

CITY OF MATHIS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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**CITY OF MATHIS, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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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, 2017 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 did not audit the financial statements of the Mathis Economic Development Corporation whose assets were \$525,823 and revenues were \$336,567. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mathis Economic Development Corporation, is based on the reports of the other auditors. 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, 2017, 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
August 10, 2019



**CITY OF MATHIS, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2017**

In this section of the Annual Financial and Compliance Report, we, the managers of the City of Mathis, Texas, discuss and analyze the City's financial performance for the fiscal year ended September 30, 2017. 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 \$4,130,748 that were \$159,906 more than the \$3,970,842 generated in tax and other revenues/transfers of \$174,511 for a net of \$14,606 for governmental programs (Exhibit C-3). This compares to last year (2016) when expenditures \$4,743,421 were \$865,883 more than revenues \$3,877,538 and transfers of \$817,961 for a net \$(47,922).
- In the City's business-type activities, operational revenues increased from \$1,546,135 in 2016 to \$1,603,466 and expenses decreased from \$1,526,104 to \$1,425,153 for a net operating income of \$178,313 (compared to \$20,031 in 2016), after transfer out, a net decrease of \$4,472 in net position.
- The General Fund ended the year with a fund balance of \$99,007 up from 2016 of \$82,667.

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 \$12,852,910 to \$13,599,314. 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 \$151,467 at September 30, 2017, governmental activities was \$6,619,682 and Business type was \$6,979,632. 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	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	1,596,197	1,192,767	563,457	380,204	2,159,654	1,572,971
Restricted Assets	240,647	238,783	80,216	190,370	320,863	429,153
Capital Assets	5,750,165	5,478,407	7,336,249	7,448,218	13,086,414	12,926,625
Total Assets:	<u>7,587,009</u>	<u>6,909,957</u>	<u>7,979,922</u>	<u>8,018,792</u>	<u>15,566,931</u>	<u>14,928,749</u>
Deferred Resource Outflows	156,460	203,138	52,154	67,712	208,614	270,850
Long-Term Liabilities	336,185	810,489	846,000	860,000	1,182,185	1,670,489
Restricted Liabilities	-	-	-	-	-	-
Other Liabilities	737,143	427,637	189,624	240,345	926,767	667,982
Total Liabilities	<u>1,073,328</u>	<u>1,238,126</u>	<u>1,035,624</u>	<u>1,100,345</u>	<u>2,108,952</u>	<u>2,338,471</u>
Deferred Resource Inflows	50,459	6,164	16,820	2,055	67,279	8,219
Invested in Capital Assets	5,164,979	4,407,772	6,530,670	6,513,068	11,695,649	10,920,840
Restricted	364,089	365,823	14,827	54,453	378,916	365,823
Unrestricted	1,090,614	1,095,210	434,135	416,583	1,524,749	1,566,246
Total Net Position	<u>6,619,682</u>	<u>5,868,805</u>	<u>6,979,632</u>	<u>6,984,104</u>	<u>13,599,314</u>	<u>12,852,909</u>

Table II
CITY OF MATHIS, TEXAS
CHANGES IN NET POSITION

	Governmental Activities		Business Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,037,330	\$ 979,437	\$ 1,603,467	\$ 1,546,135	\$ 2,640,797	\$ 2,525,572
Operating Grants and Contributions	68,402	71,522	-	-	68,402	71,522
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Maintenance and Operations Taxes	1,837,651	1,732,266	-	-	1,837,651	1,732,266
Sales Taxes	901,540	906,292	-	-	901,540	906,292
Franchise Taxes	188,103	184,946	-	-	188,103	184,946
Other Taxes	-	-	-	-	-	-
License and Permits	31,931	31,578	-	-	31,931	31,578
Unrestricted Investment Earnings	569	326	1,154	471	1,723	797
Miscellaneous	576,872	589,898	-	-	576,872	589,898
Total Revenues	4,642,398	4,496,265	1,604,621	1,546,606	6,247,019	6,042,871
Expenses:						
General Administration	544,106	394,060	-	-	544,106	394,060
Financial Administration	-	-	-	-	-	-
Public Facilities	938,680	1,897,559	-	-	938,680	1,897,559
Public Safety	2,465,347	1,921,913	-	-	2,465,347	1,921,913
Public Transportation	-	-	-	-	-	-
Culture and Recreation	106,839	96,901	-	-	106,839	96,901
Interest and Fiscal Charges	11,060	72,906	9,429	100,106	20,489	173,012
Water, Garbage, and Sewer	-	-	1,425,153	1,526,104	1,425,153	1,526,104
Total Expenses	4,066,032	4,383,339	1,434,582	1,626,210	5,500,614	6,009,549
Increase (Decrease) in Net Position before transfers and special items	576,366	112,926	170,039	(79,604)	746,405	33,322
Transfers	174,511	70,407	(174,511)	(70,407)	-	-
Increase (Decrease) in Net Position	750,877	183,333	(4,472)	(150,011)	746,405	33,322
Prior period adjustment	-	(70,537)	-	-	-	(70,537)
Net Position at Beginning	5,868,805	5,756,009	6,984,104	7,134,115	12,852,909	12,890,124
Net Position at Ending	\$ 6,619,682	\$ 5,868,805	\$ 6,979,632	\$ 6,984,104	13,599,314	12,852,909

The assessed valuation before exemptions at January 1, 2017 totaled \$116.3 million. The current tax rate is \$1.01695 per \$100 valuation with a current tax levy of \$1,176,506. The current tax rate finances debt service and the city's operations.

Through the month of September 2017, the Tax Assessor/Collector's office reports \$1,098,187 of the levies had been collected. Current tax collections for the operating and interest and sinking fund was \$982,040 or 83.47% of the amount levied, including delinquent collections of \$116,147 or 9.87%. The total overall collection rate for current and delinquent collections to the current levy was 93.34%. Penalties 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 increased the property tax rate from \$.96 to 1.01695. This was an increase due to the increased property valuations of the City and necessary increases for infrastructure and services.

