

CITY OF MATHIS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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**CITY OF MATHIS, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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Independent Auditors' Report

Honorable City Council
City of Mathis, Texas

Members of the Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mathis, Texas, as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Mathis, Texas, as of September 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* on pages 3-9 and the budgetary schedules presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mathis' basic financial statements. The combining and individual non-major fund financial statements and the other information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Ernest R. Garza & Company, P.C.
Certified Public Accountants
Corpus Christi, Texas

May 5, 2019



**CITY OF MATHIS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

In this section of the Annual Financial and Compliance Report, we, the managers of City of Mathis, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2016. Please read it in conjunction with the independent auditors' report on page 1, and the City's Basic Financial Statements which begin on page 13.

FINANCIAL HIGHLIGHTS

- During the year, the City had expenditures of \$4,743,421 that were \$865,883 more than the \$3,877,538 generated in tax and other revenues/transfers of \$817,961 for a net of \$(47,922) for governmental programs (Exhibit C-3). This compares to last year (2015) when expenditures (\$3,507,804) were \$93,228 less than revenues (\$3,414,576) and transfers of \$177,503 for a net \$84,275.
- In the City's business-type activities, operational revenues decreased from \$1,917,692 in 2015 to \$1,546,135 and expenses increased from \$1,453,890 to \$1,526,104 for a net operating income of \$20,031 (compared to \$463,801 in 2015), after transfer out, a net decrease of \$150,011 in net position.
- The General Fund ended the year with a fund balance of \$82,667 down from 2015 of \$142,372.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 14-15). These provide information about the activities of the City as a whole and present a longer-term view of the City's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 16) report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the City were sold to departments within the City or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the City.

The notes to the financial statements (starting on page 32) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the City's individual funds. The sections labeled Required Schedules Section contain data used by monitoring or regulatory agencies for assurance that the City is using funds supplied in compliance with the terms of grants.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the City's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the City is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the City's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the City's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The City's revenues are divided into those provided by outside parties who share the costs of some programs, such as fees charged from outside the City and grants provided by the various federal agencies to assist the City with various infrastructure needs. All the City's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position (the difference between assets and liabilities) provide one measure of the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City, however, you should consider non-financial factors as well, such as changes in the City's property tax base and the condition of the City's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the City into kinds of activities:

- **Governmental activities**—Most of the City's basic services are reported here, including the street, infrastructure, police, fire, ambulance and general administration. Property taxes, fees, and state and federal grants finance most of these activities.
- **Business-type activities**—The City charges a fee to “customers” to help it cover all or most of the cost of services it provides in the utility fund for water and sewer charges.
- **Component units**—The City includes two component units – The Mathis Economic Development Corporation and the Pride of Mathis. Although legally separate, these “component units” are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 16 and provide detailed information about the most significant funds—not the City as a whole. Laws and contracts require the City to establish some funds, such as grants. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

- **Governmental funds**—Most of the City's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- **Proprietary funds**—The City reports the activities for which it charges users (whether outside customers or other units of the City) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for money raised on behalf of the Mathis Police Reserves. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these resources from the City's other financial statements because the City cannot use these assets to finance its operations. The City is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net assets (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Net position of the City's governmental and business activities increased from \$12,890,124 to \$12,852,909. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$190,375 at September 30, 2016, governmental activities was \$1,566,246. This increase in governmental net position was the result of primarily a result of current year's operations.

Table I
CITY OF MATHIS, TEXAS
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	1,192,767	1,652,705	380,204	538,241	1,572,971	2,190,946
Restricted Assets	238,783	-	190,370	267,405	429,153	267,405
Capital Assets	5,478,407	4,886,711	7,448,218	7,595,609	12,926,625	12,482,320
Total Assets:	6,909,957	6,539,416	8,018,792	8,401,255	14,928,749	14,940,671
Deferred Resource Outflows	203,138	52,699	67,712	17,566	270,850	70,265
Long-Term Liabilities	810,489	415,182	860,000	1,045,925	1,670,489	1,461,107
Restricted Liabilities	-	-	-	-	-	-
Other Liabilities	427,637	396,606	240,345	230,675	667,982	627,281
Total Liabilities	1,238,126	811,788	1,100,345	1,276,600	2,338,471	2,088,388
Deferred Resource Inflows	6,164	24,318	2,055	8,106	8,219	32,424
Invested in Capital Assets	4,407,772	4,222,271	6,513,068	6,363,356	10,920,840	10,585,627
Restricted	365,823	354,039	-	-	365,823	354,039
Unrestricted	1,095,210	1,179,699	471,036	770,759	1,566,246	1,950,458
Total Net Position	5,868,805	5,756,009	6,984,104	7,134,115	12,852,909	12,890,124

Table II
CITY OF MATHIS, TEXAS
CHANGES IN NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 979,437	\$ 950,709	\$ 1,546,135	\$ 1,917,692	\$ 2,525,572	\$ 2,868,401
Operating Grants and Contributions	71,522	89,265	-	-	71,522	89,265
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Maintenance and Operations Taxes	1,732,266	1,636,339	-	-	1,732,266	1,636,339
Sales Taxes	906,292	855,215	-	-	906,292	855,215
Franchise Taxes	184,946	189,249	-	-	184,946	189,249
Other Taxes	-	-	-	-	-	-
License and Permits	31,578	22,948	-	-	31,578	22,948
Unrestricted Investment Earnings	326	103	-	-	326	103
Miscellaneous	589,898	232,859	-	-	589,898	232,859
Total Revenues	4,496,265	3,976,687	1,546,135	1,917,692	6,042,400	5,894,379
Expenses:						
General Administration	394,060	390,723	-	-	394,060	390,723
Financial Administration	-	-	-	-	-	-
Public Facilities	1,897,559	997,898	-	-	1,897,559	997,898
Public Safety	1,921,913	1,756,186	-	-	1,921,913	1,756,186
Public Transportation	-	-	-	-	-	-
Culture and Recreation	96,901	77,831	99,635	107,360	196,536	185,191
Interest and Fiscal Charges	72,906	119,165	-	-	72,906	119,165
Water, Garbage, and Sewer	-	-	1,526,104	1,453,890	1,526,104	1,453,890
Total Expenses	4,383,339	3,341,803	1,625,739	1,561,250	6,009,078	4,903,053
Increase (Decrease) in Net Position before						
transfers and special items	112,926	634,884	(79,604)	356,442	33,322	991,326
Transfers	70,407	177,503	(70,407)	(177,503)	-	-
Increase (Decrease) in Net Position	183,333	812,387	(150,011)	178,939	33,322	991,326
Prior period adjustment	(70,537)	(215,360)	-	144,619	(70,537)	(70,741)
Net Position at Beginning	5,756,009	5,158,982	7,134,115	6,810,557	12,890,124	11,969,539
Net Position at Ending	\$ 5,868,805	\$ 5,756,009	\$ 6,984,104	\$ 7,134,115	12,852,909	12,890,124

The assessed valuation before exemptions at January 1, 2016 totaled \$115.5 million. The current tax rate is \$.96 per \$100 valuation with a current tax levy of \$1,115,639. The current tax rate finances debt service and the city's operations.

Through the month of September 2016, the Tax Assessor/Collector's office reports \$1,034,594 of the levies had been collected. Current tax collections for the operating and interest and sinking fund was \$912,467 or 81.79% of the amount levied, including delinquent collections of \$122,127 or 10.95%. The total overall collection rate for current and delinquent collections to the current levy was 92.74%. Penalties of \$78,579 were also collected.

The City took actions this year to compensate for some increases in cost and avoid the loss of city revenues.

The City maintained the property tax rate at \$.96. This was an increase due to the increased valuations of the City.

The cost of all governmental activities this year was \$4.38 million compared to \$3.342 million last year, as shown in the Statement of Activities on pages 14 and 15. The business type activity expenses were \$1,526,104, up from the prior year of \$1,453,890.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 16 reported a combined fund balance of \$448,490. (Exhibit C-1, C-3).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the City had \$11,186,889 invested in a broad range of capital assets, including facilities and infrastructure in the governmental activities. Proprietary funds had \$11,531,061 invested in fixed assets at year-end as in the prior year.

This year's 2015/2016 continued finishing major additions included:

	-
Fixed asset additions on various projects	772,111
	-
	-
	772,111
	772,111

Debt

At year-end, the City had \$2,170,879 in bonds, notes, leases and compensated absences outstanding versus \$1,932,832 last year, the EDC had \$163,692 of these bonds. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

The City of Mathis, Texas, participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. All eligible employees of the city are required to participate in TMRS.

Benefits Provided

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

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

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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

Employees covered by benefit terms.

At the December 31, 2014 and 2015 valuation and measurement date, the following employees were covered by the benefit terms:

	2014	2015
Inactive employees or beneficiaries currently receiving benefits	22	24
Inactive employees entitled to but not yet receiving benefits	86	93
Active employees	<u>46</u>	<u>58</u>
Total	<u>154</u>	<u>175</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Mathis, Texas, were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Mathis, Texas, were 1.36% and 3.15% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$64,517, and were equal to the required contributions.

The City does not have an unfunded Actuarial Accrued Liability overall. See notes to financial statements for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget, tax rates. One of those factors is the economy.

These indicators were taken into account when adopting the General Fund budget for 2017. Amounts available for appropriation in the General Fund budget are approximately \$3,490,763, an overall consistent budget over the final 2016 budget of \$3,412,279. Property taxes (benefiting from the 2016/2017 increases in assessed valuations). Budgeted expenditures are expected to rise nearly 2 percent in 2017. Increased wages and salaries caused some of the increase including higher fuel and fuel related services. The City has upcoming capital projects from grants for a new festival area along with various infrastructure additions for the upcoming budget.

If these estimates are realized, the City's budgetary General Fund balance is expected to increase modestly by the close of 2017.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's business office, at City of Mathis, Texas.

