City's and Component Unit's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's and Component Unit's total net assets increased by \$472,917.
- During the year, the City's total net assets increased by \$396,246 for governmental and business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund deficits of \$(106,131), of which \$(145,965) is an unassigned deficit in the City's ability to spend at their discretion.
- As of the end of the current fiscal year, the unassigned fund deficit for the general fund was \$(145,965), or -11% of the total general fund expenditures.
- The City's bonds and notes payable decreased by \$104,056 due to principal repayments on debt in 2015.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of three parts: Management's Discussion and Analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

**FIGURE A-1  
REQUIRED COMPONENTS OF THE  
CITY'S ANNUAL FINANCIAL  
REPORT**



- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government. The Fund Financial Statements report the City's operations in more detail than the Government-Wide Statements.
- The Governmental Funds Statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary Fund Statements offer short-term and long-term financial information about the activities the government operates like businesses.



The financial statements include notes which provide additional information about the items found in the financial statements and provide more detailed data about the City’s accounting systems. The statements are followed by a section of additional supplementary information that provides detail on the Non-major Governmental Fund financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the City’s financial statements, including the portion of the City’s government they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

<b>FIGURE A-2 MAJOR FEATURES OF THE CITY’S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS</b>			
<i>Type of Statement</i>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<b>Scope</b>	Entire City’s government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: Water and Sewer Utilities
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
<b>Type of flow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

### **Government-Wide Statements**

The Government-Wide Financial Statements are designed to provide readers with a broad overview of the City’s finances in a manner similar to private-sector business.

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

The Statement of Activities presents information showing how the City’s net assets changed during the most recent fiscal year. All changes in net assets 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the Government-Wide Financial Statements are designed to distinguish functions of the City that are principally supported by taxes, intergovernmental revenues, fees and fines (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 include administration, judicial, public safety, highway and streets, public works, social services, and parks and recreation. The business-type activities of the City are comprised of a water and sewer utility fund.

The Government-Wide Financial Statements include not only the City itself (known as the primary government) but also two legally separate entities, an economic development corporation and municipal development district for which the City is financially accountable. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

The Government-Wide Financial Statements can be found on pages 15-16 of this report.

### **Fund Financial Statements**

The Fund Financial Statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to track specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

#### Governmental Funds

Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Fund Statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the Government-Wide Statements, we provide additional information at the bottom of the Governmental Fund Statements, or on the subsequent page, that explains the relationship (or differences) between them.

The City maintains nine individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and Debt Service Fund, which are considered to be major funds. A budgetary comparison schedule has been provided for the General Fund on page 21 to demonstrate compliance with the annual appropriated budget. Data from the other governmental funds are combined into a single, aggregated presentation.

The basic Non-Major Governmental Fund Financial Statements can be found on pages 49-50 of this report.

### Proprietary Funds

Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-Wide Statements, provide both long-term and short-term financial information.

The City uses an enterprise fund to account for its Water and Sewer utility.

Proprietary Funds provide the same type of information as the Government-Wide Financial Statements, only in more detail.

The basic Proprietary Fund Financial Statements can be found on pages 22-24 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 25-47 of this report.

### **Single Audit**

The City expended less than \$500,000 in federal financial assistance during the year ended September 30, 2015. As a result, a single audit in accordance with Office of Management and Budget (OMB) Circular A-133 was not required.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Overton, the City's assets exceeded its liabilities by \$1,189,264 as of September 30, 2015.

A portion of the City's net position, \$792,329, reflects its investments in capital assets (e.g., land, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses the capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt and cannot be used to liquidate these liabilities, it should be noted that the resources needed to repay this debt must be provided from other sources.

Restricted net assets, totaling \$39,834, are restricted for debt service, capital projects and other uses.

Unrestricted net assets ended with a positive balance of \$357,101. This amount represents resources available to meet the governmental fund's ongoing obligations to citizens and creditors less amounts needed to pay current year liabilities related to bonded debt.

**TABLE A-1  
CITY OF OVERTON  
STATEMENT OF NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 461,061	\$ 554,124	\$ 260,745	\$ (74,190)	\$ 721,806	\$ 479,934
Capital Assets	1,186,480	1,277,162	2,010,794	1,961,522	3,197,274	3,238,684
Total Assets	<u>1,647,541</u>	<u>1,831,286</u>	<u>2,271,539</u>	<u>1,887,332</u>	<u>3,919,080</u>	<u>3,718,618</u>
Deferred Outflows of Resources	<u>20,544</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,544</u>	<u>-</u>
Non-Current Liabilities	1,566,503	1,609,751	880,742	960,487	2,447,245	2,570,238
Other Liabilities	158,194	240,963	87,447	112,605	245,641	353,568
Total Liabilities	<u>1,724,697</u>	<u>1,850,714</u>	<u>968,189</u>	<u>1,073,092</u>	<u>2,692,886</u>	<u>2,923,806</u>
Deferred Inflows of Resources	<u>43,092</u>	<u>-</u>	<u>1,794</u>	<u>1,794</u>	<u>44,886</u>	<u>1,794</u>
Net Position:						
Net Investment in Capital Assets	(343,353)	(301,859)	1,135,682	1,027,133	792,329	725,274
Restricted	39,834	62,164	-	-	39,834	62,164
Unrestricted	<u>203,815</u>	<u>220,267</u>	<u>165,874</u>	<u>(214,687)</u>	<u>369,689</u>	<u>5,580</u>
Total Net Position	<u>\$ (99,704)</u>	<u>\$ (19,428)</u>	<u>\$ 1,301,556</u>	<u>\$ 812,446</u>	<u>\$ 1,201,852</u>	<u>\$ 793,018</u>

As of September 30, 2015, the City has a positive balance in unrestricted net assets for the government as a whole. The governmental type activities reported positive unrestricted net assets as of September 30, 2015. Business type activities reported a positive unrestricted net asset balance as of September 30, 2015.

Analysis of the City's Operations - Overall the City had an increase in net assets of \$396,246.

Governmental Activities:

Governmental activities net assets decreased by \$146,698. The key element in this decrease is a decrease in charges for services.

Business-type Activities:

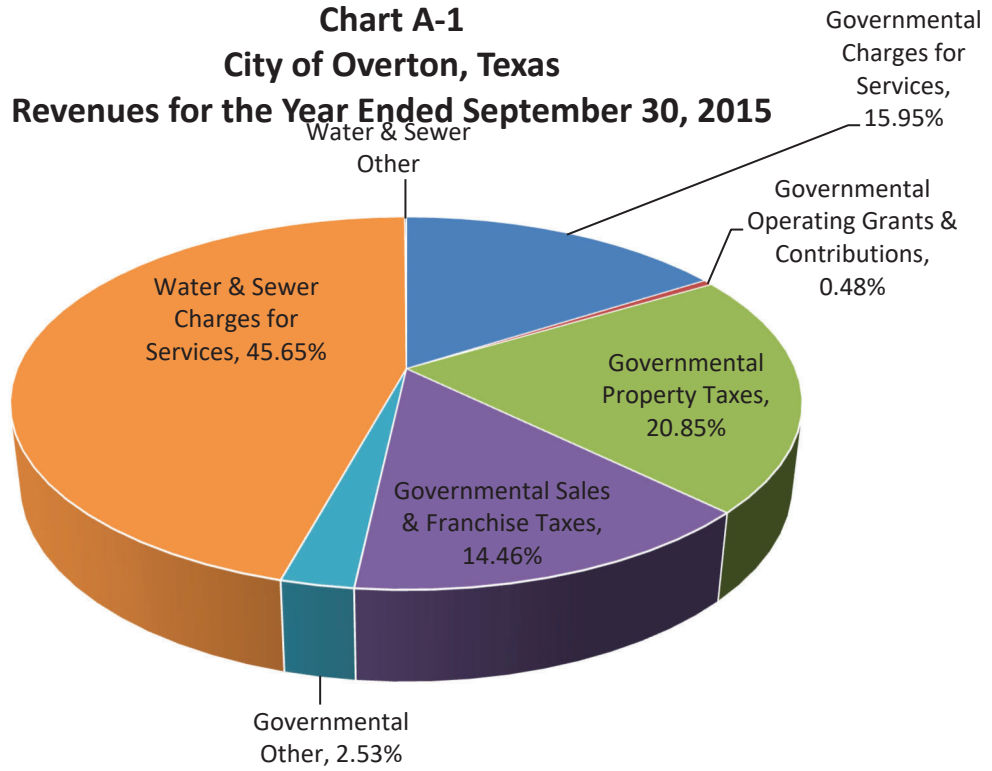
Business-type activities net assets increased by \$477,737. The key element in this increase is a decrease in expenses.