The cost of all governmental activities this year was \$4.07 million compared to \$4.38 million last year, as shown in the Statement of Activities on pages 14 and 15. The business type activity expenses were \$1,433,428, down from the prior year of \$1,526,104.

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 \$357,945, down from the prior year of \$448,490. (Exhibit C-1, C-3).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had \$11,508,823 invested in a broad range of capital assets, including facilities and infrastructure in the governmental activities. Proprietary funds had \$11,572,974 invested in fixed assets at year-end as in the prior year.

This year's 2016/2017 continued finishing major additions included:

Net fixed asset additions on various projects	-
	321,934
	-
	-
	<u>321,934</u>

Debt

At year-end, the City had \$2,731,865 in bonds, notes, leases and compensated absences outstanding versus \$2,170,879 last year, the EDC had \$69,540 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, 2015 and 2016 valuation and measurement date, the following TMRS employees were covered by the benefit terms:

	2015	2016
Inactive employees or beneficiaries currently receiving benefits	24	26
Inactive employees entitled to but not yet receiving benefits	93	98
Active employees	<u>58</u>	<u>56</u>
Total	<u>175</u>	<u>180</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 3.23% and 4.46% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were \$64,517 for the 2016 year and \$45,742 for 2015 for the 2016 fiscal year, 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 2018 budget, tax rates. One of those factors is the economy.

These indicators were taken into account when adopting the General Fund budget for 2018. Amounts available for appropriation in the General Fund budget are approximately \$3,370,360, an overall consistent budget over the final 2017 budget of \$3,490,753. Property taxes (benefiting from the 2017/2018 increases in assessed valuations). Budgeted expenditures are expected to rise nearly 2 percent in 2018. 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 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 2018.

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, 2017

EXHIBIT A-1

	Primary Government			Component
	Governmental	Business Type	Total	Unit Non-Major Component
<u>ASSETS:</u>	Activities	Activities		
Cash and Cash Equivalents	\$ 528,749	67,308	596,057	177,619
Receivables (net of allowance)	809,791	350,923	1,160,714	-
Prepaid Items	-	3,515	3,515	-
Due From Other Funds	0	87,290	87,290	-
Due From Others	257,658	-	257,658	157,139
Inventory	-	-	-	-
Restricted Assets:				
Temporarily Restricted:				
Temporarily Restricted Assets	-	54,421	54,421	-
Net Pension Asset/Liability	240,647	80,216	320,863	-
Capital Assets:				
Land	322,575	12,412	334,987	-
Fixed Assets/Utility System, net	4,212,323	7,156,243	11,368,567	-
Machinery and Equipment, net	1,215,267	167,594	1,382,861	191,065
TOTAL ASSETS:	\$ 7,587,010	7,979,922	15,566,932	525,823
Deferred Resource Outflows	\$ 156,460	52,154	208,613	-
<u>LIABILITIES:</u>				
Accounts Payable & Other Current Liab.	\$ 400,853	101,080	501,933	228
Due to Other Funds	87,290	-	87,290	-
Due to Others	-	-	-	-
Accrued Liabilities	-	74,544	74,544	-
Current Bonds/Loans/Lease Payable	249,000	14,000	263,000	66,320
Payable from Restricted Assets	-	-	-	-
Bonds/Loans Payable/Other - Long Term	336,185	846,000	1,182,185	3,220
TOTAL LIABILITIES	\$ 1,073,329	1,035,624	2,108,953	69,768
Deferred Resource Inflows	\$ 50,459	16,820	67,278	-
<u>NET POSITION:</u>				
Invested in Capital Assets	\$ 5,164,979	6,530,670	11,695,649	121,525
Restricted for Revenue Bond Retirement	-	-	-	-
Commitments	-	-	-	-
Restricted for Capital Project Funds	-	-	-	-
Restricted for Special Revenue Funds	212,622	14,827	227,449	-
Restricted for Debt Service Funds	151,467	-	151,467	-
Unrestricted Net Position	1,090,614	434,135	1,524,749	334,530
TOTAL NET POSITION	\$ 6,619,682	6,979,632	13,599,314	456,055

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, 2017**

<u>Primary Government:</u>	Program Revenues		
	Expenses	Charges For Services	Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:			
10 General Government	\$ 544,106	457,665	-
21 Public Safety	2,465,347	-	-
31 Public Works	938,680	579,665	-
50 Culture and Recreation	106,839	-	-
65 Economic Development and Assistance	-	-	-
73 Bond Interest	11,060	-	-
TOTAL PRIMARY GOVERNMENT	\$ 4,066,032	1,037,330	-
 BUSINESS-TYPE ACTIVITIES:			
701 Utility Fund	\$ 1,433,428	1,603,466	-
Total Business Type Activities:	\$ 1,433,428	1,603,466	-

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	
\$ (86,441)	-	(86,441)	-
(2,465,347)	-	(2,465,347)	-
(359,015)	-	(359,015)	-
(106,839)	-	(106,839)	-
-	-	-	237,710
(11,060)	-	(11,060)	-
<u>\$ (3,028,703)</u>	<u>-</u>	<u>(3,028,703)</u>	<u>237,710</u>
-	170,039	170,039	-
-	170,039	170,039	-
-	-	-	-
-	-	-	-
\$ 1,837,651	-	1,837,651	-
901,540	-	901,540	311,706
188,103	-	188,103	-
-	-	-	-
31,931	-	31,931	-
68,402	-	68,402	-
576,873	-	576,873	23,643
569	-	569	1,218
174,511	(174,511)	0	-
<u>\$ 3,779,580</u>	<u>(174,511)</u>	<u>3,605,069</u>	<u>336,567</u>
<u>750,877</u>	<u>(4,472)</u>	<u>746,405</u>	<u>98,857</u>
<u>5,868,805</u>	<u>6,984,105</u>	<u>12,852,910</u>	<u>253,619</u>
-	-	-	103,579
<u>\$ 6,619,682</u>	<u>6,979,632</u>	<u>13,599,314</u>	<u>456,055</u>