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BASIC FINANCIAL STATEMENTS

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**CITY OF MATHIS, TEXAS
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT A-1

	Primary Government			Component Unit Non-Majo Component Unit
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	\$ 434,486	46,580	481,066	342,407
Receivables (net of allowance)	730,985	331,624	1,062,609	-
Prepaid Items	-	2,000	2,000	-
Due From Other Funds	(0)	-	(0)	-
Due From Others	27,296	-	27,296	-
Inventory	-	-	-	-
Restricted Assets:				
Temporarily Restricted:				
Temporarily Restricted Assets	-	110,776	110,776	-
Net Pension Asset/Liability	238,783	79,594	318,377	-
Capital Assets:				
Land	322,575	12,412	334,987	-
Utility System, net	4,015,972	7,310,124	11,326,096	-
Machinery and Equipment, net	1,139,861	125,681	1,265,542	127,600
TOTAL ASSETS:	\$ 6,909,957	8,018,792	14,928,749	470,007
Deferred Resource Outflows	\$ 203,138	67,712	270,851	-
LIABILITIES:				
Accounts Payable & Other Current Liab.	\$ 167,464	-	167,464	-
Due to Other Funds	-	-	-	-
Due to Others	-	-	-	52,696
Accrued Liabilities	26	54,419	54,446	-
Current Bonds/Loans/Lease Payable	260,147	185,925	446,072	62,169
Payable from Restricted Assets	-	-	-	-
Bonds/Loans Payable/Other - Long Term	810,489	860,000	1,670,489	101,523
TOTAL LIABILITIES	\$ 1,238,126	1,100,345	2,338,471	216,388
Deferred Resource Inflows	\$ 6,164	2,055	8,219	-
NET POSITION:				
Invested in Capital Assets	\$ 4,407,772	6,513,068	10,920,840	(36,092)
Restricted for Revenue Bond Retirement	-	-	-	-
Commitments	-	-	-	-
Restricted for Capital Project Funds	-	-	-	-
Restricted for Special Revenue Funds	175,448	-	175,448	-
Restricted for Debt Service Funds	190,375	-	190,375	-
Unrestricted Net Position	1,095,210	471,036	1,566,246	289,711
TOTAL NET POSITION	\$ 5,868,805	6,984,104	12,852,909	253,619

The notes to the Financial Statements are an integral part of this statement.

**CITY OF MATHIS, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

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		Program Revenues	
		Charges For Services	Operating Grants and Contributions
Primary Government:	Expenses		
GOVERNMENTAL ACTIVITIES:			
10 General Government	\$ 394,060	486,173	-
21 Public Safety	1,897,559	-	-
31 Public Works	1,921,913	493,264	-
50 Culture and Recreation	96,901	-	-
65 Economic Development and Assistance	-	-	-
73 Bond Interest	72,907	-	-
TOTAL PRIMARY GOVERNMENT	\$ 4,383,339	979,437	-
 BUSINESS-TYPE ACTIVITIES:			
701 Utility Fund	\$ 1,526,104	1,546,135	-
Total Business Type Activities:	\$ 1,526,104	1,546,135	-

General Revenues:

Taxes:
 Prop. Taxes, Levied for M&O, Debt Serv., Pen., Int.
 Sales Taxes
 Franchise Taxes
 Other Taxes
 Licenses and Permits
 Grants and Contributions not Restricted
 Other Revenue
 Investment Earnings
 Transfers In (Out)
Total General Revenues and Transfers
 Change in Net Position

Net Position - Beginning
 Prior Period Adjustment- Note T
 Net Position - Ending

The notes to the Financial Statements are an integral part of this statement.

EXHIBIT B-1

Net (Expense) Revenues and Changes in Net Position

Primary Government			Component Units Non-major Component Unit
Governmental Activities	Business-type Activities	Total	
\$ 92,113	-	92,113	-
(1,897,559)	-	(1,897,559)	-
(1,428,649)	-	(1,428,649)	-
(96,901)	-	(96,901)	-
-	-	-	337,848
(72,907)	-	(72,907)	-
<u>\$ (3,403,902)</u>	<u>-</u>	<u>(3,403,902)</u>	<u>337,848</u>
-	20,031	20,031	-
-	20,031	20,031	-
\$ 1,732,266	-	1,732,266	-
906,292	-	906,292	261,053
184,946	-	184,946	-
-	-	-	-
31,578	-	31,578	-
71,522	-	71,522	-
589,899	(99,635)	490,264	-
326	-	326	964
70,407	(70,407)	(0)	-
<u>\$ 3,587,235</u>	<u>(170,042)</u>	<u>3,417,193</u>	<u>262,017</u>
<u>183,333</u>	<u>(150,011)</u>	<u>33,322</u>	<u>(75,831)</u>
<u>5,756,009</u>	<u>7,134,115</u>	<u>12,890,124</u>	<u>329,450</u>
<u>(70,537)</u>	<u>-</u>	<u>(70,537)</u>	<u>-</u>
<u>\$ 5,868,805</u>	<u>6,984,104</u>	<u>12,852,909</u>	<u>253,619</u>

**CITY OF MATHIS, TEXAS
BALANCE SHEET
GOVERNMENT FUNDS
SEPTEMBER 30, 2016**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Grant Fund</u>
ASSETS				
Cash and Texpool Accounts	\$ 174,346	-	109,415	-
Receivables and Allowances:			-	
Inventory	-	-	-	-
Due From Other Governmental Agencies	11,440	-	-	-
Garbage	112,257	-	-	-
Ad Valorem Taxes	541,874	-	231,536	-
Allowance for Uncollectible Taxes	(108,375)	-	(46,307)	-
Due From Other Funds	17,133	-	80,960	-
Prepaid Items	-	-	-	-
TOTAL ASSETS	\$ 748,675	-	375,603	-
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ 124,938	-	-	-
Other Payables	26	-	-	-
Due to Other Funds	107,544	-	-	-
TOTAL LIABILITES	\$ 232,508	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Tax Revenues	\$ 433,499	-	185,228	-
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 433,499	-	185,228	-
FUND BALANCE				
Restricted for Special Revenue	\$ -	-	-	-
Restricted for Debt Service	-	-	190,375	-
Restricted for Capital Projects	-	-	-	-
Unassigned	82,667	-	-	-
TOTAL FUND BALANCE	\$ 82,667	-	190,375	-
TOTAL LIABILITIES, DEFERRED INLFOWS OF RESOURCES AND FUND BALANCE	\$ 748,675	-	375,603	-

EXHIBIT C-1

Combination Tax and Surplus Fund	Other Governmental Funds	Total Governmental Funds
-	150,725	434,486
-	-	-
-	15,857	27,296
-	-	112,257
-	-	773,410
-	-	(154,682)
-	9,451	107,544
-	-	-
<u>-</u>	<u>176,034</u>	<u>1,300,311</u>
-	586	125,523
-	-	26
-	-	107,544
<u>-</u>	<u>586</u>	<u>233,094</u>
<u>-</u>	<u>-</u>	<u>618,728</u>
<u>-</u>	<u>-</u>	<u>618,728</u>
-	175,448	175,448
-	-	190,375
-	-	-
-	-	82,667
<u>-</u>	<u>175,448</u>	<u>448,490</u>
<u>-</u>	<u>176,034</u>	<u>1,300,311</u>

CITY OF MATHIS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Exhibit C-2

Total Fund Balances - Governmental Funds	\$ 448,490
<p>The City uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase (decrease) net position.</p>	
	-
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including these balances for capital assets (net of depreciation) in the governmental activities is to increase net position. At the beginning of the year, the costs of these assets were: <u>\$ 10,231,980</u> and the accumulated depreciation was: <u>\$ (5,161,108)</u>. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position -- <u>(587,144)</u>.</p>	
	4,281,635
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the governmental-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase (decrease) net position.</p>	
	475,686
<p>The implementation of GASB 68 for this fiscal year required that the City report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$ <u>23,783</u> and a Deferred Resource inflow in the amount of \$ <u>(6,164)</u>, and a deferred resource outflow in the amount of \$ <u>203,139</u>. This resulted in an increase / (decrease) in net position by \$ <u>435,758</u>.</p>	
	435,758
<p>The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>	
	(364,576)
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and the recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.</p>	
	591,812
Net position of Governmental Activities	\$ <u><u>5,868,805</u></u>

The accompanying notes are an integral part of this statement.

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CITY OF MATHIS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General	Capital Projects Fund	Debt Service Fund	Waste Grant Fund
REVENUES				
Taxes	\$ 1,716,257	-	401,648	-
Licenses and Permits	31,578	-	-	-
Intergovernmental	2,831	-	-	-
Charges for Services	493,264	-	-	-
Fines and Penalties	-	-	-	-
Interest	-	-	90	-
Other	1,033,378	-	-	-
TOTAL REVENUES	\$ 3,277,308	-	401,738	-
EXPENDITURES				
Current				
General Administration	\$ 735,061	-	-	-
Cultural and Recreational, Tourism	95,532	-	-	-
Public Safety	1,714,287	-	-	-
Public Works	1,390,249	-	-	-
Sanitation	343,221	-	-	-
Debt Service				
Principal Retirement	-	-	341,358	-
Interest and Fiscal Charges	-	-	72,907	-
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	\$ 4,278,349	-	414,265	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (1,001,041)	-	(12,527)	-
OTHER FINANCING SOURCES (USES)				
Capital - related Debt Issued	\$ 747,554	-	-	-
Transfers from Other Funds	217,782	-	-	-
Transfer to Other Funds	(24,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 941,336	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ (59,705)	-	(12,527)	-
FUND BALANCE, beginning of year	\$ 142,372	-	202,902	-
Prior Period Adjustment	-	-	-	-
FUND BALANCE, end of year	\$ 82,667	-	190,375	-

EXHIBIT C-3

Combination Tax and Surplus Fund	Other Governmental Funds	Total Governmental Funds
-	86,870	2,204,776
-	-	31,578
-	68,691	71,522
-	-	493,264
-	-	-
-	236	326
-	42,694	1,076,072
-	<u>198,492</u>	<u>3,877,538</u>
-	-	735,061
-	-	95,532
-	50,806	1,765,093
-	-	1,390,249
-	-	343,221
-	-	341,358
-	-	72,907
-	-	-
-	<u>50,806</u>	<u>4,743,421</u>
-	<u>147,685</u>	<u>(865,883)</u>
-	-	747,554
-	-	217,782
-	(123,375)	(147,375)
-	<u>(123,375)</u>	<u>817,961</u>
-	24,310	(47,922)
-	151,138	496,412
-	-	-
-	<u>175,448</u>	<u>448,490</u>

CITY OF MATHIS, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

Exhibit C-4

Total Net Change in Fund Balances - Governmental Funds **\$ (47,922)**

The City uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position. -

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to increase (decrease) net position. 724,658

The implementation of the requirements required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2015 caused the change in the ending net position to increase in the amount of \$ 35,528. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling \$ (30,708). The City's reported TMRS net pension expense had to be recorded. The net pension expense increase / (decreased) the change in net position by \$ (44,278). The result of these changes is to increase / (decrease) the change in net position by \$ (39,458) (39,458)

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (364,576)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds from bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions as to increase (decrease) net position. (89,368)

Change in Net Position of Governmental Activities **\$ 183,333**

The accompanying notes are an integral part of this statement.

**CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2016 WITH COMPARATIVE ACTUAL AMOUNTS FOR 2015**

	2016			Variance with Final Budget Variance	Exhibit C-5
	BUDGETED AMOUNTS		Actual		2015
	Original	Final			Actual
REVENUES					
Taxes					
Property Taxes	524,872	524,872	711,890	187,018	571,523
General Sales and Use Taxes	708,249	708,249	819,421	111,172	767,026
Franchise Tax	138,886	138,886	184,946	46,060	189,249
Other Taxes	-	-	-	-	-
License and Permits	64,515	64,515	31,578	(32,937)	22,948
Intergovernmental Revenues	-	-	2,831	2,831	18,354
Charges for Services	498,777	498,777	493,264	(5,513)	571,131
Investment Earnings	-	-	478	478	237
Fines and Forfeitures	-	-	-	-	-
Other Revenues	973,275	973,275	1,032,901	59,626	611,382
Total Revenues	2,908,574	2,908,574	3,277,308	368,734	2,751,851
EXPENDITURES					
General Administration	-	-	-	-	-
Municipal Court Administration	109,537	109,537	70,183	39,354	92,994
Legislative	548,772	548,772	664,878	(116,106)	523,244
Public Safety	-	-	-	-	-
Police	759,851	759,851	847,042	(87,191)	769,167
Fire	73,497	73,497	58,432	15,065	54,300
Emerg. Med. Service	679,179	679,179	758,459	(79,280)	598,912
Animal Control	53,053	53,053	50,354	2,699	66,583
Code Enforcement	-	-	-	-	-
Public Works					
Streets Department	422,716	422,716	1,390,249	(967,533)	503,627
Sanitation	472,657	472,657	343,221	129,436	302,985
Culture and Recreation					
Library	-	-	-	-	-
Parks	92,501	92,501	95,532	(3,031)	76,453
Debt Service					
Principal Interest	-	-	-	-	-
Total Expenditures	3,211,763	3,211,763	4,278,349	(1,066,586)	2,988,265
Excess (Deficiency) of Revenues Over (Under) Expenditures	(303,189)	(303,189)	(1,001,041)	(697,852)	(236,413)
OTHER FINANCING SOURCES (USES):					
Capital related Debt Issued	-	-	747,554	747,554	-
Transfers In	292,738	292,738	217,782	(74,956)	393,441
Transfers (Out)	-	-	(24,000)	(24,000)	(113,218)
Total Other Financing Sources (Uses)	292,738	292,738	941,336	648,598	280,224
Net Change in Fund Balance	(10,451)	(10,451)	(59,705)	(49,254)	43,810
Fund Balance - October 1 (Beginning)	142,372	142,372	142,372	-	98,562
Prior period adjustment	-	-	-	-	-
Fund Balance - September 30 (Ending)	131,921	131,921	82,667	(49,254)	142,372

The accompanying notes are an integral part of this statement.

**CITY OF MATHIS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2016**

EXHIBIT D-1

	Business-Type Activities Enterprise Fund <hr/> Utility Fund <hr/>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	46,580
Receivables and Allowances	
Accounts	
Water and Wastewater Billings	331,624
Assessments	-
Other	-
Allowance for Uncollectible Accounts	-
Due from Other Funds	-
Bond Issue Cost (Net)	-
Prepaid Items	2,000
Inventory	-
Total Current Assets	<hr/> 380,204 <hr/>
Non-Current Assets:	
Restricted Assets:	
Cash and Cash Equivalents	
Meter Deposits	56,323
Revenue Bond Reserve	54,453
Total - Non-Current Assets	<hr/> 110,776 <hr/>
Net Pension Asset (liability)	79,594
Capital Assets	
Land	12,412
Construction in Progress	-
Buildings	222,445
Water System	7,383,959
Sewer System	3,786,564
Infrastructure	0
Vehicles	-
Furniture and Equipment	125,681
Total Capital Assets	<hr/> 11,531,062 <hr/>
Less Accumulated Depreciation	(4,082,844)
Net Capital Assets	<hr/> 7,448,217 <hr/>
TOTAL ASSETS	<hr/> 8,018,792 <hr/>
Deferred Resource Outflows	67,712

**CITY OF MATHIS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016**

**EXHIBIT D-1
continued**

	Business-Type Activities Enterprise Fund <hr/> Utility Fund
LIABILITIES	
Current Liabilities	
Accounts Payable	-
Accrued Liabilities	42,042
Compensated Absences	12,377
Due to Other Funds	-
Capital Leases Payable	172,925
Current Portion of Revenue Bonds Payable	13,000
Customer Meter Deposits	-
	<hr/>
Total Current Liabilities	240,345
Liabilities (Payable from Restricted Assets):	
Long-Term Liabilities	
Capital Leases Payable	0
Revenue Bonds Payable	860,000
Total Long-Term Liabilities	860,000
	<hr/>
Total Liabilities	1,100,345
	<hr/>
Deferred Resource Inflows	2,055
NET POSITION	
Invested in Capital Assets	6,513,068
Restricted for:	
Revenue Bond Retirement	-
Unrestricted	471,036
Net Position	6,984,104
	<hr/> <hr/>

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

**CITY OF MATHIS, TEXAS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT D-2

	Business-Type Activities Enterprise Fund Utility Fund
OPERATING REVENUES	
Water Sales	870,425
Sewer Sales	518,100
Meter tap/reconnect fees	17,288
Other Fees and Charges	140,322
Total Operating Revenues	<u>1,546,135</u>
OPERATING EXPENSES	
Personnel Costs	511,690
Contracted Services	-
Supplies	-
Maintenance	-
Self Insurance Claims & Administration	-
Other Operating Expenses	673,833
Subtotal	<u>1,185,523</u>
Water Purchased	193,163
Depreciation	147,418
Amortization	-
Total Operating Expenses	<u>1,526,104</u>
Net Operating Income	<u>20,031</u>
NON-OPERATING REVENUES (EXPENSES)	
Refunding Bonds Issued	-
Payments to Escrow Agents	-
Grant Income	-
Interest Income	471
Interest and Fiscal Charges	(100,106)
Net Non-Operating Revenues (Expenses)	<u>(99,635)</u>
Income Before Transfers	<u>(79,604)</u>
Transfers in	77,331
Transfers (out)	(147,738)
Change in Net Position	<u>(150,011)</u>
Prior Period Adjustment	<u>-</u>
NET POSITION BEGINNING OF YEAR	<u>7,134,115</u>
NET POSITION END OF YEAR	<u>6,984,104</u>

**CITY OF MATHIS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT D-3

	Business-Type Activities Enterprise Fund Utility Fund
Cash flow from operating activities:	
Cash received from customers	1,487,610
Cash received from other funds for services	-
Cash payments to suppliers for goods and services	(848,590)
Cash payments to employees for services	(520,426)
Other adjustments	-
Net cash provided by operating activities	<u>118,594</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>(70,407)</u>
Cash Flows from Capital and Related Financing Activities:	
Net Refunds bonds/costs	-
Grant Proceeds	-
Principal Payment on bonds	(13,000)
Interest and Fiscal Charges Paid	(100,106)
Purchase of Capital Assets	0
Other Adjustments	(56,197)
Net Cash Used for Capital and Related Financing Activities	<u>(169,303)</u>
Cash Flows from Investing Activities- Interest Income	<u>471</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(120,644)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>381,601</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>260,957</u></u>
Reconciliation of Operating Income to Net Cash	
Operating Activities	
Operating Income	20,031
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	147,418
Amortization	-
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (Net)	(56,524)
(Increase) Decrease in Due from Other Funds	-
(Increase) Decrease in Due from Other Governments	-
(Increase) Decrease in Prepaid Items	(2,000)
(Increase) Decrease in Inventory	-
Increase (Decrease) in Accounts Payable	(9,022)
Increase (Decrease) in Accrued Liabilities	42,042
Increase (Decrease) in Due to Other Funds	(12)
Increase (Decrease) in Capital Leases Payable	(403)
Increase (Decrease) in Compensated Absences	(8,736)
Increase (Decrease) in Customer Deposits	(14,200)
Net Cash Provided by Operating Activities	<u><u>118,594</u></u>

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CITY OF MATHIS, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2016

EXHIBIT E-1

	Agency Funds
Assets	
Cash and cash equivalents	\$ 57,184
Accounts Receivable	776
Total Assets	<u><u>\$ 57,961</u></u>
Liabilities	
Due to others	<u>\$ 57,961</u>
Total Liabilities	<u><u>\$ 57,961</u></u>

The accompanying notes are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mathis, Texas (the City) was incorporated by an election held on August 16, 1938 and certified by the San Patricio City Commissioners Court on January 20, 1939. The City operates under charter – City Manager form of government and provides the following services: public safety, public transportation health, culture – recreation, public facilities, legal, election functions, and general administration services.

The Accounting principles of the City of Mathis, Texas conform to generally accepted accounting principles (GAAP) as applicable to local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Principals Determining Scope of Reporting Entity

The financial statements of the City of Mathis consist only of the fund and account group. The City of Mathis has no oversight responsibility for any other governmental entity. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

A. REPORTING ENTITY

The City Council (the "Council") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the Council is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." The Mathis Economic Development Corporation was formed via an election held on May 3, 1997 authorized by the Mathis City Council per ordinance No. 96-09 and authorized by Section 4B, Article 5190.6, V.T.C.S. A half-cent tax is assessed and collected via the sales tax and funds the projects as well as economic development for the city as allowed per the statute. The affairs of the Corporation are managed by a board of directors which are composed of seven persons appointed by the governing body of the City. The Corporation as a 4-B Sales Taxing entity and is required by generally accepted accounting principles (GAAP) to present the financial statements of the government is considered to be financially accountable. The Corporation, as a component unit of the City of Mathis, Texas, although legally separate entities, are, in substance, part of the governments, operations and so data from these units are combined with data of the City of Mathis, Texas, the primary government. These financial statements are reported in a separate column in the City of Mathis, Texas, financial statements to emphasize it is legally separate from the government.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

The Cash accounts of the Mathis Economic Development Corporation are as follows:

	Risk Categories			Bank Balance	Carrying Amount
	(1)	(2)	(3)		
Cash Accounts	342,407	-	-	342,407	342,407
Total	<u>342,407</u>	<u>-</u>	<u>-</u>	<u>342,407</u>	<u>342,407</u>

The Corporation's investments are categorized as either (1) insured or registered, or securities held by the Corporation or its agent in the Corporation's name, (2) uninsured and unregistered with securities held by the financial institution's trust department or agent in the Corporation's name or (3) uninsured and unregistered with securities held by the financial institution's trust department or agent not in the Corporation's name. Cash amounts are secured within F.D.I.C. coverage and pledge amounts.