**TABLE A-2  
CITY OF OVERTON  
CHANGES IN NET POSITION**

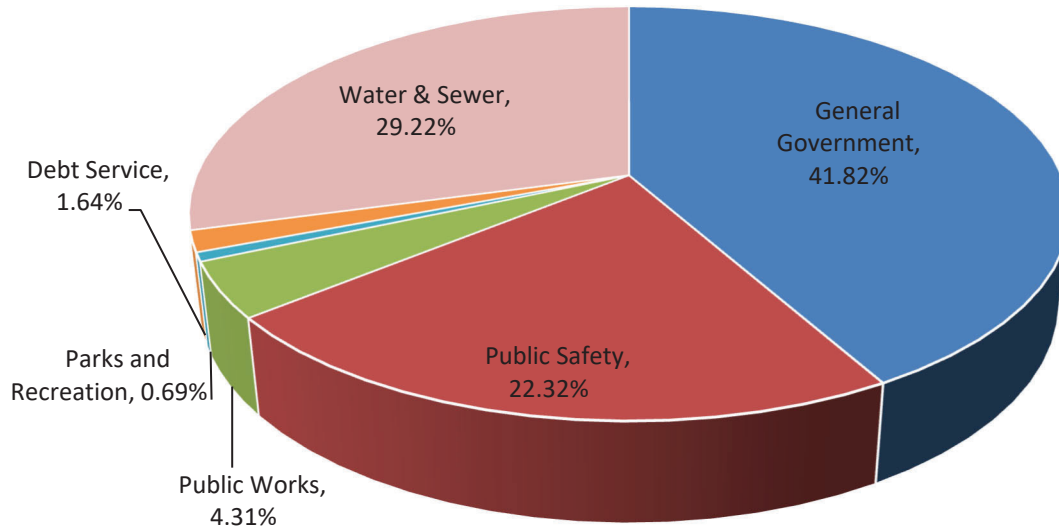
	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
<b>Operating revenues:</b>						
Charges for services	\$ 374,329	\$ 211,829	\$1,058,518	\$1,236,522	\$ 1,432,847	\$1,448,351
Operating grants and contributions	11,188	333,431	-	-	11,188	333,431
<b>General revenues:</b>						
Property taxes	489,346	441,060	-	-	489,346	441,060
Sales and franchise taxes	339,310	297,780	-	17,260	339,310	315,040
Other	59,270	34,238	1,904	17,253	61,174	51,491
Total revenues	<u>1,273,443</u>	<u>1,318,338</u>	<u>1,060,422</u>	<u>1,271,035</u>	<u>2,333,865</u>	<u>2,589,373</u>
<b>Functions/Programs:</b>						
Administration	710,382	614,946	-	-	710,382	614,946
Judicial	471,676	51,274	-	-	471,676	51,274
Public safety	131,507	468,767	-	-	131,507	468,767
Highways and streets	-	-	-	-	-	-
Public works	116,437	148,281	-	-	116,437	148,281
Social services	-	14,470	-	-	-	14,470
Parks and recreation	18,723	50,179	-	-	18,723	50,179
Debt service	44,242	77,142	-	-	44,242	77,142
Water & sewer	-	-	788,283	838,283	788,283	838,283
Total expenses	<u>1,492,967</u>	<u>1,425,059</u>	<u>788,283</u>	<u>838,283</u>	<u>2,281,250</u>	<u>2,263,342</u>
<b>Increase (decrease) in</b>						
Net position before transfers	(219,524)	(106,721)	272,139	432,752	52,615	326,031
Net transfers	<u>(145,475)</u>	<u>113,673</u>	<u>205,598</u>	<u>(113,673)</u>	<u>60,123</u>	<u>-</u>
Net change in net position	(364,999)	6,952	477,737	319,079	112,738	326,031
Net position - beginning of year as originally stated	(19,428)	(26,380)	812,446	493,367	793,018	466,987
Prior period adjustment - GASB 68 implementation	<u>218,301</u>	<u>-</u>	<u>65,207</u>	<u>-</u>	<u>283,508</u>	<u>-</u>
Net Position - beginning of year as restated	<u>198,873</u>	<u>(26,380)</u>	<u>877,653</u>	<u>493,367</u>	<u>1,076,526</u>	<u>466,987</u>
Net position – end of year	<u><u>\$(166,125)</u></u>	<u><u>\$ (19,428)</u></u>	<u><u>\$1,355,390</u></u>	<u><u>\$ 812,446</u></u>	<u><u>\$ 1,189,264</u></u>	<u><u>\$ 793,018</u></u>

Total net transfers for 2015 relate to transfers in from the City's two component units, OMDD and OEDC.

**Chart A-1**  
**City of Overton, Texas**  
**Revenues for the Year Ended September 30, 2015**



**Chart A-2**  
**City of Overton, Texas**  
**Expenses for the Year ended September 30, 2015**



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund deficits of \$106,131, a decrease of \$115,399 in comparison with the prior year. There is a \$4,143 reserve to pay debt service and a \$35,691 reserve for future construction and other special purposes. This leaves a \$145,965 unassigned deficit in the City's ability to spend at their discretion.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund deficit of the General Fund was \$145,965, a decrease of \$16,401 in comparison with the prior year. The key factor in this decrease was overall expenditures exceeded revenues and the implementation of GASB 68.

The Debt Service Fund is a major governmental fund of the City. At the end of the current fiscal year, restricted fund balance of the Debt Service Fund was \$4,143, a decrease of \$1,791 in comparison with the prior year. The key factor in this decrease was an increase in principle payments.

The Other Non-Major Governmental Funds have an ending fund balance of \$35,691, a decrease of \$17,539 in comparison with the prior year. The key factor in this decrease related to debt service that occurred during the year.

Proprietary Funds – The City's proprietary fund statements provide the same type of information found in the Government-Wide Financial Statements, but in more detail.

The Water & Sewer Enterprise Fund reported positive unrestricted net assets of \$219,708 as of September 30, 2015. Other factors concerning the finances of this fund have already been previously addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights - The City budgets on a departmental basis, without regard to whether expenditures are current, capital, debt service, or a transfer to another fund. Refer to Note 1 in the notes to the financial statements for further information regarding the City's General Fund budgeting practices.

A summary of the differences in actual expenditures in excess of budget for the General Fund is as follows:

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance</u>
Administration	\$ 487,221	\$ 435,927	\$ 51,294
Public safety	121,929	110,653	11,276
Public works	88,985	87,103	1,882
Parks and recreation	180,798	193,466	(12,668)
Debt service	5,608	-	5,608
Total	<u>\$ 884,541</u>	<u>\$ 827,149</u>	<u>\$ 57,392</u>

### CAPITAL ASSETS

The City of Overton's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$3,197,274 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, machinery and equipment, and the water and wastewater distribution system. The total decrease in capital assets for the current fiscal year was \$41,410, or -1%, which was due to depreciation expense. More detailed information about the City's capital assets is presented in Note 2 in the basic financial statements.

**Table A-3**  
**Capital Assets at Year-End and Accumulated Depreciation**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 315,880	\$ 315,880	\$ 50,201	\$ 50,201	\$ 366,081	\$ 366,081
Construction in Progress	-	-	32,370	-	32,370	-
Infrastructure	3,749,524	3,749,524	-	-	3,749,524	3,749,524
Buildings	1,541,591	1,541,591	-	-	1,541,591	1,541,591
Machinery & Equipment	547,821	547,821	-	-	547,821	547,821
Water & Wastewater Distribution	-	-	6,310,545	6,143,929	6,310,545	6,143,929
Accumulated Depreciation	<u>(4,968,336)</u>	<u>(4,877,654)</u>	<u>(4,382,322)</u>	<u>(4,232,608)</u>	<u>(9,350,658)</u>	<u>(9,110,262)</u>
Total	<u>\$1,186,480</u>	<u>\$1,277,162</u>	<u>\$2,010,794</u>	<u>\$1,961,522</u>	<u>\$3,197,274</u>	<u>\$3,238,684</u>



## DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Overton had a total debt of \$2,447,245 comprised of certificates of obligation, compensated absences, loans, and capital leases outstanding as shown in Table A-4. More detailed information about the City's debt is presented in Note 2 of the basic financial statements.

**Table A-4  
Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Certificates of Obligation	\$1,200,000	\$1,360,000	\$630,000	\$ 760,000	\$1,830,000	\$2,120,000
Loans Payable	329,833	214,889	197,000	126,000	526,833	340,889
Pollution Penalties Payable	-	-	-	3,825	-	3,825
Customer Deposits	-	-	48,112	46,078	48,112	46,078
Compensated Absences	36,670	30,728	5,630	5,823	42,300	36,551
Total	<u>\$1,566,503</u>	<u>\$1,605,617</u>	<u>\$880,742</u>	<u>\$ 941,726</u>	<u>\$2,447,245</u>	<u>\$2,547,343</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 budget. A major factor was the economy. The economy continued to struggle through a recession that started a few years ago.

Also, in September 2015, the City adopted the 2015-2016 property tax rate of \$0.545455 per \$100 valuation, an increase from the rate that was adopted for 2014-2015.

These rates, along with other indicators, were considered when adopting the General Fund budget for fiscal year 2015, which accounts for most of the City's operational costs.

## REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances. In addition, it provides evidence of accountability for funds the City receives. If you have questions about this report or need any additional information, contact the City of Overton Finance Department, 1200 South Commerce St, Overton, Texas 75684.

# **BASIC FINANCIAL STATEMENTS**

**CITY OF OVERTON, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATION	MUNICIPAL DEVELOPMENT DISTRICT
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,547	\$ 83,371	\$ 95,918	\$ 1,154,135	\$ 282,881
Receivables (net of allowances):					
Sales taxes	39,575	-	39,575	19,788	16,134
Property taxes	110,213	-	110,213	-	-
Franchise taxes	1,826	-	1,826	-	-
Accounts	2,120	164,786	166,906	250	-
Notes receivable	-	-	-	-	197,000
Net pension asset	226,981	67,799	294,780	-	-
Capital assets:					
Land	315,880	50,201	366,081	-	-
Construction in progress	-	32,370	32,370	-	-
Infrastructure	3,749,524	-	3,749,524	-	-
Buildings	1,541,591	-	1,541,591	-	-
Machinery and equipment	547,821	-	547,821	-	-
Water and sewer distribution	-	6,310,545	6,310,545	-	-
Less: Accumulated depreciation	(4,968,336)	(4,382,322)	(9,350,658)	-	-
Total capital assets	1,186,480	2,010,794	3,197,274	-	-
Total assets	1,579,742	2,326,750	3,906,492	1,174,173	496,015
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources - pension	15,819	4,725	20,544	-	-
Total deferred outflows of resources	15,819	4,725	20,544	-	-
<b>LIABILITIES</b>					
Accounts payable	74,395	69,641	144,036	-	-
Outstanding checks	25,653	-	25,653	-	-
Accrued liabilities	50,321	14,420	64,741	-	-
Accrued interest	7,825	3,386	11,211	-	-
Noncurrent liabilities:					
Due within one year	361,420	159,500	520,920	-	-
Due in more than one year	1,205,083	721,242	1,926,325	-	-
Total liabilities	1,724,697	968,189	2,692,886	-	-
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property taxes	16,557	1,794	18,351	-	-
Deferred inflows of resources - pension	20,432	6,102	26,534	-	-
Total deferred inflows of resources	36,989	7,896	44,885	-	-
Total liabilities and deferred inflows of resources	1,761,686	976,085	2,737,771	-	-
<b>NET POSITION</b>					
Net investment in capital assets	(343,353)	1,135,682	792,329	-	-
Restricted:					
Debt services	4,143	-	4,143	-	-
Law enforcement	2,441	-	2,441	-	-
Capital projects	15,562	-	15,562	-	-
Other	17,688	-	17,688	-	-
Unrestricted	137,394	219,708	357,101	1,174,173	496,015
Total net position	\$ (166,125)	\$ 1,355,390	\$ 1,189,264	\$ 1,174,173	\$ 496,015

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

**CITY OF OVERTON, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

FUNCTIONS / PROGRAMS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS							
	PROGRAM REVENUES			PRIMARY GOVERNMENT		COMPONENT UNITS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	ECONOMIC DEVELOPMENT CORPORATION	MUNICIPAL DEVELOPMENT DISTRICT
Governmental activities:								
Administration	\$ 710,382	\$ 261,357	\$ 11,188	\$ (437,837)	\$ -	\$ (437,837)	\$ -	\$ -
Judicial	131,507	112,972	-	(18,535)	-	(18,535)	-	-
Public safety	471,676	-	-	(471,676)	-	(471,676)	-	-
Highways and streets	-	-	-	-	-	-	-	-
Public works	116,437	-	-	(116,437)	-	(116,437)	-	-
Parks and recreation	18,723	-	-	(18,723)	-	(18,723)	-	-
Debt service	44,242	-	-	(44,242)	-	(44,242)	-	-
Total governmental activities	1,492,967	374,329	11,188	(1,107,450)	-	(1,107,450)	-	-
Business-type activities:								
Water and sewer	788,283	1,058,518	-	-	270,235	270,235	-	-
Total business-type activities	788,283	1,058,518	-	-	270,235	270,235	-	-
Total primary government	\$ 2,281,250	\$ 1,432,847	\$ 11,188	(1,107,450)	270,235	(837,215)	-	-
Component Unit:								
Economic Development Corporation	\$ 26,954	\$ -	\$ -	\$ -	\$ -	\$ -	(26,954)	\$ -
Municipal Development District	40,275	-	-	-	-	-	-	(40,275)
Total component unit	\$ 67,229	\$ -	\$ -	\$ -	\$ -	\$ -	(26,954)	(40,275)
General revenues:								
Property taxes				489,346	-	489,346	-	-
Sales taxes				255,884	-	255,884	75,813	110,430
Franchise taxes				83,426	-	83,426	-	-
Investment earnings				89	465	554	2,169	-
Miscellaneous local and intermediate revenue				59,181	1,439	60,620	15,318	293
Transfers				(145,475)	205,598	60,123	(32,800)	(27,323)
Total general revenues and transfers				742,451	207,502	949,953	60,500	83,400
Change in net position				(364,999)	477,737	112,738	33,546	43,125
Net position - beginning of year				(19,428)	812,446	793,018	1,140,627	452,890
Restatement, due to implementation of GASB 68				218,301	65,207	-	-	-
Net position - end of year				\$ (166,126)	\$ 1,355,390	\$ 1,189,264	\$ 1,174,173	\$ 496,015

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

**CITY OF OVERTON, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	MAJOR FUNDS		NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	INTEREST AND SINKING FUND		
<b>ASSETS</b>				
Cash	\$ 739	\$ 2,392	\$ 9,416	\$ 12,547
Receivables (net of allowances):				
Sales taxes	39,575	-	-	39,575
Property taxes	82,716	27,497	-	110,213
Franchise taxes	1,826	-	-	1,826
Accounts	1,690	-	430	2,120
Due from other funds	-	1,100	26,547	27,647
<b>Total assets</b>	<b>\$ 126,546</b>	<b>\$ 30,989</b>	<b>\$ 36,393</b>	<b>\$ 193,928</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 74,825	\$ 600	\$ (1,030)	\$ 74,395
Outstanding checks	25,653	-	-	25,653
Accrued liabilities	50,321	-	-	50,321
Due to other funds	25,915	-	1,732	27,647
<b>Total liabilities</b>	<b>176,714</b>	<b>600</b>	<b>702</b>	<b>178,016</b>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	95,797	26,246	-	122,043
<b>Total deferred inflows of resources</b>	<b>95,797</b>	<b>26,246</b>	<b>-</b>	<b>122,043</b>
Fund Balances:				
Restricted:				
Debt service	-	4,143	-	4,143
Law enforcement	-	-	2,441	2,441
Construction of capital assets	-	-	15,562	15,562
Other	-	-	17,688	17,688
Unassigned	(145,965)	-	-	(145,965)
<b>Total fund balances</b>	<b>(145,965)</b>	<b>4,143</b>	<b>35,691</b>	<b>(106,131)</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 126,546</b>	<b>\$ 30,989</b>	<b>\$ 36,393</b>	<b>\$ 193,928</b>

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

**CITY OF OVERTON, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Total fund balances - governmental funds	\$ (106,131)
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported on the governmental funds.	1,186,480
Long-term liabilities, including bonds payable and related costs, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.	(1,529,833)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(7,825)
Delinquent property taxes receivable is a long-term asset and not available to pay for current period expenditures and, therefore, is deferred in the funds.	105,486
Liabilities for compensated absences do not require current financial resources and, therefore, are not reported in the governmental funds balance sheet.	(36,670)
Included in the items related to liability is the recognition of the City's governmental activities' proportionate share of the Net Pension Asset required by GASB 68 in the amount of \$226,981, a deferred inflow of resources related to pensions in the amount of \$20,432, and a deferred outflow of resources related to pensions in the amount of \$15,819. The net effect of these adjustments is to increase net position by \$288,789.	<u>222,368</u>
Net position of governmental activities	<u><u>\$ (166,125)</u></u>