**CITY OF MATHIS, TEXAS
BALANCE SHEET
GOVERNMENT FUNDS
SEPTEMBER 30, 2017**

	General	Capital Projects Fund	Debt Service Fund
ASSETS			
Cash and Texpool Accounts	\$ 137,847	-	90,439
Receivables and Allowances:			-
Inventory	-	-	-
Due From Other Governmental Agencies	109,705	-	-
Garbage	138,235	-	-
Ad Valorem Taxes	576,210	-	263,235
Allowance for Uncollectible Taxes	(115,242)	-	(52,647)
Due From Other Funds	106,711	-	61,027
Prepaid Items	-	-	-
	<u>953,465</u>	<u>-</u>	<u>362,055</u>
TOTAL ASSETS	\$ <u>953,465</u>	<u>-</u>	<u>362,055</u>
 LIABILITIES AND FUND BALANCE			
Accounts Payable	\$ 205,856	-	-
Other Payables	-	-	-
Due to Other Funds	187,635	-	-
TOTAL LIABILITES	\$ <u>393,491</u>	<u>-</u>	<u>-</u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Tax Revenues	\$ <u>460,968</u>	<u>-</u>	<u>210,588</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ <u>460,968</u>	<u>-</u>	<u>210,588</u>
 FUND BALANCE			
Restricted for Special Revenue	\$ -	-	-
Restricted for Debt Service	-	-	151,467
Restricted for Capital Projects	-	-	-
Unassigned	99,007	-	-
TOTAL FUND BALANCE	\$ <u>99,007</u>	<u>-</u>	<u>151,467</u>
 TOTAL LIABILITIES, DEFERRED INLFOWS OF RESOURCES AND FUND BALANCE	 \$ <u>953,465</u>	 <u>-</u>	 <u>362,055</u>

EXHIBIT C-1

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
300,463	528,749
-	-
147,953	257,658
-	138,235
-	839,445
-	(167,889)
92,655	260,393
<u>-</u>	<u>-</u>
 <u>541,071</u>	 <u>1,856,591</u>
 168,400	 374,256
-	-
160,048	347,683
<u>328,448</u>	<u>721,939</u>
 <u>-</u>	 <u>671,556</u>
 <u>-</u>	 <u>671,556</u>
 212,622	 212,622
-	151,467
-	-
-	99,007
<u>212,622</u>	<u>463,095</u>
 <u>541,071</u>	 <u>1,856,591</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, 2017

Exhibit C-2

Total Fund Balances - Governmental Funds	\$ 463,095
<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 are 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>\$ 11,186,889</u> and the accumulated depreciation was: <u>\$ (5,514,154)</u></p> <p>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>(457,163)</u> .</p>	<p>4,560,159</p>
<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 2017 capital outlays and debt principal payments is to increase (decrease) net position.</p>	<p>612,481</p>
<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 pesion liability of \$ <u>240,648</u> and a Deferred Resource inflow in the amount of \$ <u>(58,703)</u> , and a deferred resource outflow in the amount of \$ <u>156,526</u> . This resulted in an increase / (decrease) in net position by \$ <u>338,471</u> .</p>	<p>338,471</p>
<p>The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>	<p>(244,505)</p>
<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 postion.</p>	<p>889,981</p>
Net position of Governmental Activities	\$ 6,619,682

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, 2017

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>
REVENUES			
Taxes	\$ 1,774,932	-	375,309
Licenses and Permits	31,931	-	-
Intergovernmental	-	-	-
Charges for Services	579,665	-	-
Fines and Penalties	-	-	-
Interest	-	-	81
Other	769,195	-	8,839
	<u>3,155,723</u>	<u>-</u>	<u>384,230</u>
TOTAL REVENUES	\$ 3,155,723	-	384,230
EXPENDITURES			
Current			
General Administration	\$ 789,681	-	-
Cultural and Recreational, Tourism	105,921	-	-
Public Safety	1,690,219	-	-
Public Works	489,665	-	-
Sanitation	365,836	-	-
Debt Service			
Principal Retirement	-	-	331,232
Interest and Fiscal Charges	-	-	91,906
Capital Outlay	-	-	-
	<u>3,441,322</u>	<u>-</u>	<u>423,138</u>
TOTAL EXPENDITURES	\$ 3,441,322	-	423,138
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (285,599)	-	(38,908)
OTHER FINANCING SOURCES (USES)			
Capital - related Debt Issued	\$ -	-	-
Transfers from Other Funds	301,938	-	-
Transfer to Other Funds	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ 301,938	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 16,340	-	(38,908)
FUND BALANCE, beginning of year	\$ 82,667	-	190,375
Prior Period Adjustment	-	-	-
FUND BALANCE, end of year	\$ 99,007	-	151,467

EXHIBIT C-3

Other Governmental Funds	Total Governmental Funds
105,496	2,255,738
-	31,931
68,402	68,402
-	579,665
-	-
488	569
<u>256,503</u>	<u>1,034,538</u>
<u>430,889</u>	<u>3,970,842</u>
-	789,681
-	105,921
266,288	1,956,507
-	489,665
-	365,836
-	331,232
-	91,906
-	-
<u>266,288</u>	<u>4,130,748</u>
<u>164,601</u>	<u>(159,906)</u>
-	-
-	301,938
<u>(127,427)</u>	<u>(127,427)</u>
(127,427)	174,511
37,174	14,606
175,448	448,490
-	-
<u>212,622</u>	<u>463,095</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, 2017

Exhibit C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 14,606
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 2017 capital outlays and debt principal payments is to increase (decrease) net position.	47,077
The implementation of the requirements required that certain expenditures de de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/2016 caused the change in the ending net position to increase in the amount of \$ <u>49,793</u> . 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 \$ <u>(35,529)</u> . The City's reported TMRS net pension expense had to be recorded. The net pension expense increase / (decreased) the change in net position by \$ <u>(78,835)</u> . The result of these changes is to increase / (decrease) the change in net position by \$ <u>(64,571)</u>	(64,571)
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.	(244,505)
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.	998,269
Change in Net Position of Governmental Activities	<u>\$ 750,877</u>