Bond requirements of the Mathis Economic Development Corporation are as follows:

Year Ending September 30	Principal	Interest	Requirement
2017	62,169	6,291	68,460
2018	64,684	3,751	68,435
2019	36,839	1,801	38,640
2020	-	-	-
Thereafter	-	-	-
Total	<u>163,692</u>	<u>11,843</u>	<u>175,535</u>

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the City of Mathis, Texas and its component unit(s) non-fiduciary activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. The "grants and contributions" column includes amounts paid by organizations outside the City to help meet the operational or capital requirements of a given function. Taxes are always general revenues.

**CITY OF MATHIS, TEXAS
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Inter-fund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. 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. Inter-fund activities between governmental funds and fiduciary funds remain as due from's/due to on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for City operations, they are not included in the government-wide statements. The City considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column. 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. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use 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, and 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 60 days after year end.

**CITY OF MATHIS, TEXAS
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Revenues from local sources consist primarily of property taxes. Property tax revenues 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 60 days of the end of the fiscal year. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors periodically require the City to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds 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 December 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 Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. FUND ACCOUNTING

The accounts of the City of Mathis are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounting for with a separate set of self – balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses, as appropriate Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Funds are classified into three categories; governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types. The following fund types and account groups are maintained by the City of Mathis:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the City of Mathis. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is the fund that is utilized to satisfy general obligations of the City with tax revenues.

Special Revenue Funds – The Special Revenue Funds account for resources generated by proceeds from revenue programs that are designated for or restricted to expenditures for specified purposes.

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
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PROPRIETARY FUND

Enterprise Fund – The Enterprise Fund is used to account for the operation of the water and sewer utility system. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Fiduciary Fund – The Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City of Mathis, in a trustee or agency capacity. When these assets are held under the terms of a formal trust agreement, either a “non-expendable” or “expendable” refer to whether or not the City is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government as their agent, holds on behalf of others.

Trust and Agency – The Police Drug fund is used to account for money and property seized in drug raids according to legislation passed during the 71st Legislature of the State of Texas, and a “local agreement” with the state’s attorney. This money is to be used by the police department to combat drug crimes. Other trust monies include the Volunteer Fire Department and the Police Reserve Fund.

E. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., total net asset) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increase (e.g., revenues) and decreases (e.g., expenses) in total assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City of Mathis considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

E. BASIS OF ACCOUNTING (continued)

Those revenues considered susceptible to accrual are property taxes, hotel taxes, special assessments, interest income and charges for services. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenues. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred.

All proprietary funds are using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Utility revenues billed to customers are based on a monthly meter reading. Unbilled utility service revenues have been accrued through September 30, 2016.

F. OTHER ACCOUNTING POLICIES

Investments - The City of Mathis can legally invest in certificates of deposits, repurchase agreements, obligations of the U.S. Government and its Agencies or instrumentalities and State obligations, all of which are recorded at cost.

Restricted Assets - These assets consist of cash and liquid investments accounts restricted for the Water and Sewer Fund debt service. The City of Mathis has several combination debt service and revenue bond obligations. These obligations can be satisfied from either source of funds.

Inventories - Inventories are stated at the lower of cost or market. Inventories of material and supplies held by Water and Sewer Fund are recorded in the Enterprise Fund.

Fixed Assets Accounting - All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their estimated fair market value on the date of donation. Public domain general fixed assets (infrastructure) consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, etc., have not been capitalized. Such assets are normally immovable and of value only to the City of Mathis, therefore, the purpose of stewardship for these items is satisfied without recording of these assets in governmental funds. No depreciation has been provided on general fixed assets.

Fixed assets of proprietary funds are capitalized in the fund accounts because the fixed assets are used in services sold. Fixed assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at estimated market value as of date of donation. Depreciation of fixed assets for proprietary funds is recognized in determining net income and changes in fund equity. Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method over the estimated useful lives of the assets, which range from 4 to 50 years.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Inter-fund Transactions

During the course of normal operations the City of Mathis has numerous transactions between funds including expenditures and transfers of resources to provide services and service debt. The accompanying financial statements generally reflect such transactions as operating transfers, which are included in the results of operations of both governmental and proprietary funds. Short – term inter-fund loans receivable (reported in “Due from Other Funds”) are considered “available spend-able resources”.

Reclassification and Prior Period Adjustment. Adjustments have been made to correct balances to audit adjustments.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 322,575	\$ -	\$ 322,575	
Buildings	719,961	(553,650)	166,311	
Furniture & Equipment	3,595,891	(2,746,387)	849,504	
Capital Leases	-	-	-	
Infrastructure	<u>5,776,351</u>	<u>(1,849,541)</u>	3,926,810	
Change in Net Position	\$ 10,414,778	\$ (5,149,578)		<u>\$ 5,265,200</u>
<u>Long-term Liabilities at the Beginning of the year</u>				
Bonds Payable	\$ 465,000			
Loans Payable	107,118			
Capital Leases Payable	92,322			
Compensated Absences	15,026			
Other	-			
Change in Net Position	<u>679,466</u>			<u>\$ (679,466)</u>
Net Adjustment to Net Position				<u>\$ 4,585,734</u>

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Land	\$ -	\$ -	\$ -
Buildings & Improvements	-	-	-
Furniture & Equipment	772,111	772,111	772,111
Construction in Process	-	-	-
Total Capital Outlay	<u>\$ 772,111</u>	<u>\$ 772,111</u>	<u>\$ 772,111</u>
<u>Debt Principal Payments</u>			
Bond Principal	125,000	125,000	125,000
Loan Principal	31,896	31,896	31,896
Capital Lease Payments	(563,091)	(563,091)	(563,091)
Other	(26,915)	(26,915)	(26,915)
Total Principal Payments	<u>(433,110)</u>	<u>(433,110)</u>	<u>(433,110)</u>
Total Adjustment to Net Position	<u>\$ 339,001</u>	<u>\$ 339,001</u>	<u>\$ 339,001</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>			
Taxes Collected from Prior Year Levies	\$ -	\$ -	\$ -
Uncollected taxes (assumed collectible) from Current Year Levy	203,172	203,172	203,172
Uncollected Taxes (assumed collectible) from Prior Year Levy	570,238	570,238	570,238
Other	-	-	-
Total	<u>\$ 773,410</u>	<u>\$ 773,410</u>	<u>\$ 773,410</u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

Budgets and Budgetary Accounting

The following procedures are used by the City of Mathis in establishing the budgetary data reflected in the financial statements:

(1) Prior to October 1, the beginning of the fiscal year, the City Manager submits a proposed budget to the Council. The operating budget includes proposes expenditures and the means of financing them. The Budget process begins several months usually in July of the preceding fiscal year starts.

(2) Public hearings are conducted to obtain taxpayer comments.

(3) The budget and the tax levy are legally enacted through the passage of ordinances.

(4) The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Council.

(5) Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue Fund, and Proprietary Funds.

(6) Budgets for the General, Debt Service, Special Revenue and Proprietary Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the City Council.

(7) Appropriations lapse at year-end.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Various line item expenditures exceeded appropriations but overall the City remained within its various departmental budgets.

C. DEFICIT FUND EQUITY

None

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At September 30, 2016, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$481,066 and the bank balance was \$531,834. The City's cash deposits at September 30, 2016 and during the year ended September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 -Cash or Investments that are insured, registered or held by the City or by its agent in the City's name.

Category 2 -Cash or Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the City's name.

Category 3 -Uninsured and unregistered investments held by the counterparty, its trust department, or its agent, but not in the City's name.

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Based on these three levels of risk, all of the City's investments are classified as Category 1.

The City's investments at September 30, 2016, are shown below:

Investment Maturities (In Years)

<u>Investment or Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 to 2</u>
Investment in Tex-Pool	56,323	56,323	-
Total Fair Value	<u>\$ 56,323</u>	<u>\$ 56,323</u>	<u>\$ -</u>

Interest Rate Risk- In accordance with state law and City policy, the City does not purchase any investments with maturities greater than 10 years.

Credit Risk- In accordance with state law and the City's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, countries, etc. must be rated at least A. The City's investments in investment pools were rated AAA.

Concentration of Credit Risk- the City does not place a limit on the amount the City may invest in any one issuer. The City does not have a concentration of credit risk.

Custodial Credit Risk- For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a custodial credit risk.

B. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. The City's property tax is levied each October 1 on the basis of assessed values at the date the enforceable lien attaches. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

The San Patricio City Appraisal City, assessed at 100% of appraised value establishes appraised values. The San Patricio City Tax Assessor collects the City's tax funds and remits the following month after collections are made.

The City of Mathis allocates and distributes property tax revenues as well as penalties and interest collected thereon to the General Fund and Debt Service Fund based on the percentage of collections and applicable tax rate. Property taxes receivable is recorded as assets and offset by a corresponding entry to deferred revenue. Property tax revenues are recorded revenues, as they become available.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Inter-fund balances at September 30, 2016, consisted of the following amounts:

Due From:	
General Fund	17,133
All Others	90,411
Total Due to General Fund from Other Funds	<u>107,544</u>
Due To:	
General Fund	107,544
Internal Service Funds	-
All Others	-
Total Due to Major Fund #1	<u>107,544</u>

Inter-fund transfers for the year ended September 30, 2016, consisted of the following individual amounts:

Transfers from Other Funds:	
Major Governmental Funds	217,781
Non-Major Governmental Funds	-
All Others - Utility	77,331
Total Transfers to General Fund	<u>295,112</u>
Transfers to Other Funds:	
Major Governmental Funds	24,000
Non-Major Governmental Funds	123,375
All Others - Utility	147,737
Total Transfers to Nonmajor Governmental Funds	<u>295,112</u>
Note- the transfers were noted to be out of balance.	-