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

**CITY OF OVERTON, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	MAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	INTEREST AND SINKING FUND	NON-MAJOR GOVERNMENTAL FUNDS	
<b>REVENUES</b>				
Taxes:				
Property	\$ 315,792	\$ 168,557	\$ -	\$ 484,349
Sales	255,884	-	-	255,884
Franchise	83,426	-	-	83,426
Charges for services	252,097	-	4,037	256,134
Fines and forfeitures	108,935	-	-	108,935
Intergovernmental	34,643	-	-	34,643
Licenses and permits	9,260	-	-	9,260
Investment earnings	39	36	14	89
Donations	11,188	-	-	11,188
Miscellaneous	24,538	-	-	24,538
<b>Total revenues</b>	<b>1,095,802</b>	<b>168,593</b>	<b>4,051</b>	<b>1,268,446</b>
<b>EXPENDITURES</b>				
Current:				
General government:				
Administration	685,713	-	-	685,713
Judicial	95,913	-	35,594	131,507
Public safety:				
Police	420,640	-	-	420,640
Fire	26,016	-	-	26,016
Public works	88,985	-	-	88,985
Parks and recreation	3,306	-	-	3,306
Capital outlay	-	-	-	-
Debt service - Principal	5,150	160,000	7,043	172,193
Debt service - Interest and other charges	458	67,170	4,644	72,272
<b>Total expenditures</b>	<b>1,326,181</b>	<b>227,170</b>	<b>47,281</b>	<b>1,600,632</b>
Excess (deficiency) of revenues over (under) expenditures	(230,379)	(58,577)	(43,230)	(332,186)
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	150,000	-	-	150,000
Operating transfers from other funds	301,620	294,784	47,281	643,685
Operating transfers to other funds	(529,572)	(237,998)	(21,590)	(789,160)
<b>Total other financing sources (uses)</b>	<b>(77,952)</b>	<b>56,786</b>	<b>25,691</b>	<b>4,525</b>
Net change in fund balances	(308,331)	(1,791)	(17,539)	(327,661)
Fund balances - beginning of year	162,366	5,934	53,230	221,530
Fund balances - end of year	<u>\$ (145,965)</u>	<u>\$ 4,143</u>	<u>\$ 35,691</u>	<u>\$ (106,131)</u>

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

**CITY OF OVERTON, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net change in fund balances - total governmental funds	\$ (327,661)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	(22,793)
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Tax revenue is reported in the government-wide statement of activities and changes in net position, but a portion of the revenue does not provide current financial resources.	4,997
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	50,223
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(73,831)
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The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred outflows of resources. These contributions made after the measurement date of December 31, 2014 caused the change in ending net position to increase in the amount of \$3,845. The City recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amount expensed for the current fiscal year was \$221 for pension expense. The overall impact to net position was an increase of \$4,066.	<u>4,066</u>
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Change in net position of governmental activities	<u><u>\$ (364,999)</u></u>
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The notes to the financial statements are an integral part of this statement.



**CITY OF OVERTON, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>BUDGET AMOUNTS</u>		<u>ACTUAL</u>	VARIANCE WITH FINAL BUDGET FAVORABLE <u>(UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES</b>				
Taxes				
Property	\$ 344,855	\$ 342,355	\$ 315,792	\$ (26,563)
Sales	240,038	226,846	255,884	29,038
Franchise	107,000	92,000	83,426	(8,574)
Charges for services	253,809	252,172	252,097	(75)
Fines and forfeitures	152,588	119,281	108,935	(10,346)
Intergovernmental	25,000	35,000	34,643	(357)
Licenses and permits	6,250	9,000	9,260	260
Investment earnings	-	50	39	(11)
Donations	400	2,500	11,188	8,688
Miscellaneous	12,992	25,582	24,538	(1,044)
	<u>1,142,932</u>	<u>1,104,786</u>	<u>1,095,802</u>	<u>(8,984)</u>
Total revenues				
<b>EXPENDITURES</b>				
Administration	552,924	641,927	685,713	(43,786)
Judicial	383,250	418,449	420,640	(2,191)
Public safety	133,008	110,653	121,929	(11,276)
Public works	155,215	87,103	88,985	(1,882)
Social services	1,086	-	-	-
Parks and recreation	24,638	11,466	3,306	8,160
Debt service	-	-	5,608	(5,608)
	<u>1,250,121</u>	<u>1,269,598</u>	<u>1,326,181</u>	<u>(56,583)</u>
Total expenditures				
Deficiency of revenues under expenditures	<u>(107,189)</u>	<u>(164,812)</u>	<u>(230,379)</u>	<u>(65,567)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	150,000	150,000
Operating transfers from other funds	230,000	200,000	301,620	101,620
Operating transfers to other funds	-	(39,592)	(529,572)	(489,980)
	<u>230,000</u>	<u>160,408</u>	<u>(77,952)</u>	<u>(238,360)</u>
Total other financing sources				
Excess of revenues and other sources over expenditures and other uses	<u>\$ 122,811</u>	<u>\$ (4,404)</u>	<u>\$ (308,331)</u>	<u>\$ (303,927)</u>
Fund Balance - beginning of year			<u>162,366</u>	
Fund Balance - end of year			<u>\$ (145,965)</u>	

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

**CITY OF OVERTON, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2015**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
<b>ASSETS</b>	<u>WATER AND SEWER</u>
Current assets:	
Cash	\$ 83,371
Receivables (net of allowances):	
Accounts receivable	164,786
Total current assets	<u>248,157</u>
Noncurrent assets:	
Net pension asset	67,799
Capital assets:	
Land	50,201
Construction in progress	32,370
Water and sewer distribution	6,310,545
Less: Accumulated depreciation	(4,382,322)
Total capital assets	<u>2,010,794</u>
Total noncurrent assets	<u>2,078,593</u>
Total assets	<u>\$ 2,326,750</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pension	4,725
Total deferred outflows of resources	<u>4,725</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 69,641
Accrued liabilities	14,420
Accrued interest	3,386
Deferred revenue	1,794
Notes payable	19,500
Certificates of obligation payable	140,000
Total current liabilities	<u>248,741</u>
Non-current liabilities:	
Compensated absences payable	5,630
Customer deposits	48,112
Notes payable	177,500
Certificates of obligation payable	490,000
Total non-current liabilities	<u>721,242</u>
Total liabilities	<u>969,983</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pension	6,102
Total deferred inflows of resources	<u>6,102</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,135,682
Unrestricted	219,708
Total net position	<u>1,355,390</u>
Total net position and liabilities	<u>\$ 2,325,373</u>

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

**CITY OF OVERTON, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND
	WATER AND SEWER
<b>OPERATING REVENUES</b>	
Charges for services	\$ 1,058,518
Miscellaneous income	1,439
Total operating revenues	1,059,957
<b>OPERATING EXPENSES</b>	
Cost of sale and services	628,078
Fines and penalties	(20,275)
Depreciation	149,714
Pension expense	(1,215)
Total operating expenses	756,302
Operating income	303,655
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	465
Interest and fiscal charges on debt	(31,981)
Total nonoperating revenues (expenses)	(31,516)
Net income before operating transfers	272,139
<b>TRANSFERS</b>	
Transfers in	520,540
Transfers out	(314,942)
Net transfers	205,598
Change in net position	477,737
Net position - beginning of year	812,446
Restatement, due to implementation of GASB 68	65,207
Net position - end of year	\$ 1,355,390

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

**CITY OF OVERTON, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND  WATER AND SEWER
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Received from customers	\$ 1,061,186
Received in other operations	1,439
Payments to suppliers and employees	<u>(652,730)</u>
Net cash provided by operating activities	<u>409,895</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Net transfers between funds	<u>(163,790)</u>
Net cash used in non-capital financing activities	<u>(163,790)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal repayments on bonds and debt	(130,000)
Principal payment on notes payable	(31,311)
Loan proceeds	100,000
Interest and fiscal charges on debt	(32,680)
Acquisition of capital assets	<u>(198,986)</u>
Net cash used in capital and related financing activities	<u>(292,977)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment earnings	<u>465</u>
Net cash provided by investing activities	<u>465</u>
Net change in cash and cash equivalents	(46,407)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>129,778</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 83,371</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 303,655
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	149,714
Pension expense	(1,215)
Increase in:	
Accounts receivable	634
Increase (decrease) in:	
Accounts payable	(11,171)
Accrued liabilities	(13,288)
Customer deposits	2,034
Pollution penalty payable	(20,275)
Compensated absences	<u>(193)</u>
Total adjustments	<u>106,240</u>
Net cash provided by operating activities	<u>\$ 409,895</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The financial statements of the City of Overton (City) have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City operates under a council-manager form of government and provides the following services: public safety (police, fire, emergency medical services and animal control), highways and streets, public works, parks and recreation, water and sewer, and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting practices generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the GASB, the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The accounting and reporting framework and the more significant accounting principles and practices of the City are discussed in subsequent sections of this Note. The remaining Notes to the Financial Statements are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2015.

**Reporting Entity**

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units for which the City may be financially accountable and, as such, should be included within the City's financial statements. The City is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial burden on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Based upon the application of these criteria, the following entities are component units of the City:

**Overton Economic Development Corporation**

The Overton Economic Development Corporation (OEDC) is a nonprofit corporation organized to promote and develop new or expanding employment roles within the City or adjacent areas of Rusk County. The economic benefits provided by the OEDC will benefit the City by stimulating the need for housing, retail sales, entertainment, etc., within the City and surrounding areas.

The Directors of the OEDC are appointed by the City Council, who also approves the OEDC's annual budget. The 1/2 percent sales tax that funds the OEDC is first received by the City from the State and is then passed to OEDC.

OEDC is reflected in these financial statements as a discretely presented component unit. Separate financial statements are not prepared by OEDC.