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, 2017 WITH COMPARATIVE ACTUAL AMOUNTS FOR 2016**

	2017			Variance with Final Budget Variance	Exhibit C-5 2016
	BUDGETED AMOUNTS		Actual		Actual
	Original	Final			
REVENUES					
Taxes					
Property Taxes	832,367	832,367	790,785	(41,582)	711,890
General Sales and Use Taxes	792,568	792,568	796,044	3,476	819,421
Franchise Tax	196,273	196,273	188,103	(8,170)	184,946
Other Taxes	-	-	-	-	-
License and Permits	44,452	44,452	31,931	(12,521)	31,578
Intergovernmental Revenues	-	-	-	-	2,831
Charges for Services	486,814	486,814	579,665	92,851	493,264
Investment Earnings	-	-	891	891	478
Fines and Forfeitures	-	-	-	-	-
Other Revenues	774,044	774,044	768,304	(5,740)	1,032,901
Total Revenues	3,126,518	3,126,518	3,155,723	29,205	3,277,308
EXPENDITURES					
General Administration	-	-	-	-	-
Municipal Court	137,921	137,921	112,311	25,610	70,183
Administration	688,364	688,364	677,369	10,995	664,878
Legislative	-	-	-	-	-
Public Safety					
Police	847,153	847,153	851,034	(3,881)	847,042
Fire	75,221	75,221	56,947	18,274	58,432
Emerg. Med. Service	734,978	734,978	727,760	7,218	758,459
Animal Control	54,422	54,422	54,478	(56)	50,354
Code Enforcement	-	-	-	-	-
Public Works					
Streets Department	500,590	500,590	489,665	10,925	1,390,249
Sanitation	331,580	331,580	365,836	(34,256)	343,221
Culture and Recreation					
Library	25,500	25,500	22,000	3,500	-
Parks	94,950	94,950	83,921	11,029	95,532
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	3,490,679	3,490,679	3,441,322	49,357	4,278,349
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	(364,161)	(364,161)	(285,599)	78,562	(1,001,041)
OTHER FINANCING SOURCES (USES):					
Capital related Debt Issued	-	-	-	-	747,554
Transfers In	364,235	364,235	301,938	(62,297)	217,782
Transfers (Out)	-	-	-	-	(24,000)
Total Other Financing Sources (Uses)	364,235	364,235	301,938	(62,297)	941,336
Net Change in Fund Balance	74	74	16,340	16,266	(59,705)
Fund Balance - October 1 (Beginning)	82,667	82,667	82,667	-	142,372
Prior period adjustment	-	-	-	-	-
Fund Balance - September 30 (Ending)	82,741	82,741	99,007	16,266	82,667

The accompanying notes are an integral part of this statement.

**CITY OF MATHIS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

EXHIBIT D-1

	Business-Type Activities Enterprise Fund <hr/> Utility Fund <hr/>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	67,308
Receivables and Allowances Accounts	
Water and Wastewater Billings	350,923
Assessments	-
Other	-
Allowance for Uncollectible Accounts	-
Due from Other Funds	87,290
Bond Issue Cost (Net)	-
Prepaid Items	3,515
Inventory	-
Total Current Assets	<hr/> 509,036 <hr/>
Non-Current Assets:	
Restricted Assets:	
Cash and Cash Equivalents	
Meter Deposits	39,594
Revenue Bond Reserve	14,827
Total - Non-Current Assets	<hr/> 54,421 <hr/>
Net Pension Asset (liability)	80,216
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	167,594
Total Capital Assets	<hr/> 11,572,975 <hr/>
Less Accumulated Depreciation	(4,236,725)
Net Capital Assets	<hr/> 7,336,249 <hr/>
TOTAL ASSETS	<hr/> 7,979,922 <hr/>
Deferred Resource Outflows	52,154

**CITY OF MATHIS, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

EXHIBIT D-1
continued

	Business-Type Activities Enterprise Fund <hr/> Utility Fund <hr/>
LIABILITIES	
Current Liabilities	
Accounts Payable	101,080
Accrued Liabilities	67,021
Compensated Absences	7,523
Due to Other Funds	-
Capital Leases Payable	-
Current Portion of Revenue Bonds Payable	14,000
Customer Meter Deposits	-
	<hr/>
Total Current Liabilities	189,624
Liabilities (Payable from Restricted Assets):	
Long-Term Liabilities	
Capital Leases Payable	0
Revenue Bonds Payable	846,000
Total Long-Term Liabilities	<hr/> 846,000 <hr/>
Total Liabilities	1,035,624
Deferred Resource Inflows	16,820
NET POSITION	
Invested in Capital Assets	6,530,670
Restricted for:	
Revenue Bond Retirement	14,827
Unrestricted	434,135
Net Position	<hr/> 6,979,632 <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, 2017**

EXHIBIT D-2

	Business-Type Activities Enterprise Fund Utility Fund
OPERATING REVENUES	
Water Sales	898,110
Sewer Sales	513,759
Service Charges/Tampering Fees	19,770
Other Fees and Charges	171,828
Total Operating Revenues	<u>1,603,466</u>
OPERATING EXPENSES	
Personnel Costs	521,962
Contracted Services	-
Supplies	-
Maintenance	-
Self Insurance Claims & Administration	-
Other Operating Expenses	520,972
Subtotal	<u>1,042,933</u>
Water Purchased	228,339
Depreciation	153,881
Amortization	-
Total Operating Expenses	<u>1,425,153</u>
Net Operating Income	<u>178,313</u>
NON-OPERATING REVENUES (EXPENSES)	
Refunding Bonds Issued	-
Payments to Escrow Agents	-
Grant Income	-
Interest Income	1,154
Interest and Fiscal Charges	(9,429)
Net Non-Operating Revenues (Expenses)	<u>(8,275)</u>
Income Before Transfers	<u>170,039</u>
Transfers in	-
Transfers (out)	(174,511)
Change in Net Position	<u>(4,472)</u>
Prior Period Adjustment	<u>-</u>
NET POSITION BEGINNING OF YEAR	<u>6,984,105</u>
NET POSITION END OF YEAR	<u><u>6,979,632</u></u>