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

E. DESEGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2016, were as follows:

	Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 541,874	\$ 11,440	\$ 17,133	\$ 112,257	\$ 682,704
Capital Project Fund	-	-	-	-	-
Debt Service Fund	231,536	-	80,960	-	312,496
Other Major Governmental Fund	-	-	-	-	-
Non-major Funds	-	-	-	-	-
Other Funds	-	15,856	9,451	-	25,307
Total - Governmental Activities	<u>\$ 773,410</u>	<u>\$ 27,296</u>	<u>\$ 107,544</u>	<u>\$ 112,257</u>	<u>\$ 1,020,507</u>
Business-Type Activities:					
Major Enterprise Fund #1	\$ -	\$ -	\$ -	\$ 331,624	\$ 331,624
Nonmajor Enterprise Funds	-	-	-	-	-
Total Business-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 331,624</u>	<u>\$ 331,624</u>

Payables at September 30, 2016, were as follows:

	Accounts	Loans, Leases and Bonds Payable Current Year	Salaries and Benefits	Due to Other Funds	Due to Other Govts	Other	Total Payables
Governmental Activities:							
General Fund	\$ 124,938	\$ 274,826	\$ -	\$ 107,544	\$ -	\$ 26	\$ 507,334
Debt Service Fund	-	-	-	-	-	-	-
Major Governmental Fund #2	-	-	-	-	-	-	-
Major Governmental Fund #3	-	-	-	-	-	-	-
Nonmajor Governmental Funds	586	-	-	-	-	-	586
Internal Service Funds	-	-	-	-	-	-	-
Total - Governmental Activities	<u>\$ 125,524</u>	<u>\$ 274,826</u>	<u>\$ -</u>	<u>\$ 107,544</u>	<u>\$ -</u>	<u>\$ 26</u>	<u>\$ 507,920</u>
Business-Type Activities:							
Major Enterprise Fund #1	\$ 42,042	\$ 185,926	\$ 12,377	\$ -	\$ -	\$ -	\$ 240,345
Nonmajor Enterprise Funds	-	-	-	-	-	-	-
Total Business-Type Activities	<u>\$ 42,042</u>	<u>\$ 185,926</u>	<u>\$ 12,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,345</u>

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

F. CAPITAL ASSET ACTIVITY

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

	Primary Government			Ending Balances
	Beginning Balances	Increases	Decreases	
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 322,575	\$ -	\$ -	\$ 322,575
Total Capital assets, not being depreciated	<u>322,575</u>	<u>-</u>	<u>-</u>	<u>322,575</u>
Capital Asset being depreciated:				
Buildings and improvements	719,960	-	-	719,960
Machinery, equipment and vehicles	3,595,891	772,111	-	4,368,002
Infrastructure	5,776,351	-	-	5,776,351
Total capital assets, being depreciated	<u>10,092,202</u>	<u>772,111</u>	<u>-</u>	<u>10,864,313</u>
Less accumulated depreciation for:				
Buildings and improvements	553,650	12,690	-	566,340
Machinery, equipment and vehicles	2,746,387	274,868	-	3,021,255
Infrastructure	1,849,541	77,018	-	1,926,559
Total accumulated depreciation	<u>5,149,578</u>	<u>364,576</u>	<u>-</u>	<u>5,514,154</u>
Total capital assets being depreciated, net	<u>4,942,624</u>	<u>407,535</u>	<u>-</u>	<u>5,350,159</u>
Governmental activities capital assets, net	<u>5,265,199</u>	<u>407,535</u>	<u>-</u>	<u>5,672,734</u>
Business-type Activities				
Capital Assets, not being depreciated				
Land	12,412	-	-	12,412
Total capital assets, not being depreciated	<u>12,412</u>	<u>-</u>	<u>-</u>	<u>12,412</u>
Capital Assets, being depreciated				
Buildings and improvements	222,445	-	-	222,445
Machinery, equipment and vehicles	125,681	-	-	125,681
Infrastructure	11,170,524	-	-	11,170,524
Total capital assets, being depreciated	<u>11,518,650</u>	<u>-</u>	<u>-</u>	<u>11,518,650</u>
Less accumulated depreciation for:				
Buildings and improvements	182,268	2,754	-	185,022
Machinery, equipment and vehicles	111,309	895	-	112,204
Infrastructure	3,641,850	143,760	-	3,785,610
Total accumulated depreciation	<u>3,935,427</u>	<u>147,409</u>	<u>-</u>	<u>4,082,836</u>
Total capital assets, being depreciated, net	<u>7,583,223</u>	<u>(147,409)</u>	<u>-</u>	<u>7,435,814</u>
Business-type activities capital assets, net	<u>\$ 7,595,635</u>	<u>\$ (147,409)</u>	<u>\$ -</u>	<u>\$ 7,448,226</u>

1 - correction to beginning balance

Depreciation expense was charged to governmental functions as follows:

General Government	364,576
Utility Fund	147,409
Total Depreciation Expense	<u><u>511,985</u></u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

G. SHORT-TERM DEBT PAYABLE

[GASB 2300.107] The City accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the State Law. The proceeds from loans are shown in the financial statements as Other Resources and principal payments are shown as Other Uses.

<u>Date of Issue/Maturity</u>	<u>Description</u>	<u>Beginning Balance</u>	<u>Amount Issued</u>	<u>Amount Redeemed</u>	<u>Ending Balance</u>
Bank Loans - Various	Equipment	107,118	-	31,896	75,222

H. BONDS AND LONG-TERM NOTES PAYABLE

[GASB 2300.106m and 2200.109 and 2300.106i] Bonded indebtedness of the City is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended September 30, 2016 is as follows:

<u>DESCRIPTION</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Interest Current Year</u>	<u>Payable Amounts Outstanding</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>
Cert. of Obligations - 2003	4.60%	1,560,000	20,010	465,000	-	125,000	340,000
Total Governmental Activities			<u>20,010</u>	<u>465,000</u>	<u>-</u>	<u>125,000</u>	<u>340,000</u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

I. COMMITMENTS UNDER OPERATING LEASES

[GASB 2300.106j and 1400.108 and L20.128-.129] Commitments under operating (non-capitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of September 30, 2016, as follows:

None

J. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES

Debt service requirements for bonds in the governmental funds are as follows:

Year Ending September 30	General Obligations		
	Principal	Interest	Total
2017	130,000	14,145	144,145
2018	140,000	8,050	148,050
2019	70,000	1,610	71,610
2020	-	-	-
Thereafter	-	-	-
Totals	\$ 340,000	\$ 23,805	\$ 363,805

Debt service requirements for bonds in the utility fund are as follows:

Year Ending September 30	General Obligations		
	Principal	Interest	Total
2017	13,000	38,194	51,194
2018	14,000	37,625	51,625
2019	15,000	37,013	52,013
2020	15,000	36,356	51,356
2021	16,000	35,700	51,700
Thereafter	800,000	559,255	1,359,255
Totals	\$ 873,000	\$ 744,143	\$ 1,617,143

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Capital Leases

[GASB 2300.107h and L20.128-.129] Describe the nature of the lease giving its purpose, legal authorization, the amount capitalized, the minimum annual payments, and the effective rate of interest. Governmental Funds:

131,179
131,179
131,179
100,336
100,336
<u>200,672</u>
<u>794,881</u>
<u>139,468</u>
<u>\$ 655,413</u>

Capital Leases

[GASB 2300.107h and L20.128-.129] Describe the nature of the lease giving its purpose, legal authorization, the amount capitalized, the minimum annual payments, and the effective rate of interest. Utility Fund:

Year Ending September 30,	
2017	182,355
2018	-
2019	-
2020	-
2021	-
Thereafter	-
Total Capital Lease Payments	<u>182,355</u>
Less Interest	<u>9,429</u>
Net	<u>\$ 172,926</u>

K. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

Vacation and sick leave benefits are accrued by the City of Mathis employees. The City of Mathis has recorded its obligation for unused vacation and sick leave benefits as they are earned by the employees. The total amount accrued as of September 30, 2016 was \$41,941 in the various funds and \$12,377 in the proprietary fund.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

L. DEFINED BENEFIT PENSION PLAN

Defined Benefit Pension Plans

A. Plan Description

The City of Mathis, Texas, participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com. All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

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

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

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 by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

Employees covered by benefit terms.

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

	2014	2015
Inactive employees or beneficiaries currently receiving benefits	22	24
Inactive employees entitled to but not yet receiving benefits	86	93
Active employees	<u>46</u>	<u>58</u>
Total	<u>154</u>	<u>175</u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Mathis, Texas, were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Mathis, Texas, were 1.36% and 3.15% in calendar years 2015 and 2016, respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$64,517, and were equal to the required contributions.

D. Net Pension Liability

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

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-Core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<i>Changes in the Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 2,317,723	\$ 2,913,503	\$ (595,780)
Changes for the year:			
Service cost	222,406	-	222,406
Interest	164,060	-	164,060
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	835	-	835
Changes in Assumptions	75,458	-	75,458
Contributions – Employer	-	55,141	(55,141)
Contributions – Employee	-	128,665	(128,665)
Net Investment Income	-	4,298	(4,298)
Benefit Payments, Including Refunds of Employee Contributions	(170,419)	(170,419)	-
Administrative Expense	-	(2,619)	2,619
Other Changes	-	(129)	129
Net Changes	\$ 292,340	\$ 14,937	\$ 277,403
Balance at 12/31/2014	\$ 2,317,723	\$ 2,928,440	\$ (318,377)

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$26,601	\$(318,377)	\$(600,984)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended, the City of Mathis, Texas, recognized pension expense of \$114,180.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

At September 30, 2016, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$457	\$8,219
Changes in actuarial assumptions	\$41,314	\$0
Difference between projected and actual investment earnings	\$181,708	\$0
Contributions subsequent to the measurement date	\$47,372	\$0
Total	\$270,851	\$8,219

\$47,372 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2016	\$73,562
2017	\$54,508
2018	\$47,259
2019	\$39,931
2020	\$0
Thereafter	\$0

M. POST EMPLOYMENT HEALTH CARE BENEFITS

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums are paid in full by the insured for the actual month covered. This program is offered for a period of 18 months after the termination date. There is no associated cost to the City under this program.

City supplemental death to:	Plan Year 2016	Plan Year 2015
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

The city's contribution to the TMRS SDBF for the years ended 2016, 2015 and 2014 were \$8,546, \$9,891, and \$8,947, respectively, which equaled the required contributions each year.

N. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 465,000	\$ -	\$ 125,000	\$ 340,000	\$ 130,000
Notes	107,118	-	31,896	75,222	34,192
Equipment Note	-	-	-	-	-
Less Deferred Amount on Refunding	-	-	-	-	-
Total Bonds and Notes Payable	<u>572,118</u>	<u>-</u>	<u>156,896</u>	<u>415,222</u>	<u>164,192</u>
Other Liabilities:					
Capital Leases	92,322	747,554	184,463	655,413	95,954
Compensated Absences	15,026	26,915	-	41,941	14,680
Claims and Judgments	-	-	-	-	-
Total Other Liabilities	<u>107,348</u>	<u>774,469</u>	<u>184,463</u>	<u>697,354</u>	<u>110,634</u>
Total Governmental Activities Long-Term Liabilities	<u>679,466</u>	<u>774,469</u>	<u>341,359</u>	<u>1,112,576</u>	<u>274,826</u>
Business-type Activities					
Bonds and Notes Payable:					
Bonds	886,000	-	13,000	873,000	13,000
Loans	-	-	-	-	-
Less Deferred Amounts	-	-	-	-	-
Total Bonds and Note Payable	<u>886,000</u>	<u>-</u>	<u>13,000</u>	<u>873,000</u>	<u>13,000</u>
Other Liabilities					
Compensated Absences	21,113	-	8,736	12,377	2,475
Capital Leases	346,253	-	173,328	172,925	172,925
Total Other Liabilities	<u>367,366</u>	<u>-</u>	<u>182,064</u>	<u>185,302</u>	<u>175,400</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 1,253,366</u>	<u>\$ -</u>	<u>\$ 195,064</u>	<u>\$ 1,058,302</u>	<u>\$ 188,400</u>

O. UNAVAILABLE REVENUE

Unavailable revenue at year end consisted of the following:

	General Fund	Business Type Fund	Debt Service Fund	Total
Net Tax Revenue	\$ 433,499	\$ -	\$ 185,228	\$ 618,727
Other	-	-	-	-
Total Unavailable Revenue	<u>\$ 433,499</u>	<u>\$ -</u>	<u>\$ 185,228</u>	<u>\$ 618,727</u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

P. DUE FROM STATE AGENCIES

The City participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Amounts due from federal and state governments as of September 30, 2016, are summarized below.

Fund	State Entitlements	Federal Grants	Total
General	\$ 11,440	\$ -	\$ 11,440
Special Revenue	15,857	-	15,857
Total	<u>\$ 27,297</u>	<u>\$ -</u>	<u>\$ 27,297</u>

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 672,067	\$ -	\$ 401,648	\$ -	\$ 1,073,715
Penalties, Interest and Other					
Tax Related Income	39,822	-	-	-	39,822
Investment Income	-	236	-	-	236
Sales Tax/Franchise	1,004,368	86,870	-	-	1,091,238
Charges for Services	979,437	-	-	-	979,437
Other	581,614	111,385	90	-	693,089
Total	<u>\$ 3,277,308</u>	<u>\$ 198,491</u>	<u>\$ 401,738</u>	<u>\$ -</u>	<u>\$ 3,877,537</u>

R. RELATED ORGANIZATIONS

The Mathis Economic Development Corporation (the "Corporation"), a not-for-profit entity which was organized to provide additional street and water improvements from a self imposed sales tax from a city wide referendum. The City Council appoints the member board of directors on a periodic basis and is a "related organization" of the City as defined by *Governmental Accounting Standards Board Statement No. 14*.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

S. FUND EQUITY - GASB 54 NOTE

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The classifications are as follows:

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City of Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or state statute.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

City Fund Balance Policy

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The City has in the past and plans to continue in the future its conservative approach to monitoring expenditures to ensure that fund balances stay strong. The City is working on rebuilding its fund balance.

Fund Balance - GASB 54 Compliance

By a majority vote in a scheduled meeting of the City Council, the Council may commit fund balances and it may modify or rescind these commitments. The City Council may also delegate authority to persons or parties to assign fund balances in specific circumstances. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows.

<u>Fund Balance Classification</u>	Amount
Restricted	
Federal/State Grants	\$175,448
Retirement of Long Term Debt	190,375
Assigned Fund Balances	
Undesignated/Unassigned	-
Unassigned Fund Balance	<u>82,667</u>
Total Fund Balances	<u>\$ 448,490</u>

T. PRIOR PERIOD ADJUSTMENTS

During the year, the City has implemented GASB 68, Accounting For Pensions. As part of the implementation, prior period adjustments has been made to the Governmental Funds and the Utility Funds as a 75/25 split of this implementation, also, the City has made adjustments to correct liabilities that should have been recorded in the prior period. Adjustments were also made to the overall GASB entries for leases/fixed assets reflected on the prior ledgers. The City has made adjustments to correct liabilities that should have been recorded in the prior period. Adjustments were also made to the overall GASB entries for leases/fixed assets reflected on the prior ledgers.

U. SUBSEQUENT EVENTS

The City of Mathis, Texas, has no reportable litigation pending that is not covered by insurance and therefore, no liability is reflected in the financial statements for the September 30, 2016 fiscal year as necessary. The Council has evaluated subsequent events through May 5, 2019, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF MATHIS, TEXAS
REQUIRED SUPPLEMENTARY DISCLOSURE
AS OF SEPTEMBER 30, 2016**

BUDGETARY DATA

Annual budgets are legally adopted by council. The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of a department must be approved by the City Council. Budgeted amounts reported in the 2015-2016 financial statements present the original and final amended budget approved by the Council. All unencumbered budget appropriations except project budgets, lapse at the end of each fiscal year. The following procedures are used by the City in establishing the budgetary date reflected in the financial statements:

1. Prior to first meeting in September, the City Manager is required to submit a proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Advertised public hearings are conducted.
3. The budget is required to be approved by October 1st.
4. The applicable rates are approved after the budget has been approved.
5. The budget may be amended as considered necessary. The budget and rates are enacted through the passage of ordinances.

CITY OF MATHIS ,TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Plan Year Ended December 31,	
	2015	2014
Total Pension Liability		
Service cost	222,406	140,356
Interest (on the total pension liability)	164,060	157,939
Changes of benefit terms	-	-
Difference between expected and actual experience	835	(56,629)
Change of assumptions	75,458	-
Benefit payments, including refunds of employee contributions	(170,419)	(220,070)
Net Change in Total Pension Liability	<u>292,340</u>	<u>21,596</u>
Total Pension Liability - Beginning	<u>2,317,723</u>	<u>2,296,127</u>
Total Pension Liability - Ending (a)	<u><u>2,610,063</u></u>	<u><u>2,317,723</u></u>
 Plan Fiduciary Net Position		
Contributions - employer	55,141	15,912
Contributions - employee	128,665	94,815
Net investment income	4,298	163,625
Benefit payments, including refunds of employee contributions	(170,419)	(220,070)
Administrative expense	(2,619)	(1,709)
Other	(129)	(140)
Net Change in Plan Fiduciary Net Position	<u>14,937</u>	<u>52,433</u>
Plan Fiduciary Net Position - Beginning	<u>2,913,503</u>	<u>2,861,070</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>2,928,440</u></u>	<u><u>2,913,503</u></u>
 Net Pension Liability - Ending (a) - (b)	<u><u>(318,377)</u></u>	<u><u>(595,780)</u></u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	112.20%	125.71%
 Covered Employee Payroll	1,838,065	1,354,494
 Net Pension Liability as a Percentage of Covered Employee Payroll	-17.32%	-43.99%

CITY OF MATHIS ,TEXAS
 SCHEDULE OF CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Fiscal Year Ended September 30,</u>	
	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 64,517	\$ 45,742
Contributions in relation to actuarially determined contribution	<u>(64,517)</u>	<u>(45,742)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,010,739	\$ 1,648,513
Contributions as a percentage of covered employee payroll	3.21%	2.77%

CITY OF MATHIS ,TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information: There were no benefit changes during the year.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES AS SUPPLEMENTARY
INFORMATION – COMPARATIVE BALANCE SHEET – GENERAL FUND AND DEBT SERVICE
FUND**

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**CITY OF MATHIS, TEXAS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2016 AND 2015**

EXHIBIT H-1

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Texpool Accounts	174,346	119,539
Receivables and Allowances:		
Accounts		
Assessments and Fees (net)	112,257	103,076
Miscellaneous	-	-
Inventory	-	-
Due From Other Governmental Agencies		
Sales Taxes	10,219	9,757
Other Governmental	1,220	113,181
Ad Valorem Taxes	541,874	496,715
Allowance for Uncollectible Taxes	(108,375)	(99,343)
Due from Other Funds	17,133	-
Prepaid Items	-	-
	<u>748,675</u>	<u>742,925</u>
TOTAL ASSETS	<u><u>748,675</u></u>	<u><u>742,925</u></u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	124,938	146,763
Other Payables	26	-
Due to Other Funds	107,544	56,418
Other Accruals	-	-
TOTAL LIABILITIES	<u>232,508</u>	<u>203,181</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Tax Revenue	433,499	397,372
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>433,499</u>	<u>397,372</u>
FUND BALANCE		
Reserve for Inventory	-	-
Reserve for Compensated Balances	-	-
Unreserved		
Undesignated	82,667	142,372
TOTAL FUND BALANCE	<u>82,667</u>	<u>142,372</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>748,675</u></u>	<u><u>742,925</u></u>

CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE ACTUAL AMOUNT FOR 2015

EXHIBIT H-2
Page 1 of 2

REVENUES	2016			2015	
	BUDGETED AMOUNTS		Actual	Budget Variance	Actual
	Original	Final			
Taxes					
Ad valorem- Current	439,322	439,322	586,226	146,904	455,003
Ad valorem- Delinquent	26,410	26,410	85,841	59,431	73,185
Ad valorem- Penalty & Interest	59,140	59,140	39,822	(19,318)	43,335
Attest Fees	-	-	-	-	-
City Sales	708,249	708,249	783,159	74,910	767,026
Street Maintenance Sales Tax	-	-	36,263	36,263	-
EDC Monthly Expense Fee	-	-	-	-	-
Franchise	138,886	138,886	184,946	46,060	189,250
Other	-	-	-	-	-
Total Taxes	1,372,007	1,372,007	1,716,257	344,250	1,527,799
Licenses and Permits					
Animal Licenses	-	-	640	640	105
Business Licenses	-	-	2,435	2,435	853
Building Permits	57,958	57,958	12,938	(45,020)	13,668
Electrical Permits	3,586	3,586	8,368	4,782	4,381
Plumbing Permits	686	686	2,652	1,966	721
Other Permits	2,172	2,172	3,186	1,014	2,369
Mechanical Permits	113	113	1,359	1,246	851
Total Licenses and Permits	64,515	64,515	31,578	(32,937)	22,948
Mechanical Permits					
Intergovernmental					
Total Intergovernmental	-	-	2,831	2,831	18,354

CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER SOURCES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE ACTUAL AMOUNT FOR 2015

EXHIBIT H-2
Page 2 of 2

	2016		2015		
	BUDGETED AMOUNTS			Budget	
	Original	Final	Actual	Variance	Actual
REVENUES					
Charges for Services					
Rural Fire Calls	45,000	45,000	42,715	(2,285)	44,497
Jury Reimbursement Fees	-	-	-	-	-
Weed Control Charges	-	-	-	-	-
Rec Machine Tax	-	-	-	-	-
Mixed Beverage Tax	1,120	1,120	-	(1,120)	-
Child Safety Fee	-	-	-	-	-
Refuse Services	452,657	452,657	450,549	(2,108)	526,634
Tax Certificate	-	-	-	-	-
Other Revenue	-	-	-	-	-
Subtotal	498,777	498,777	493,264	(5,513)	571,131
Other Revenues					
Other/Municipal Court Fines	98,269	98,269	144,735	46,466	20,325
Interest	-	-	478	478	237
EMS Billings/Contributions	614,484	614,484	486,173	(128,311)	379,578
Attorney Fees	-	-	-	-	-
Animal Control Fees	-	-	3,490	3,490	3,535
Cash Over/Short	-	-	-	-	-
Court Fees	43,983	43,983	37,660	(6,323)	38,563
Sale of Assets	-	-	-	-	37,275
Miscellaneous	168,645	168,645	292,092	123,447	86,654
Other Fees	-	-	3,483	3,483	527
Copy & Map Sales	-	-	5	5	-
Insurance Refund	-	-	-	-	-
Debt Share from Other Funds	-	-	-	-	-
Juvenile Case Manager	-	-	-	-	-
County EMS Subsidy	32,928	32,928	39,066	6,138	31,301
LEOSE	-	-	-	-	-
State Revenues	14,966	14,966	15,015	49	13,625
City Property/Bldg Rental/Land Use	-	-	11,181	11,181	-
Subtotal	973,275	973,275	1,033,378	60,103	611,620
Total Revenues	2,908,574	2,908,574	3,277,308	368,734	2,751,852
OTHER SOURCES- Operating Transfers					
Capital - related Debt Issued	-	-	747,554	747,554	-
Transfers In	292,738	292,738	217,782	(74,956)	393,441
Total Operating Transfers	292,738	292,738	965,336	672,598	393,441
TOTAL REVENUES AND OTHER SOURCES	3,201,312	3,201,312	4,242,644	1,041,332	3,145,293

**CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE ACTUAL AMOUNT FOR 2015**

	2016			
	BUDGETED AMOUNTS		Personnel Costs	Supplies & Services
	Original	Final		
Current Expenditures				
General Administration				
Municipal Court	109,537	109,537	29,675	40,508
Administration	548,772	548,772	456,082	208,796
Total General Administration	658,309	658,309	485,757	249,304
Public Safety				
Police	759,851	759,851	639,400	207,642
Fire	73,497	73,497	-	58,432
Emergency Medical Services	679,179	679,179	588,919	169,540
Animal Control	53,053	53,053	37,535	12,819
Code Enforcement	-	-	-	-
Total Public Safety	1,565,580	1,565,580	1,265,853	448,434
Public Works				
Streets Department	422,716	422,716	330,362	312,332
Total Public Works	422,716	422,716	330,362	312,332
Sanitation				
Sanitation	472,657	472,657	-	343,221
Total Sanitation	472,657	472,657	-	343,221
Culture and Recreation				
Library	-	-	-	-
Parks	92,501	92,501	68,681	26,851
Total Parks and Recreation	92,501	92,501	68,681	26,851
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Debt Service	-	-	-	-
Total Current Expenditures	3,211,763	3,211,763	2,150,653	1,380,142
Transfer Out	-	-	-	-

EXHIBIT H-3

			2016	2015
Debt Service	Capital Outlay	Total Actual	Final Budget Variance	Actual
-	-	70,183	39,354	92,994
-	-	664,878	(116,106)	523,244
-	-	735,061	(76,752)	616,238
-	-	847,042	(87,191)	769,167
-	-	58,432	15,065	54,300
-	-	758,459	(79,280)	598,912
-	-	50,354	2,699	66,582
-	-	-	-	-
-	-	1,714,287	(148,707)	1,488,961
-	747,554	1,390,249	(967,533)	503,627
-	747,554	1,390,249	(967,533)	503,627
-	-	343,221	129,436	302,985
-	-	343,221	129,436	302,985
-	-	-	-	-
-	-	95,532	(3,031)	76,453
-	-	95,532	(3,031)	76,453
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	747,554	4,278,349	(1,066,586)	2,988,264
-	-	24,000	-	113,218

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**CITY OF MATHIS, TEXAS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2016 AND 2015**

Exhibit H-4

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Cash Equivalents	109,415	173,757
Receivables and Allowances		
Ad Valorem Taxes	231,536	205,924
Allowance for Uncollectible Taxes	(46,307)	(41,185)
Due from Other Funds	<u>80,960</u>	<u>29,145</u>
TOTAL ASSETS	<u><u>375,603</u></u>	<u><u>367,641</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	0	0
Due to Other Funds	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Tax Revenues	<u>185,228</u>	<u>164,739</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>185,228</u>	<u>164,739</u>
FUND BALANCE		
Reserve for Debt Service	<u>190,375</u>	<u>202,902</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>375,603</u></u>	<u><u>367,641</u></u>

**CITY OF MATHIS, TEXAS
DEBT SERVICE FUND**

Exhibit H-5

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2016**

	2016			2015	
	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Final</u>	
	<u>Original</u>	<u>Final</u>		<u>Budget</u>	<u>Actual</u>
			<u>Variance</u>		
REVENUES					
Ad valorem Taxes	275,428	275,428	362,892	87,464	472,255
Ad valorem- Penalty & Interest	0	0	38,757	38,757	30,450
Total Ad valorem Taxes	275,428	275,428	401,648	126,220	502,705
In Lieu Taxes	0	0	0	0	0
Interest	0	0	90	90	118
Total Revenues	275,428	275,428	401,738	126,310	502,823
EXPENDITURES					
Other Services and Charges	146,290	146,290	70	146,220	0
Debt Service					
Principal Retirement	101,625	101,625	341,358	(239,733)	266,480
Interest and Fiscal Charges	27,513	27,513	72,837	(45,324)	119,166
Total Expenditures	275,428	275,428	414,265	(138,837)	385,646
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	0	(12,527)	(12,527)	117,177
OTHER FINANCING SOURCES (USES)					
Other Financing - Bonds	0	0	0	0	0
Other Sources- Transfers (Out)	0	0	0	0	0
Other Sources- Transfers In	0	0	0	0	0
Total Other Financing Sources (Use)	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	0	0	(12,527)	(12,527)	117,177
FUND BALANCE, beginning of year	202,902	202,902	202,902	0	85,725
FUND BALANCE, end of year	202,902	202,902	190,375	(12,527)	202,902

SCHEDULES – NON-MAJOR GOVERNMENTAL FUNDS

**CITY OF MATHIS, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015**

	<u>Court Technology Fund</u>	<u>Court Security Fund</u>	<u>Street Improvements Fund</u>	<u>CDBG Grant Fund</u>
ASSETS				
Cash and Cash Equivalents	1,514	-	84,784	-
Receivables	-	-	15,857	-
Due from Other Governments	-	-	-	-
Due from Other Funds	287	913	-	8,252
TOTAL ASSETS	<u>1,801</u>	<u>913</u>	<u>100,641</u>	<u>8,252</u>
LIABILITIES AND FUND BALANCE				
Accounts Payable	-	-	-	-
Due to Others	-	-	-	-
Due to Other Funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE				
Committed for Special Revenue	-	-	-	-
Assigned for Special Revenue	1,801	913	100,641	8,252
Restricted for Debt Service	-	-	-	-
TOTAL FUND BALANCE	<u>1,801</u>	<u>913</u>	<u>100,641</u>	<u>8,252</u>
TOTAL LIABILITIES & FUND BALANCE	<u><u>1,801</u></u>	<u><u>913</u></u>	<u><u>100,641</u></u>	<u><u>8,252</u></u>

EXHIBIT H-6

Police Improvement Fund	Hotel/ Motel Fund	Park Reserve Fund	Series 2003 Certificate of Obligation Fund	M. I. S. Information System Fund	FEMA Grant Fund	Total Governmental Funds	Total Nonmajor
						2016	2015
53	64,375	-	-	-	-	150,725	111,949
-	-	-	-	-	-	15,857	12,490
-	-	-	-	-	-	-	-
-	-	-	-	-	-	9,451	27,284
53	64,375	-	-	-	-	176,034	151,723
-	586	-	-	-	-	586	586
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	0
-	586	-	-	-	-	586	586
-	-	-	-	-	-	-	-
53	63,789	-	-	-	-	175,448	151,137
-	-	-	-	-	-	-	-
53	63,789	-	-	-	-	175,448	151,137
53	64,375	-	-	-	-	176,034	151,723

**CITY OF MATHIS, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2016
WITH COMPARATIVE TOTALS FOR 2015**

	Court Technology Fund	Court Security Fund	Street Improvements Fund	CDBG Grant Fund
REVENUE				
Taxes	-	-	-	-
Intergovernmental	-	449	68,242	-
Interest	4	-	57	-
Other	787	-	-	41,907
TOTAL REVENUES	791	449	68,299	41,907
EXPENDITURES				
Current				
Personnel Costs	-	-	-	-
Supplies	-	-	-	-
Other Services and Charges	600	-	12,500	33,696
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	600	-	12,500	33,696
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	191	449	55,799	8,211
OTHER FINANCE SOURCES (USES)				
OTHER FINANCING - Bonds	-	-	-	-
Transfer In from Other Funds	-	-	-	-
Transfer (Out) to Other Funds	-	-	-	-
TOTAL OTHER FINANCE SOURCES(USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REV. AND OTHER SOURCES OVER EXPENDITURES & OTHER USES	191	449	55,799	8,211
FUND BALANCE, beginning of year	1,610	463	44,842	41
Prior Period Adjustment	-	-	-	-
FUND BALANCE, end of year	1,801	913	100,641	8,252