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Reporting Entity – continued**

Overton Municipal Development District

Cities are authorized under Chapter 377 of the Local Government Code to hold an election, in all or part of a City, including the extra territorial jurisdiction, to create a Municipal Development District and adopt a sales tax to fund the District. The District may undertake a variety of projects authorized under Chapter 377 of the Local Government Code. The City held a special election in November 2004 to adopt a 1/2 percent sales tax to be used for projects in the portion of Rusk County within the City's jurisdiction. The funds from the sales tax are received directly from the state. The boundaries of the District are the portion of the City located within Rusk County and does not include any portion of the City located within Smith County. The Overton Municipal Development District's (OMDD) Board of Directors is appointed by the City Council.

The OMDD is reflected in these financial statements as a discretely presented component unit. Separate financial statements are not prepared by OMDD.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities include programs supported primarily by taxes and other intergovernmental revenues. Business-type activities include operations that rely, to a significant extent, on fees and charges for services for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. 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 identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not included among program revenues are reported instead as general revenues.

Inter-fund activities between governmental funds and between governmental funds and proprietary funds appear as "Due to/from Other Funds" on the governmental fund balance sheet, the proprietary fund statement of net position, other resources and other uses on the governmental fund statement of revenues, expenditures, and changes in fund balance, and on the proprietary fund statement of revenues, expenses, and changes in fund net position. All inter-fund transactions between governmental funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide statement of net position as internal balances and on the statement of activities as inter-fund transfers.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and proprietary. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in separate columns.

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Government-Wide and Fund Financial Statements – continued**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. All other expenses are non-operating.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. It recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims, and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within sixty days after year-end.

Revenues from local sources consist primarily of property and sales taxes. Property tax revenue and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The City considers them "available" if they will be collected within sixty days after year-end. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all *GASB* pronouncements as well as the *Financial Accounting Standards Board* pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict *GASB* pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund statement of net position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.



**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Fund Accounting**

The City reports the following major governmental funds:

**General Fund** – The General Fund is the City’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

**Interest and Sinking Fund** – The interest and sinking fund is used to account for the receipt of property taxes and payment of general obligation debt associated with the City’s Interest and Sinking portion of the property tax rate.

The City reports the following major proprietary fund:

**Water and Sewer Fund** – The City accounts for the activities of the water and sewer utility, including administration, operation and maintenance of the water and sewer system, billing and collection activities, and accumulation of resources for the payment of, long-term debt principal and interest for loans and certificates of obligation. All costs are financed through user charges made to utility customers.

Additionally, the City reports the following fund types:

Governmental Funds:

**Special Revenue Funds** – The special revenue funds account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance often is accounted for in a special revenue fund.

**Assets, Liabilities, and Net Position or Equity**

Cash and Investments

The City’s cash includes amounts on hand but also includes demand deposits with banks or other financial institutions. Cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

Statement of Cash Flows

For purposes of the statement of cash flows for the proprietary fund, the City considers all cash and certificates of deposit to be cash equivalents.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either “Due to/from Other Funds” (i.e. the current portion of the inter-fund loan) or “Advances to/from Other Funds” (i.e. the noncurrent portion of inter-fund loans).

**CITY OF OVERTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Assets, Liabilities, and Net Position or Equity – continued**

Property Taxes

Property Taxes Receivable is shown net of an allowance for uncollectible balances. The allowance is equal to fifteen percent of delinquent property taxes receivable at September 30, 2015.

The City’s ad valorem taxes are levied on October 1 but do not become due until January 31 of the following year. Taxes become past due February 1 and become delinquent June 30. The City’s taxes become a lien on real property on July 1. This lien is effective until the taxes are paid.

Capital Assets

Capital assets, including land, buildings, equipment, and infrastructure (roads, bridges and water and sewer systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of three (3) years. Such assets are recorded at historical cost where records are available or at an estimated fair market value at the date of acquisition where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide statements, regardless of their amount.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities), the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Additional capital assets, constructed or acquired each period, are capitalized and reported at historical cost.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Water and Wastewater System	30
Infrastructure	10
Buildings	20-30
Vehicles	5
Machinery & Equipment	7-10

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Assets, Liabilities, and Net Position or Equity – continued**

Compensated Absences

Regular full-time employees earn personal time off (PTO) at the rate of 4.62 hours for every two weeks of service for a total of fifteen days PTO per year for up to five years of service. After five years, employees earn at the rate of 5.39 hours for every two weeks of service for a total of 17.5 days per year. After ten years, PTO is earned at a rate of 6.16 hours for every two weeks of service for a total of twenty days per year. Certified peace officers may accrue up to thirty days of PTO, and all other employees may accrue up to twenty-five days of PTO.

Employees receive payment for remaining PTO upon separation of employment if they have been employed six months or more and give proper written notice. Accumulated unpaid PTO amounts are accrued as a noncurrent liability in the period they are earned in proprietary funds (using the accrual basis of accounting) and the government-wide financial statements. In governmental funds, the cost of PTO is recognized when payments are due. The General Fund and the Water and Sewer Enterprise Fund are used to liquidate the accrued compensated absences liability.

Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities in the government-wide statement of net position and the proprietary fund statement of net position, if applicable. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The City has implemented GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*,” which requires that bond issuance costs be expensed when incurred.

In the fund financial statements, governmental fund types report the face amount of the debt issued as Other Financing Sources and debt payments as Expenditures.

Net Position

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

- Net investment in capital assets – consists of the City’s capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets.
- Restricted net position – amounts which have limitations imposed on their use either through legislation adopted by the City or through external restrictions imposed by creditors, grantors, or other laws and regulations.
- Unrestricted net position – consists of the net amount of the assets, deferred outflows and inflows of resources, and liabilities not included in net investment in capital assets or restricted components of net position.

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Assets, Liabilities, and Net Position or Equity – continued**

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Fund Balance Classifications

The City has implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*,” which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – Amounts that are in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – Amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – Amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- Unassigned fund balance – Amounts that are available for any purpose.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed. 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 committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Assets, Liabilities, and Net Position or Equity – continued**

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In accordance with GASB Statements No. 63 and 65, the statement of net position may report separate sections of deferred outflows of resources in addition to assets or deferred inflows of resources in addition to liabilities. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Prior Period Adjustments

During 2015, the City adopted GASB Statement No. 68, *Accounting and Reporting for Pensions*. With GASB Statement No. 68, a prior period adjustment of \$238,508 was required to retroactively report the initial net pension liability and the effect on net position on the government wide statements.

**Stewardship, Compliance, and Accountability**

Budgetary Data

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. The City holds a public hearing on the proposed budget prior to its adoption. All appropriations lapse at fiscal year-end. The budget is legally enacted and once approved, can only be amended by approval of a majority of the Council members. Amendments are presented to the Board at its regular meetings.

The City budgets on a departmental basis, without regard to whether expenditures are current, capital, debt service, or a transfer to another fund. Additionally, transfers from other funds and carryovers from prior years are budgeted as revenue. Total appropriations for all departments of the City may not exceed the reasonable and anticipated revenues of the City in excess of fixed charges for the year. Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, and Special Revenue Funds, as well as the Water and Sewer Enterprise Fund.

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Assets, Liabilities, and Net Position or Equity – continued**

Expenditures in Excess of Budgeted Amounts

Following is a summary of expenditures in excess of appropriations for the General Fund:

<u>Department</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Variance</u>
Administration	\$ 685,713	\$ 641,927	\$ 43,786
Public safety	121,929	110,653	11,276
Public works	88,985	87,103	1,882
Parks and recreation	3,306	11,466	(8,160)
Debt service	5,608	-	5,608
 Total	 <u>\$ 905,541</u>	 <u>\$ 851,149</u>	 <u>\$ 54,392</u>

The excess expenditures were covered by available fund balance in the fund.

**NOTE 2: DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

At September 30, 2015, the reported amount of the City's and component units' deposits, including certificates of deposit considered to be cash equivalents, was \$1,529,099 and the bank balance was \$1,540,922 . Of the bank balance, \$485,311 was covered by federal depository insurance or by collateral held by the City's agent in the City's name, \$1,055,611 was covered by collateral held in the pledging bank's trust department in the City's name, and no amount was uninsured and uncollateralized.

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

During the year ended September 30, 2015, the City invested only in certificates of deposit with local banks.

The City's discretely presented component units' funds are all placed in demand deposit accounts or certificates of deposit with local banks.

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Property Tax**

The assessed valuation (net of exemptions) was \$76,796,230 for 2015 (with taxes due January 1, 2016) levied at a rate of \$0.545455 per \$100 valuation.