**CITY OF MATHIS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2017**

EXHIBIT D-3

	Business-Type Activities Enterprise Fund Utility Fund
Cash flow from operating activities:	
Cash received from customers	1,495,363
Cash received from other funds for services	-
Cash payments to suppliers for goods and services	(796,177)
Cash payments to employees for services	(526,816)
Other adjustments	-
Net cash provided by operating activities	<u>172,370</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>(174,511)</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	(9,429)
Purchase of Capital Assets	(41,913)
Other Adjustments	29,702
Net Cash Used for Capital and Related Financing Activities	<u>(34,640)</u>
Cash Flows from Investing Activities- Interest Income	<u>1,154</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(35,627)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>157,356</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>121,729</u></u>
Reconciliation of Operating Income to Net Cash	
Operating Activities	
Operating Income	178,313
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	153,881
Amortization	-
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (Net)	(19,299)
(Increase) Decrease in Due from Other Funds	(87,290)
(Increase) Decrease in Due from Other Governments	-
(Increase) Decrease in Prepaid Items	(1,515)
(Increase) Decrease in Inventory	-
Increase (Decrease) in Accounts Payable	101,080
Increase (Decrease) in Accrued Liabilities	24,979
Increase (Decrease) in Due to Other Funds	-
Increase (Decrease) in Capital Leases Payable	(172,925)
Increase (Decrease) in Compensated Absences	(4,854)
Increase (Decrease) in Customer Deposits	-
Net Cash Provided by Operating Activities	<u><u>172,370</u></u>

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CITY OF MATHIS, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT E-1

	Agency Funds
Assets	
Cash and cash equivalents	\$ 12,533
Accounts Receivable	<u>0</u>
Total Assets	<u><u>\$ 12,533</u></u>
Liabilities	
Due to others	\$ <u>12,533</u>
Total Liabilities	<u><u>\$ 12,533</u></u>

The accompanying notes are an intergral 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, 2017**

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, 2017**

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

	Risk Categories			Bank Balance	Carrying Amount
	(1)	(2)	(3)		
Cash Accounts	177,619	-	-	177,619	177,619
Total	<u>177,619</u>	<u>-</u>	<u>-</u>	<u>177,619</u>	<u>177,619</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
2018	66,320	2,291	68,611
2019	3,220	145	3,365
2020	-	-	-
2021	-	-	-
2022	-	-	-
Thereafter	-	-	-
Total	<u>69,540</u>	<u>2,436</u>	<u>71,976</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
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017

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, 2017.

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, 2017**

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>Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 322,575	\$ -	\$ 322,575	
Buildings	719,961	(566,341)	153,620	
Furniture & Equipment	4,368,002	(3,021,255)	1,346,747	
Capital Leases	-	-	-	
Infrastructure	<u>5,776,351</u>	<u>(1,926,559)</u>	3,849,792	
Change in Net Position	\$ 11,186,889	\$ (5,514,155)		<u>\$ 5,672,734</u>
<u>Long-term Liabilities at the Beginning of the year</u>				
Bonds Payable	\$ 340,000			
Loans Payable	75,222			
Capital Leases Payable	655,413			
Compensated Absences	41,941			
Other	-			
Change in Net Position	<u>1,112,576</u>			<u>\$ (1,112,576)</u>
Net Adjustment to Net Position				<u>\$ 4,560,158</u>

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	321,934	321,934	321,934
Construction in Process	-	-	-
Total Capital Outlay	<u>\$ 321,934</u>	<u>\$ 321,934</u>	<u>\$ 321,934</u>
<u>Debt Principal Payments</u>			
Bond Principal	130,000	130,000	130,000
Loan Principal	34,192	34,192	34,192
Capital Lease Payments	95,954	95,954	95,954
Other	(11,912)	(11,912)	(11,912)
Total Principal Payments	<u>248,234</u>	<u>248,234</u>	<u>248,234</u>
Total Adjustment to Net Position	<u>\$ 570,168</u>	<u>\$ 570,168</u>	<u>\$ 570,168</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	210,588	210,588	210,588
Uncollected Taxes (assumed collectible) from Prior Year Levy	460,968	460,968	460,968
Other	-	-	-
Total	<u>\$ 671,556</u>	<u>\$ 671,556</u>	<u>\$ 671,556</u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017

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, 2017, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$650,478 and the bank balance was \$541,382. The City's cash deposits at September 30, 2017 and during the year ended September 30, 2017 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.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017, 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	231,531	231,531	-
Total Fair Value	<u>\$ 231,531</u>	<u>\$ 231,531</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, 2017**

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, 2017, consisted of the following amounts:

Due From:	
General Fund	106,711
All Others	240,973
Total Due to General Fund from Other Funds	<u>347,684</u>
Due To:	
General Fund	187,635
Internal Service Funds	-
All Others	160,049
Total Due to Major Fund #1	<u>347,684</u>

Inter-fund transfers for the year ended September 30, 2017, consisted of the following individual amounts:

Transfers from Other Funds:	
Major Governmental Funds	301,938
Non-Major Governmental Funds	-
All Others - Utility	-
Total Transfers to General Fund	<u>301,938</u>
Transfers to Other Funds:	
Major Governmental Funds	-
Non-Major Governmental Funds	127,427
All Others - Utility	174,511
Total Transfers to Nonmajor Governmental Funds	<u>301,938</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, 2017**

E. DESEGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2017, were as follows:

	Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 460,968	\$ 109,705	\$ 106,711	\$ 138,235	\$ 815,619
Capital Project Fund	-	-	-	-	-
Debt Service Fund	210,588	-	61,027	-	271,615
Other Major Governmental Fund	-	-	-	-	-
Non-major Funds	-	147,953	92,655	-	240,608
Other Funds	-	-	-	-	-
Total - Governmental Activities	<u>\$ 671,556</u>	<u>\$ 257,658</u>	<u>\$ 260,393</u>	<u>\$ 138,235</u>	<u>\$ 1,327,842</u>
Business-Type Activities:					
Major Enterprise Fund #1	\$ -	\$ -	\$ 87,290	\$ 350,923	\$ 438,213
Nonmajor Enterprise Funds	-	-	-	-	-
Total Business-Type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87,290</u>	<u>\$ 350,923</u>	<u>\$ 438,213</u>

Payables at September 30, 2017, 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	\$ 205,856	\$ 288,989	\$ -	\$ 187,635	\$ -	\$ -	\$ 682,480
Debt Service Fund	-	-	-	-	-	-	-
Major Governmental Fund #2	-	-	-	-	-	-	-
Major Governmental Fund #3	-	-	-	-	-	-	-
Nonmajor Governmental Funds	168,400	-	-	160,048	-	-	328,448
Internal Service Funds	-	-	-	-	-	-	-
Total - Governmental Activities	<u>\$ 374,256</u>	<u>\$ 288,989</u>	<u>\$ -</u>	<u>\$ 347,683</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,010,928</u>
Business-Type Activities:							
Major Enterprise Fund #1	\$ 101,080	\$ 14,000	\$ 74,544	\$ -	\$ -	\$ -	\$ 189,624
Nonmajor Enterprise Funds	-	-	-	-	-	-	-
Total Business-Type Activities	<u>\$ 101,080</u>	<u>\$ 14,000</u>	<u>\$ 74,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,624</u>

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended September 30, 2017, was as follows:

	Primary Government			
	Beginning Balances	Increases	Decreases	Ending Balances
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	719,962	-	-	719,962
Machinery, equipment and vehicles	4,368,002	100,334	30,400	4,437,936
Infrastructure	5,776,351	252,000	-	6,028,351
Total capital assets, being depreciated	<u>10,864,315</u>	<u>352,334</u>	<u>30,400</u>	<u>11,186,249</u>
Less accumulated depreciation for:				
Buildings and improvements	566,341	12,690	-	579,031
Machinery, equipment and vehicles	3,021,255	231,814	-	3,253,069
Infrastructure	1,926,559	1	-	1,926,559
Total accumulated depreciation	<u>5,514,155</u>	<u>244,504</u>	<u>-</u>	<u>5,758,659</u>
Total capital assets being depreciated, net	<u>5,350,160</u>	<u>107,830</u>	<u>30,400</u>	<u>5,427,590</u>
Governmental activities capital assets, net	<u>5,672,735</u>	<u>107,830</u>	<u>30,400</u>	<u>5,750,165</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	41,913	-	167,594
Infrastructure	11,170,524	-	-	11,170,524
Total capital assets, being depreciated	<u>11,518,650</u>	<u>41,913</u>	<u>-</u>	<u>11,560,563</u>
Less accumulated depreciation for:				
Buildings and improvements	185,022	2,754	-	187,776
Machinery, equipment and vehicles	112,204	7,367	-	119,571
Infrastructure	3,785,610	143,760	-	3,929,370
Total accumulated depreciation	<u>4,082,836</u>	<u>153,881</u>	<u>-</u>	<u>4,236,717</u>
Total capital assets, being depreciated, net	<u>7,435,814</u>	<u>(111,968)</u>	<u>-</u>	<u>7,323,846</u>
Business-type activities capital assets, net	<u>\$ 7,448,226</u>	<u>\$ (111,968)</u>	<u>\$ -</u>	<u>\$ 7,336,258</u>

1 - correction to beginning balance

Depreciation expense was charged to governmental functions as follows:

General Government	244,504
Utility Fund	153,881
Total Depreciation Expense	<u>398,385</u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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	75,222	-	34,192	41,030

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	14,145	340,000	-	130,000	210,000
Total Governmental Activities			<u>14,145</u>	<u>340,000</u>	<u>-</u>	<u>130,000</u>	<u>210,000</u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017, 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
2018	140,000	8,050	148,050
2019	70,000	1,610	71,610
2020	-	-	-
2021	-	-	-
Thereafter	-	-	-
Totals	\$ 210,000	\$ 9,660	\$ 219,660

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

Year Ending September 30	General Obligations		
	Principal	Interest	Total
2018	14,000	45,369	59,369
2019	15,000	38,294	53,294
2020	15,000	36,028	51,028
2021	16,000	35,350	51,350
2022	17,000	34,628	51,628
Thereafter	783,000	507,124	1,290,124
Totals	\$ 860,000	\$ 696,793	\$ 1,556,793

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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:

Year Ending September 30,	
2018	131,179
2019	131,179
2020	100,336
2021	100,336
2022	100,336
Thereafter	<u>100,336</u>
Total Capital Leases	<u>663,702</u>
Less Interest	<u>104,243</u>
Net	<u><u>\$ 559,459</u></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,	
2018	-
2019	-
2020	-
2021	-
2022	-
Thereafter	<u>-</u>
Total Capital Lease Payments	<u>-</u>
Less Interest	<u>-</u>
Net	<u><u>\$ -</u></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, 2017 was \$53,853 in the various funds and \$7,523 in the proprietary fund.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

	2015	2016
Inactive employees or beneficiaries currently receiving benefits	24	26
Inactive employees entitled to but not yet receiving benefits	93	98
Active employees	<u>58</u>	<u>56</u>
Total	<u>175</u>	<u>180</u>

CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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 3.23% and 4.46% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2016 and 2017, were \$64,517 and \$84,569 and were equal to the required contributions.

D. Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	Varies by age and service, 3.50 to 10.5% average over career including inflation.
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, 2016, 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.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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.