EXHIBIT H-7

Police Improvement Fund	Hotel/ Motel Fund	Park Reserve Fund	Series 2003 Certificate of Obligation Fund	M. I. S. Information System Fund	FEMA Grant Fund	Nonmajor Governmental Funds	
						2016	2015
-	86,870	-	-	-	-	86,870	88,188
-	-	-	-	-	-	68,691	70,911
-	176	-	-	-	-	236	103
-	-	-	-	-	-	42,694	700
-	87,046	-	-	-	-	198,492	159,902
-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	0
10	4,000	-	-	-	-	50,806	133,894
-	-	-	-	-	-	-	0
10	4,000	-	-	-	-	50,806	133,894
(10)	83,046	-	-	-	-	147,685	26,008
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(123,375)	-	-	-	-	(123,375)	(102,721)
-	(123,375)	-	-	-	-	(123,375)	(102,721)
(10)	(40,329)	-	-	-	-	24,310.2	(76,713)
63	104,118	-	-	-	-	151,138	227,850
-	-	-	-	-	-	-	-
53	63,789	-	-	-	-	175,448	151,137

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ENTERPRISE FUNDS

**CITY OF MATHIS, TEXAS
 COMPARATIVE STATEMENTS OF NET POSITION
 UTILITY FUND
 SEPTEMBER 30, 2016 AND 2015**

**EXHIBIT I-1
 Page 1 of 2**

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	46,580	263,141
Receivables and Allowances		
Accounts		
Water and Wastewater Billings	331,624	275,100
Assessments	0	0
Other	0	0
Allowance for Uncollectible Accounts	0	0
Due from Other Funds	0	0
Bond Issue Cost (Net)	0	0
Prepaid Items	2,000	0
Inventory	<u>0</u>	<u>0</u>
Total Current Assets	<u>380,204</u>	<u>538,241</u>
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents		
Meter Deposit Funds	56,323	118,460
Revenue Bond Reserve	54,453	0
Sinking Fund- Bonds	<u>0</u>	<u>0</u>
Total Restricted Assets	<u>110,776</u>	<u>118,460</u>
Net Pension Asset (liability)	79,594	148,945
Capital Assets:		
Land	12,412	12,412
Construction in Progress	0	0
Buildings	222,445	222,445
Water System	7,383,959	7,383,960
Sewer System	3,786,564	3,786,564
Infrastructure	0	0
Vehicles	0	0
Furniture and Equipment	<u>125,681</u>	<u>125,681</u>
Total Capital Assets	11,531,062	11,531,062
Less Accumulated Depreciation	<u>(4,082,844)</u>	<u>(3,935,453)</u>
Net Capital Assets	<u>7,448,217</u>	<u>7,595,609</u>
TOTAL ASSETS	<u><u>8,018,792</u></u>	<u><u>8,401,255</u></u>
Deferred Resource Outflows	67,712	17,566

**CITY OF MATHIS, TEXAS
 COMPARATIVE STATEMENTS OF NET POSITION
 UTILITY FUND
 SEPTEMBER 30, 2016 AND 2015**

**EXHIBIT I-1
 Page 2 of 2**

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	0	9,022
Accrued Liabilities	42,042	0
Compensated Absences	12,377	21,113
Due to Other Funds	0	12
Capital Leases Payable	172,925	173,328
Current Portion of Revenue Bonds Payable	13,000	13,000
Customer Meter Deposits	<u>0</u>	<u>14,200</u>
Total Current Liabilities	<u>240,345</u>	<u>230,675</u>
Long-Term Liabilities		
Capital Leases Payable	0	172,925
Revenue Bonds Payable	<u>860,000</u>	<u>873,000</u>
Total Long-Term Liabilities	<u>860,000</u>	<u>1,045,925</u>
Total Liabilities	<u>1,100,345</u>	<u>1,276,600</u>
Deferred Resource Inflows	2,055	8,106
NET POSITION		
Invested in Capital Assets	6,513,068	6,363,356
Restricted for:		
Revenue Bond Retirement/Other	0	0
Unrestricted	<u>471,036</u>	<u>770,759</u>
Net Position	<u><u>6,984,104</u></u>	<u><u>7,134,115</u></u>

**CITY OF MATHIS, TEXAS
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2016 AND 2015**

EXHIBIT I-2

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Charges for Services		
Water Sales	870,425	739,544
Sewer Sales	518,100	490,593
Meter tap/reconnect fees	17,288	32,203
Other Fees and Charges	<u>140,322</u>	<u>655,352</u>
Total Operating Revenues	<u>1,546,135</u>	<u>1,917,692</u>
OPERATING EXPENSES		
Personnel Costs	511,690	554,270
Contracted Services	-	734
Supplies	-	7,827
Maintenance	-	-
Other Operating Expenses	673,833	527,439
Water Purchased	193,163	209,848
Depreciation	147,418	153,772
Amortization	-	-
Total Operating Expenses	<u>1,526,104</u>	<u>1,453,890</u>
Net Operating Income	<u>20,031</u>	<u>463,802</u>
NON-OPERATING REVENUES (EXPENSES)		
Refunding Bonds Issued	-	-
Payments to Escrow Agents	-	-
Grant Income	-	-
Interest Income	471	214
Interest and Fiscal Charges	<u>(100,106)</u>	<u>(107,574)</u>
Net Non-Operating Revenues (Expenses)	<u>(99,635)</u>	<u>(107,360)</u>
Income Before Transfers	<u>(79,604)</u>	<u>356,442</u>
Transfers in	77,331	2,266,013
Transfers out	<u>(147,738)</u>	<u>(2,443,516)</u>
Change in Net Position	<u>(150,011)</u>	<u>178,939</u>
Prior Period Adjustment	-	144,619
NET POSITION BEGINNING OF YEAR	<u>7,134,115</u>	<u>6,810,557</u>
NET POSITION END OF YEAR	<u><u>6,984,104</u></u>	<u><u>7,134,115</u></u>

**CITY OF MATHIS, TEXAS
UTILITY FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES- BY FUND
YEAR ENDED SEPTEMBER 30, 2016**

EXHIBIT I-3

	Utility-Water Fund 80	Utility-Wastewater Fund	Customer Service 90	Meter Deposit	Total
OPERATING REVENUES					
Charges for Services					
Water Sales	864,950	-	-	-	864,950
Sewer Sales	516,800	-	-	-	516,800
Meter Tap/Reconnect Fees	17,288	-	-	-	17,288
Water Taps	5,475	-	-	-	5,475
Sewer Taps	1,300	-	-	-	1,300
Total Charges for Services	<u>1,405,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,405,813</u>
Other Fees and Charges					
Delinquent Account Penalties	47,203	-	-	-	47,203
Reimbursement	-	-	-	-	-
Other	93,118	-	-	-	93,118
Total Other Fees and Charges	<u>140,322</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,322</u>
Total Operating Revenues	<u>1,546,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,546,135</u>
OPERATING EXPENSES					
Personnel Costs - Water	413,727	-	-	-	413,727
Personnel Costs- Waste Water	97,963	-	-	-	97,963
Contracted Services	-	-	-	-	-
Supplies	-	-	-	-	-
Maintenance	-	-	-	-	-
Other Operating Expenses - Water	397,727	-	-	-	397,727
Other Operating Expenses- Waste Water	276,106	-	-	-	276,106
SUBTOTAL	<u>1,185,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,185,523</u>
Water Purchased	193,163	-	-	-	193,163
Depreciation	147,418	-	-	-	147,418
Amortization	-	-	-	-	-
Total Operating Expenses	<u>1,526,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,526,104</u>
NET OPERATING INCOME	<u>20,031</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,031</u>
NON-OPERATING REVENUES (EXPENSES)					
Refunding Bonds Issued	-	-	-	-	-
Payments to Escrow Agents	-	-	-	-	-
Grant Income	-	-	-	-	-
Interest Income	471	-	-	-	471
Interest and Fiscal Charges	(100,106)	-	-	-	(100,106)
Net Non-Operating Revenues (Expenses)	<u>(99,635)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,635)</u>
Income Before Transfers	<u>(79,604)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(79,604)</u>
Transfers in	77,331	-	-	-	77,331
Transfers (out)	-	-	(43,490)	(104,248)	(147,738)
Change in Net Position	<u>(2,273)</u>	<u>-</u>	<u>(43,490)</u>	<u>(104,248)</u>	<u>(150,011)</u>
Prior Period Adjustment	-	-	-	-	-
NET POSITION BEG. OF YEAR	<u>6,986,377</u>	<u>-</u>	<u>43,490</u>	<u>104,248</u>	<u>7,134,115</u>
NET POSITION END OF YEAR	<u>6,984,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,984,104</u>

**CITY OF MATHIS, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2016 AND 2015**

EXHIBIT I-4

	<u>2016</u>	<u>2015</u>
Cash flow from operating activities:		
Cash received from customers	1,487,610	1,875,875
Cash payments to suppliers for goods and services	(848,590)	(862,826)
Cash payments to employees for services	(520,426)	(552,441)
Net cash provided by operating activities	<u>118,594</u>	<u>460,608</u>
Cash flows from noncapital financing activities:		
Net transfers to funds	<u>(70,407)</u>	<u>(177,503)</u>
Net Cash flows from non-capital financing activities	<u>(70,407)</u>	<u>(177,503)</u>
Cash Flows from Capital and Related Financing Activities:		
Net Refunds bonds/costs	-	-
Grant Proceeds	-	-
Principal Payment on bonds	(13,000)	(147,000)
Interest and Fiscal Charges Paid	(100,106)	(107,574)
Purchase of Fixed Assets/Bond Costs	0	0
Other adjustments	(56,197)	(187,114)
Net Cash Used for Capital and Related Financing Activities	<u>(169,303)</u>	<u>(441,688)</u>
Cash Flows from Investing Activities- Interest Income	<u>471</u>	<u>215</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(120,644)	(158,368)
Cash and Cash Equivalents at Beginning of Year	381,601	539,969
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>260,957</u></u>	<u><u>381,601</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	20,031	463,801
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	147,418	153,772
Amortization	0	0
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable (Net)	(56,524)	(41,817)
(Increase) Decrease in Due from Other Funds	0	0
(Increase) Decrease in Due from Other Governments	0	0
(Increase) Decrease in Prepaid Items	(2,000)	0
(Increase) Decrease in Inventory	0	0
Increase (Decrease) in Accounts Payable	(9,022)	(99,856)
Increase (Decrease) in Accrued Liabilities	42,042	0
Increase (Decrease) in Due to Other Funds	(12)	12
Increase (Decrease) in Capital Leases Payable	(403)	(31,334)
Increase (Decrease) in Compensated Absences	(8,736)	1,830
Increase (Decrease) in Customer Deposits	(14,200)	14,200
Net Cash Provided by Operating Activities	<u><u>118,594</u></u>	<u><u>460,608</u></u>

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