**Receivables**

Receivables as of September 30, 2015, for the City’s major government funds and business-type funds, including applicable allowances for uncollectible accounts, are as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	<b>Total</b>
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Water &amp; Sewer</b>	
Receivables:				
Sales taxes	\$ 39,575	\$ -	\$ -	\$ 39,575
Property taxes	97,049	31,766	-	128,815
Franchise taxes	1,826	-	-	1,826
Accounts	1,690	-	164,786	166,476
Gross receivables	140,140	31,766	164,786	336,692
Less: Allowance for uncollectibles	(14,333)	(4,269)	-	(18,602)
Total	<u>\$ 125,807</u>	<u>\$ 27,497</u>	<u>\$ 164,786</u>	<u>\$ 318,090</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of September 30, 2015, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<b>Unavailable</b>
<b>General Fund:</b>	
Delinquent property taxes receivable	\$ 95,797
<b>Debt Service Fund:</b>	
Delinquent property taxes receivable	26,246
Total governmental funds	<u>\$ 122,043</u>

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Receivables – continued**

Receivables as of September 30, 2015, for the City’s discretely presented component units are as follows:

	<u>OEDC</u>	<u>OMDD</u>	<u>Total</u>
Sales tax	\$ 19,788	\$ 16,134	\$ 35,922
Accounts	250	-	250
Total component units	<u>\$ 20,038</u>	<u>\$ 16,134</u>	<u>\$ 36,172</u>

**Capital Assets**

The following is a summary of the changes in the capital assets during the fiscal year:

<b>Primary Government</b>	<u>Balance 9/30/2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/2015</u>
<i>Governmental Activities:</i>				
Non-depreciable assets:				
Land	\$ 315,880	\$ -	\$ -	\$ 315,880
Depreciable assets:				
Infrastructure	3,749,524	-	-	3,749,524
Buildings	1,541,591	-	-	1,541,591
Machinery and equipment	547,821	-	-	547,821
Accumulated depreciation	<u>(4,877,654)</u>	<u>(90,682)</u>	<u>-</u>	<u>(4,968,336)</u>
<i>Governmental Activities, net</i>	<u>1,277,162</u>	<u>(90,682)</u>	<u>-</u>	<u>1,186,480</u>
<i>Business-type Activities:</i>				
Non-depreciable assets:				
Land	50,201	-	-	50,201
Construction in Progress	-	32,370	-	32,370
Depreciable assets:				
Water and sewer system	6,143,929	166,616	-	6,310,545
Accumulated depreciation	<u>(4,232,608)</u>	<u>(149,714)</u>	<u>-</u>	<u>(4,382,322)</u>
<i>Business-type Activities, net</i>	<u>1,961,522</u>	<u>49,272</u>	<u>-</u>	<u>2,010,794</u>
Capital Assets, net	<u>\$ 3,238,684</u>	<u>\$ (41,410)</u>	<u>\$ -</u>	<u>\$ 3,197,274</u>



**CITY OF OVERTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Capital Assets – continued**

Depreciation expense for governmental activities was charged to Functions/Programs as follows:

Administration	\$	22,793
Public safety		25,020
Public works		27,452
Parks and recreation		15,417
Total depreciation expense	\$	90,682

**Inter-fund Receivables, Payables, and Transfers**

Inter-fund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other inter-fund transactions are treated as transfers.

Inter-fund Receivables and Payables

Inter-fund balances resulted from the time lag between the dates that inter-fund goods and services are provided, or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made.

The composition of inter-fund balances as of September 30, 2015, is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
Street construction fund	General fund	\$ 17,370
Court security fund	General fund	1,301
Court tech fund	General fund	1,859
Cemetery fund	General fund	6,017
General fund	Police department fund	632
I&S fund	General fund	1,100
Total		\$ 28,279

Inter-fund Transfers

Inter-fund transfers are made in accordance with the City’s adopted budget or through approvals to meet unexpected operating needs.

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

Inter-fund Transfers – continued

The composition of inter-fund transfers as of September 30, 2015, is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 301,620	\$ 529,572
Debt service	294,784	237,998
Other governmental	106,030	140,462
Governmental activities	702,434	908,032
Water and sewer	520,540	314,942
Total transfers	<u>\$ 1,222,974</u>	<u>\$ 1,222,974</u>

**Long-Term Debt**

Certificates of Obligation

The City issues certificates of obligation to provide funds for the acquisition and construction of major capital facilities. Certificates of obligation have been issued for both governmental and business-type activities. These debt obligations are reported in the proprietary funds if they are expected to be repaid from proprietary revenue. The original amount of certificates of obligation issued in prior years was \$4,350,000.

Certificates of obligation are direct obligations and pledge full faith and credit of the City. Certificates of obligation currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>
<i>Governmental Activities:</i>		
2002 Tax Surplus Revenue Certificates of Obligation	5.30%	\$ 1,450,000
2003 Tax Surplus Revenue Certificates of Obligation	4.30%	400,000
<i>Business-type Activities:</i>		
2003 Utility System Refunding Bonds	4.30%	<u>2,500,000</u>
Total Certificates of Obligation		<u>\$ 4,350,000</u>

**CITY OF OVERTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Long-Term Debt – continued**

Annual debt service requirements to maturity for certificates of obligation are as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 175,000	\$ 58,625	\$ 233,625	\$ 140,000	\$ 27,090	\$ 167,090
2017	175,000	49,600	224,600	155,000	21,070	176,070
2018	185,000	40,310	225,310	160,000	14,405	174,405
2019	185,000	30,755	215,755	175,000	7,525	182,525
2020	160,000	21,200	181,200	-	-	-
2021 - 2028	320,000	16,952	336,952	-	-	-
Total	<u>\$ 1,200,000</u>	<u>\$ 217,442</u>	<u>\$ 1,417,442</u>	<u>\$ 630,000</u>	<u>\$ 70,090</u>	<u>\$ 700,090</u>

Notes Payable

The City obtained a loan in September 2000 to finance the purchase of general government and water and sewer equipment. Interest rate on the loan is 7.01% and the payments are due semi-annually for a term of fifteen years.

The City obtained a loan in October 2009 to finance the construction of the EMS building. Interest rate on the loan is 3.85% and the payments are due monthly for a total of sixty months.

The City obtained a loan in October 2012 to finance the purchase of a lawn mower. Interest rate on the loan is 4.00% and the payments are due monthly for a total of thirty-six months.

The City obtained an interest-free loan from the OMDD in July 2011 to finance the purchase of a pump-vacuum truck and wastewater pumps. Payments are due annually for a term of ten years.

The City obtained an interest-free loan from the OMDD in February 2013 to finance repairs and improvements to the ground storage tank at Well Number Five. Payments are due annually for a term of ten years.

The City obtained a loan in February 2014 to finance the purchase of two police vehicles. Interest rate on the loan is 2.4% and the payments are due annually for a total of three years.

The City obtained an interest free loan from the OMDD in April 2015 to finance the replacement and upsizing of a sewer trunk line. Payments are due annually for a term of ten years.

The City obtained a loan in July 2015 to manage cash flow through the end of the fiscal year. Interest rate on the loan is 2.15% and a balloon payment is due on the maturity date with a term of nine months.

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Long-Term Debt – continued**

Notes Payable – continued

Annual debt service requirements to maturity for the City's notes payable are as follows:

Year Ending September 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 186,420	\$ 7,648	\$ 194,068	\$ 19,500	\$ -	\$ 19,500
2017	32,091	3,818	35,909	19,500	-	19,500
2018	8,152	3,032	11,184	19,500	-	19,500
2019	8,384	2,821	11,205	19,500	-	19,500
2020	94,786	-	94,786	19,500	-	19,500
2021 – 2028	-	-	-	99,500	-	99,500
Total	<u>\$ 329,833</u>	<u>\$ 17,319</u>	<u>\$ 347,152</u>	<u>\$ 197,000</u>	<u>\$ -</u>	<u>\$ 197,000</u>

Pollution Penalties Payable

In fiscal year 2011, the Texas Commission on Environmental Quality (TCEQ) conducted two reviews of the City's domestic wastewater treatment system and determined that the City failed to comply with various State requirements. The TCEQ assessed total penalties of \$95,407, of which \$2,832 was to be paid immediately. The City agreed to pay the remaining balance in total monthly installments of \$2,625 over 35 months. In February 2015, the City's remaining balance of \$20,275 was forgiven by the TCEQ.

Changes in Long-Term Debt

The changes in the general long-term debt as of September 30, 2015, are as follows:

	Balance 9/30/2014	Additions	Reductions	Balance 9/30/2015	Due Within One Year
<i>Governmental Activities:</i>					
Certificates of obligation	\$ 1,360,000	\$ -	\$ (160,000)	\$ 1,200,000	\$ 175,000
Notes payable	214,889	150,000	(35,056)	329,833	186,420
Compensated absences	30,728	5,942	-	36,670	-
Total governmental	<u>\$ 1,605,617</u>	<u>\$ 155,942</u>	<u>\$ (195,056)</u>	<u>\$ 1,566,503</u>	<u>\$ 361,420</u>
<i>Business-type Activities:</i>					
Certificates of obligation	\$ 760,000	\$ -	\$ (130,000)	\$ 630,000	\$ 140,000
Less: Unamortized bond discount	-	-	-	-	-
Notes payable	126,000	100,000	(29,000)	197,000	19,500
Pollution penalties payable	3,825	-	(3,825)	-	-
Customer deposits	46,078	2,034	-	48,112	-
Compensated absences	5,823	-	(193)	5,630	-
Total business-type	<u>\$ 941,726</u>	<u>\$ 102,034</u>	<u>\$ (163,018)</u>	<u>\$ 880,742</u>	<u>\$ 159,500</u>

**CITY OF OVERTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 2: DETAILED NOTES ON ALL FUNDS – continued**

**Long-Term Debt – continued**

Total interest incurred and charged to expense for the year ended September 30, 2015, was \$104,253, of which \$72,272 related to governmental activities and \$31,981 related to business-type activities.