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, 2017**

<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 12/31/2015	\$ 2,610,063	\$ 2,928,440	\$ (318,377)
Changes for the year:			
Service cost	256,721	-	256,721
Interest	178,798	-	178,798
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	(38,798)	-	(38,798)
Changes in Assumptions	-	-	-
Contributions – Employer	-	61,694	61,694
Contributions – Employee	-	142,059	142,059
Net Investment Income	-	197,809	197,809
Benefit Payments, Including Refunds of Employee Contributions	(179,138)	(179,138)	-
Administrative Expense	-	(2,235)	(2,235)
Other Changes	-	(120)	(120)
Net Changes	\$ 217,583	\$ 220,069	\$ (2,486)
Balance at 12/31/2016	\$ 2,827,646	\$ 3,148,509	\$ (320,863)

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	\$56,652	\$(320,863)	\$(629,801)

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, September 30, 2017, the City of Mathis, Texas, recognized pension expense of \$156,699.

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

At September 30, 2017, 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	\$603	\$67,167
Changes in actuarial assumptions	\$7,170	\$0
Difference between projected and actual investment earnings	\$134,449	\$0
Contributions subsequent to the measurement date	\$66,391	\$111
Total	\$208,613	\$67,278

\$66,391 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, 2017. 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:	
2017	\$41,689
2018	\$34,519
2019	\$27,191
2020	\$(12,739)
2021	\$(7,613)
Thereafter	\$(8,103)

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 2017	Plan Year 2016
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, 2017**

The city's contribution to the TMRS SDBF for the years ended 2017, 2016 and 2015 were \$8,459, \$8,546, and \$9,891, respectively, which equaled the required contributions each year.

N. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended September 30, 2017, was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 340,000	\$ -	\$ 130,000	\$ 210,000	\$ 140,000
Notes	75,222	-	34,192	41,030	29,118
Equipment Note	-	-	-	-	-
Less Deferred Amount on Refunding	-	-	-	-	-
Total Bonds and Notes Payable	<u>415,222</u>	<u>-</u>	<u>164,192</u>	<u>251,030</u>	<u>169,118</u>
Other Liabilities:					
Capital Leases	655,413	-	95,954	559,459	101,023
Compensated Absences	41,941	11,912	-	53,853	18,849
Claims and Judgments	-	-	-	-	-
Total Other Liabilities	<u>697,354</u>	<u>11,912</u>	<u>95,954</u>	<u>613,312</u>	<u>119,872</u>
Total Governmental Activities Long-Term Liabilities	<u>1,112,576</u>	<u>11,912</u>	<u>260,146</u>	<u>864,342</u>	<u>288,990</u>
Business-type Activities					
Bonds and Notes Payable:					
Bonds	873,000	-	13,000	860,000	14,000
Loans	-	-	-	-	-
Less Deferred Amounts	-	-	-	-	-
Total Bonds and Note Payable	<u>873,000</u>	<u>-</u>	<u>13,000</u>	<u>860,000</u>	<u>14,000</u>
Other Liabilities					
Compensated Absences	12,377	-	4,854	7,523	1,505
Capital Leases	172,925	-	172,925	-	-
Total Other Liabilities	<u>185,302</u>	<u>-</u>	<u>177,779</u>	<u>7,523</u>	<u>1,505</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 1,058,302</u>	<u>\$ -</u>	<u>\$ 190,779</u>	<u>\$ 867,523</u>	<u>\$ 15,505</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	\$ 460,968	\$ -	\$ 210,588	\$ 671,556
Other	-	-	-	-
Total Unavailable Revenue	<u>\$ 460,968</u>	<u>\$ -</u>	<u>\$ 210,588</u>	<u>\$ 671,556</u>

**CITY OF MATHIS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017, are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 109,705	\$ -	\$ 109,705
Special Revenue	147,953	-	147,953
Total	<u>\$ 257,658</u>	<u>\$ -</u>	<u>\$ 257,658</u>

Q. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$ 746,554	\$ -	\$ 375,309	\$ -	\$ 1,121,863
Penalties, Interest and Other					
Tax Related Income	44,231	-	-	-	44,231
Investment Income	-	488	81	-	569
Sales Tax/Franchise	984,147	105,496	-	-	1,089,643
Charges for Services	911,701	-	-	-	911,701
Other	469,090	324,905	8,840	-	802,835
Total	<u>\$ 3,155,723</u>	<u>\$ 430,889</u>	<u>\$ 384,230</u>	<u>\$ -</u>	<u>\$ 3,970,842</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, 2017**

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, 2017**

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	\$212,622
Retirement of Long Term Debt	151,467
Assigned Fund Balances	
Undesignated/Unassigned	-
Unassigned Fund Balance	<u>99,007</u>
Total Fund Balances	\$ <u>463,095</u>

T. PRIOR PERIOD ADJUSTMENTS

Corrections were made to the MEDC financials for accrual purposes.

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, 2017 fiscal year as necessary. The Council has evaluated subsequent events through August 10, 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, 2017**

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 2016-2017 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, 2017

	Plan Year Ended December 31,		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 256,721	\$ 222,406	\$ 140,356
Interest (on the total pension liability)	178,798	164,060	157,939
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(38,798)	835	(56,629)
Change of assumptions	-	75,458	-
Benefit payments, including refunds of employee contributions	(179,138)	(170,419)	(220,070)
Net Change in Total Pension Liability	<u>217,583</u>	<u>292,340</u>	<u>21,596</u>
Total Pension Liability - Beginning	<u>2,610,063</u>	<u>2,317,723</u>	<u>2,296,127</u>
Total Pension Liability - Ending (a)	<u><u>\$ 2,827,646</u></u>	<u><u>\$ 2,610,063</u></u>	<u><u>\$ 2,317,723</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 61,694	\$ 55,141	\$ 15,912
Contributions - employee	142,059	128,665	94,815
Net investment income	197,809	4,298	163,625
Benefit payments, including refunds of employee contributions	(179,138)	(170,419)	(220,070)
Administrative expense	(2,235)	(2,619)	(1,709)
Other	(120)	(129)	(140)
Net Change in Plan Fiduciary Net Position	<u>220,069</u>	<u>14,937</u>	<u>52,433</u>
Plan Fiduciary Net Position - Beginning	<u>2,928,440</u>	<u>2,913,503</u>	<u>2,861,070</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 3,148,509</u></u>	<u><u>\$ 2,928,440</u></u>	<u><u>\$ 2,913,503</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ (320,863)</u></u>	<u><u>\$ (318,377)</u></u>	<u><u>\$ (595,780)</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	111.35%	112.20%	125.71%
Covered Employee Payroll	\$ 2,029,412	\$ 1,838,065	\$ 1,354,494
Net Pension Liability as a Percentage of Covered Employee Payroll	-15.81%	-17.32%	-43.99%