**NOTE 3: OTHER INFORMATION**

**Texas Municipal Retirement System Plan**

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

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

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

	<b>Plan Year 2014</b>	<b>Plan Year 2013</b>
Employee deposit rate	5.0%	5.0%
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, 0/25	60/5, 0/25
Updated Service Credit	0%	0%
Annuity Increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms – At the December 31, 2014 and 2013 valuation and measurement dates, the following employees were covered by the benefit terms:

	<u>2013</u>	<u>2014</u>
Inactive employees or beneficiaries currently receiving benefits	10	11
Inactive employees entitled to but not yet receiving benefits	26	26
Active employees	<u>18</u>	<u>17</u>
Total	54	54

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 3: OTHER INFORMATION – continued**

**Texas Municipal Retirement System Plan – continued**

Contributions

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

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

Actuarial Assumptions

The Total Pension Asset/Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years
Asset valuation method	10 year smoothed market, 15% soft corridor
Inflation	3.00%
Salary Increases	3.50% to 12.00%, including inflation
Investment rate of return	7.00%
Mortality	RP2000 Combined Mortality Table

Salary increases were based on a service-related table. The male mortality rates are multiplied by 109% and the female rates are multiplied by 103% and are projected on a fully generational basis with scale BB.

Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

**CITY OF OVERTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 3: OTHER INFORMATION – continued**

**Texas Municipal Retirement System Plan – continued**

Discount Rate – continued

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). A single discount rate of 7.00% was used to measure the total pension liability as of December 31, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. Based on the stated assumptions and the projection of cash flows, the City’s fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals (i.e. the employer normal cost).

Sensitivity Analysis

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 7.00%, as well as what the City’s net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
\$ (145,003)	\$ (294,780)	\$ (416,640)

**CITY OF OVERTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**NOTE 3: OTHER INFORMATION – continued**

**Texas Municipal Retirement System Plan – continued**

The City’s net pension liability as of December 31, 2014 is calculated as follows:

	<b>2014</b>
<b>Total pension liability</b>	
Service cost	\$ 47,383
Interest	66,042
Changes of benefit terms	-
Difference between expected and actual experience	(26,535)
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(37,036)
<b>Net change in total pension liability</b>	49,854
<b>Total pension liability - beginning</b>	938,281
<b>Total pension liability - ending (a)</b>	\$ 988,135
 <b>Plan fiduciary net position</b>	
Contributions - employer	9,113
Contributions - employee	27,173
Net investment income	69,497
Benefit payments, including refunds of employee contributions	(37,036)
Administrative expense	(726)
Other	(60)
<b>Net change in plan fiduciary net position</b>	67,961
<b>Plan fiduciary net position - beginning</b>	1,214,954
<b>Plan fiduciary net position - ending (b)</b>	\$ 1,282,915
<b>Net pension asset - ending (a) - (b)</b>	\$ (294,780)
<b>Plan fiduciary net position as a percentage of total pension liability</b>	129.83%
<b>Covered employee payroll</b>	\$ 543,456
<b>Net pension asset as a percentage of covered employee payroll</b>	(54.24%)



**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 3: OTHER INFORMATION – continued**

**Texas Municipal Retirement System Plan – continued**

Pension Expenses and Deferred outflows/Inflows of Resources Related to Pensions

	January 1, 2014 to December 31, 2014
Total service cost	\$ 47,383
Interest on the total pension liability	66,042
Current period benefit changes	-
Employee contributions	(27,173)
Projected earnings on plan investments	(85,047)
Administrative expense	726
Other changes in fiduciary net position	60
Recognition of current year outflow (inflow) of resources-liabilities	(9,153)
Recognition of current year outflow (inflow) of resources-assets	3,110
Amortization of prior year outflows (inflows) of resources-liabilities	-
Amortization of prior year outflows (inflows) of resources-assets	-
Total pension expense	\$ (4,052)

As of December 31, 2014, the deferred inflows and outflows of resources were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ -	\$ 26,535
Difference in assumption changes	-	-
Difference in projected and actual earnings	20,544	-
	\$ 20,544	\$ 26,535

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized as pension expense as follows:

	Net deferred outflows (inflows) of resources
2015	\$ (6,043)
2016	(5,119)
2017	3,110
2018	3,110
2019	-
Thereafter	-
Total	\$ (4,942)

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 3: OTHER INFORMATION – continued**

**Texas Municipal Retirement System Plan – continued**

The funded status as of December 31, 2014, is presented as follows:

Actuarial Valuation Date	12/31/2014
Actuarial Value of Assets	\$ 1,227,811
Actuarial Accrued Liability	\$ 988,135
Percentage Funded	124.3%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ (239,676)
Annual Covered Payroll	\$ 543,456
UAAL as a Percentage of Covered Payroll	44.1%

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

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

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage during the year ending September 30, 2015.

The City is a member of the Texas Municipal League Intergovernmental Risk Pool (TMLIRP), a public entity risk pool, participating in workers' compensation, general liability, law enforcement liability, errors and omissions liability, automobile liability, automobile physical damage, real and personal property coverage, and employee health insurance.

**Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

No reportable litigation was pending against the City as of September 30, 2015.

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 3: OTHER INFORMATION – continued**

**OMB Circular A-133 – State of Texas Single Audit Circular**

The City did not expend \$500,000 or more in federal or state awards during the year ending September 30, 2015. As a result, a Single Audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular was not required.

**Subsequent Events**

Contracts

In January 2015, the City awarded a contract to Christus EMS (formerly Champion EMS) to continue to maintain an EMS Station in Overton and provide ambulance services for the City through 2020. Payments of \$3,000 will be due monthly beginning in January 2015.

In January 2019, the City renegotiated with Christus EMS for a new contract with no subsidy from the City and Christus to pay a rental fee plus insurance to cover the City's cost of the loan and insurance on the EMS building.

In April 2019, the City approved a 10-year lease agreement with High Hill Farm to take over the management and operation of the golf course.

Capital Improvements Project

In the fiscal year ending September 30, 2015, the OEDC proposed five capital improvement projects for the City with the OEDC agreeing to fund up to \$1,240,000 of its own fund balance toward these projects. These propositions were presented to the Overton citizens in a special election in May 2015, with a request to use Type A funds from the OEDC for Type B projects. The propositions were approved by the public as follows:

- Proposition #1 – Up to \$280,000 for Water, Sewer, and Street capital improvements, such as replacement of water/sewer lines and repaving of alleyways in the downtown business district between Overton and South Street east of Commerce St.
- Proposition #2 – Up to \$250,000 for Street Network capital improvements, which include reconstruction and/or renovation of certain roads in Overton.
- Proposition #3 – Up to \$229,000 for North Overton Lake dam improvements that will stabilize the slide area and reinforce the embankment on the west end of the dam to prevent further erosion and possible breaching.
- Proposition #4 – Up to \$264,000 for Overton Lake, North Lake Dam improvements to demolish the existing service spillway and reconstruct a new one plus employ erosion control mechanisms.
- Proposition #5 – Up to \$125,000 for Wastewater Treatment Plant improvements to upgrade the clarifier and weirs and to upgrade the chlorine contact chamber at the plant.

In November 2015, the City awarded a contract in the amount of \$47,200 for improvements to the Wastewater Treatment Plant.

In August 2016, the OEDC approved a \$512,000 bid for street improvements relating to Propositions #1 and #2.

**CITY OF OVERTON, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2015**

**NOTE 3: OTHER INFORMATION – continued**

**Subsequent Events – continued**

In January 2017, the City purchased \$19,500 in improvements for the Wastewater Treatment Plant and two wells.

In April 2019, the OEDC approved a contract to administer the construction of the dam/spillway project totaling \$128,640 and accepted a bid for construction of the dam/spillway project totaling \$367,750.

Loans

In March 2015, the City obtained a 10-year, interest-free loan of \$100,000 from the OMDD to help fund the replacement and upsizing of a sewer trunk line.

In April 2016, the City obtained a 53-month loan from Texas Bank & Trust in the amount of \$120,000 to purchase new equipment for the Public Works and Utility departments. The interest rate on the loan is 3%, and the equipment is held as collateral on the loan.

Bonds

The OEDC closed a certificate of deposit account upon the maturity date of May 24, 2016 and transferred the balance of approximately \$60,000 to the operating fund.

In January 2017, the City obtained a 7-year loan from Texas Bank & Trust in the amount of \$490,000 for the purpose of refinancing the remaining principal and accrued interest on the Series 2003 General Obligation and Refunding bond dated July 15, 2003. This loan effectively extends the payments out five additional years. However, the payment is reduced to \$39,640 semi-annually, which will allow the City to increase its cash reserves and spend funds on other areas of need. The interest rate on the loan is 3.3%, which is 1% lower than the original debt being refinanced. No collateral secures this loan.

In March 2017, the OMDD forgave the outstanding balances of all loans given to the City for a total amount forgiven of \$147,500.

In March 2018, the City issued CO Bonds Series 2018 in the amount of \$217,000. The use of the funds is bookkeeping catch up, audit catch up, one water tank rehab, new financial software, bond counsel and issuance costs.

In April 2018, the City issued GO Bonds Series 2018 in the amount of \$50,000. The use of the funds is to redeem all outstanding 2003 CO Certificates.

In June 2018, the City underwent an audit by the Comptroller for criminal costs and fees payable. It was determined that additional fees in the amount of \$63,017 were payable beginning in 2014 through 2018. An amount of \$8,402 has been accrued for the year ended September 30, 2014.

Management has evaluated subsequent events through February 20, 2020, which is the date the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF OVERTON, TEXAS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**  
**(unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio (1) / (2)	Unfunded AAL (UAAL) (2) - (1)	Covered Payroll (5)	UAAL as a Percentage of Covered Payroll (4) / (5)
Date	(1)	(2)	(3)	(4)	(5)	(6)
12/31/2011	\$ 1,006,881	\$ 763,896	131.8 %	\$ (242,985)	\$ 564,005	(43.1)%
12/31/2012	1,076,174	821,913	130.9	(254,261)	518,818	(49.0)
12/31/2013	1,143,260	938,281	121.8	(204,979)	555,269	(36.9)
12/31/2014	1,227,811	988,135	124.3	(239,676)	543,456	44.1

## **ADDITIONAL SUPPLEMENTAL INFORMATION**

**CITY OF OVERTON, TEXAS  
BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015**

	POLICE FUND	BLUEGRASS FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUNDS	CONSTRUCTION FUND	EMS CONSTRUCTION FUND	CEMETERY FUND	TOTAL OTHER NON-MAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>								
Cash and cash equivalents	\$ 3,073	\$ -	\$ 2,190	\$ 4,153	\$ -	\$ -	\$ -	\$ 9,416
Receivables (net of allowances):								
Accounts	-	80	-	-	-	-	350	430
Due from other governments	-	-	-	-	-	-	-	-
Due from other funds	-	-	2,567	1,301	16,662	-	6,017	26,547
<b>Total assets</b>	<b>\$ 3,073</b>	<b>\$ 80</b>	<b>\$ 4,757</b>	<b>\$ 5,454</b>	<b>\$ 16,662</b>	<b>\$ -</b>	<b>\$ 6,367</b>	<b>\$ 36,393</b>
<b>LIABILITIES AND FUND BALANCE</b>								
Liabilities:								
Accounts payable	\$ -	\$ 350	\$ -	\$ -	\$ -	\$ -	\$ (1,380)	\$ (1,030)
Due to other funds	632	-	-	-	-	1,100	-	1,732
Due to other governments	-	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>632</b>	<b>350</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,100</b>	<b>(1,380)</b>	<b>702</b>
Fund balances:								
Restricted:								
Law enforcement	2,441	-	-	-	-	-	-	2,441
Construction of capital assets	-	-	-	-	16,662	(1,100)	-	15,562
Other	-	(270)	4,757	5,454	-	-	7,747	17,688
<b>Total fund balance</b>	<b>2,441</b>	<b>(270)</b>	<b>4,757</b>	<b>5,454</b>	<b>16,662</b>	<b>(1,100)</b>	<b>7,747</b>	<b>35,691</b>
<b>Total liabilities and fund balance</b>	<b>\$ 3,073</b>	<b>\$ 80</b>	<b>\$ 4,757</b>	<b>\$ 5,454</b>	<b>\$ 16,662</b>	<b>\$ -</b>	<b>\$ 6,367</b>	<b>\$ 36,393</b>



**CITY OF OVERTON, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	POLICE FUND	BLUEGRASS FUND	COURT TECHNOLOGY FUND	COURT SECURITY FUNDS	CONSTRUCTION FUND	EMS CONSTRUCTION FUND	CEMETERY FUND	TOTAL OTHER NON-MAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>								
Charges for services	\$ -	\$ -	\$ (414)	\$ 4,451	\$ -	\$ -	\$ -	\$ 4,037
Investment earnings	15	-	-	-	(1)	-	-	14
Total revenues	15	-	(414)	4,451	(1)	-	-	4,051
<b>EXPENDITURES</b>								
Public safety	35,594	-	-	-	-	-	-	35,594
Debt service - Principal	-	-	-	-	-	7,043	-	7,043
Debt service - Interest and other charges	-	-	-	-	-	4,644	-	4,644
Total expenditures	35,594	-	-	-	-	11,687	-	47,281
Excess (deficiency) of revenues over (under) expenditures	(35,579)	-	(414)	4,451	(1)	(11,687)	-	(43,230)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers from other funds	35,594	-	-	-	-	11,687	-	47,281
Transfers to other funds	(19,590)	-	-	(2,000)	-	-	-	(21,590)
Total other financing sources (uses)	16,004	-	-	(2,000)	-	11,687	-	25,691
Net change in fund balances	(19,575)	-	(414)	2,451	(1)	-	-	(17,539)
Fund balances - beginning of year	22,016	(270)	5,171	3,003	16,663	(1,100)	7,747	53,230
Fund Balances - end of year	\$ 2,441	\$ (270)	\$ 4,757	\$ 5,454	\$ 16,662	\$ (1,100)	\$ 7,747	\$ 35,691

**COMPLIANCE AND INTERNAL CONTROL**

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

To the City Council  
City of Overton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Overton, Texas (City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 20, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider item 2015-2 to be a *material weakness*.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider item 2015-1 to be a *significant deficiency*.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **City's Response to Findings**

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

## **Purpose of this Report**

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

A handwritten signature in blue ink that reads "Prothro, Wilhelmi & Company, PLLC". The signature is written in a cursive, flowing style.

PROTHRO, WILHELMI AND COMPANY, PLLC

Tyler, TX  
February 20, 2020

## **SCHEDULE OF FINDINGS AND RESPONSES**

**CITY OF OVERTON, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**SIGNIFICANT DEFICIENCIES:**

**2015-1**

**Condition:**

The City did not have an accurate Water and Sewer Fund accounts receivable aging report.

**Criteria:**

An accurate accounts receivable aging report should be maintained in order to maintain accurate and complete accounting records.

**Cause:**

An accurate aging report was not kept because of a combination of a lack of training, and the accounting system (USTI) allowed erroneous entries when booking revenues; therefore, most receivables were not recorded.

**Effect:**

There is a risk that accounting records will not display the correct accounts receivable balance at the end of the period.

**Recommendation:**

The City should train staff to make the appropriate entries to record accounts receivable correctly. The City should also implement a proper review and approval process.

**Management's Response:**

As of at least FY2018, staff ensure that receivables are reviewed regularly and that the end of the year reports are run at the end of each fiscal year.

**MATERIAL WEAKNESSES:**

**2015-2**

**Condition:**

*(Repeat from prior year)* Significant adjusting entries were necessary to correct and adjust balances and transactions reported in the general ledger in order to prepare accurate financial statements:

- W/S Fund accounts receivable
- Sales tax revenue and receivables
- Property tax revenue and receivables
- W/S Fund capital asset additions
- Accounts payable
- Debt service accounts
- Removal of several account balances that were carried forward from prior years

**Criteria:**

Timely and accurate financial reports are essential to perform analysis of financial condition, review data for accuracy and completeness, monitor compliance with budget appropriations, prepare long-range financial plans, and to safeguard assets.

**Cause:**

Significant adjustments were necessary to properly record accounts receivable, including unbilled receivables, water deposits, property and sales taxes, and accounts payable.

**Effect:**

The City's year-end financial statements were misstated prior to approval and recording of the proposed audit adjustments.

**Recommendation:**

The City should review the content of the audit adjustments in order to understand the purpose of the adjustments, reclassifications or corrections and incorporate these entries into the City's monthly and year-end accounting transactions. Additionally, the City should develop and implement policies and procedures to include strong internal controls related to financial reporting and monitoring to produce more useful and accurate financial reports.

**Management's Response:**

An independent bookkeeper (CPA) has been hired by the City to do required bookkeeping catch up for FY2016 and FY2017. Said bookkeeping adjustments will be posted by the City before the general ledger information is provided to the auditors. Finance administration staff changed beginning with FY2018, and this issue should no longer apply. Numerous controls and policies have since been created and implemented.