CITY OF MATHIS, TEXAS
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Fiscal Year Ended September 30,		
	2017	2016	2015
Actuarially determined contribution	\$ 84,569	\$ 64,517	\$ 45,742
Contributions in relation to actuarially determined contribution	<u>(84,569)</u>	<u>(64,517)</u>	<u>(45,742)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,051,357	\$ 2,010,739	\$ 1,648,513
Contributions as a percentage of covered employee payroll	4.12%	3.21%	2.77%

CITY OF MATHIS, TEXAS
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Other Information: 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, 2017 AND 2016**

EXHIBIT H-1

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Texpool Accounts	137,847	174,346
Receivables and Allowances:		
Accounts		
Assessments and Fees (net)	138,235	112,257
Miscellaneous	-	-
Inventory	-	-
Due From Other Governmental Agencies		
Sales Taxes	10,602	10,219
Other Governmental	99,103	1,220
Ad Valorem Taxes	576,210	541,874
Allowance for Uncollectible Taxes	(115,242)	(108,375)
Due from Other Funds	106,711	17,133
Prepaid Items	-	-
	<hr/>	<hr/>
TOTAL ASSETS	<u>953,465</u>	<u>748,675</u>
LIABILITIES AND FUND BALANCE		
Accounts Payable	205,856	124,938
Other Payables	-	26
Due to Other Funds	187,635	107,544
Other Accruals	-	-
TOTAL LIABILITIES	<u>393,491</u>	<u>232,508</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Tax Revenue	460,968	433,499
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>460,968</u>	<u>433,499</u>
FUND BALANCE		
Reserve for Inventory	-	-
Reserve for Compensated Balances	-	-
Unreserved		
Undesignated	99,007	82,667
TOTAL FUND BALANCE	<u>99,007</u>	<u>82,667</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>953,465</u>	<u>748,675</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

	2017			2016	
	BUDGETED AMOUNTS		Actual	Budget Variance	Actual
	Original	Final			
REVENUES					
Taxes					
Ad valorem- Current	721,189	721,189	674,089	(47,100)	586,226
Ad valorem- Delinquent	74,804	74,804	72,465	(2,339)	85,841
Ad valorem- Penalty & Interest	36,374	36,374	44,231	7,857	39,822
Attest Fees	-	-	-	-	-
City Sales	756,884	756,884	759,243	2,359	783,159
Refuse Sales Tax	35,684	35,684	36,801	1,117	36,263
EDC Monthly Expense Fee	-	-	-	-	-
Franchise	196,273	196,273	188,103	(8,170)	184,946
Other	-	-	-	-	-
Total Taxes	1,821,208	1,821,208	1,774,932	(46,276)	1,716,257
Licenses and Permits					
Animal Licenses	4,053	4,053	805	(3,248)	640
Business Licenses	3,475	3,475	4,468	993	2,435
Building Permits	24,741	24,741	12,989	(11,752)	12,938
Electrical Permits	7,585	7,585	4,908	(2,677)	8,368
Plumbing Permits	2,094	2,094	1,668	(426)	2,652
Other Permits	1,000	1,000	4,471	3,471	3,186
Mechanical Permits	1,504	1,504	2,622	1,118	1,359
Total Licenses and Permits	44,452	44,452	31,931	(12,521)	31,578
Mechanical Permits					
Intergovernmental	-	-	-	-	2,831
Total Intergovernmental	-	-	-	-	2,831

**SCHEDULE OF REVENUES AND OTHER SOURCES
 BUDGET (GAAP BASIS) AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2017
 WITH COMPARATIVE ACTUAL AMOUNT FOR 2016**

	2017			2016	
	<u>BUDGETED AMOUNTS</u>			Budget	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
REVENUES					
Charges for Services					
Rural Fire Calls	45,000	45,000	41,176	(3,824)	42,715
Jury Reimbursement Fees	-	-	-	-	-
Weed Control Charges	-	-	-	-	-
Rec Machine Tax	-	-	-	-	-
Mixed Beverage Tax	-	-	1,134	1,134	-
Child Safety Fee	-	-	-	-	-
Refuse Services	441,814	441,814	454,036	12,222	450,549
Tax Certificate	-	-	-	-	-
Other Revenue	-	-	83,318	83,318	-
Subtotal	<u>486,814</u>	<u>486,814</u>	<u>579,665</u>	<u>92,851</u>	<u>493,264</u>
Other Revenues					
Other/Municipal Court Fines	50,856	50,856	79,958	29,102	144,735
Interest	-	-	891	891	478
EMS Billings/Contributions	546,374	546,374	457,665	(88,709)	486,173
Attorney Fees	-	-	-	-	-
Animal Control Fees	-	-	2,555	2,555	3,490
Cash Over/Short	-	-	-	-	-
Court Fees	80,174	80,174	58,668	(21,506)	37,660
Sale of Assets	-	-	-	-	-
Miscellaneous	26,706	26,706	108,988	82,282	292,092
Other Fees	5,000	5,000	4,322	(678)	3,483
Copy & Map Sales	-	-	21	21	5
Insurance Refund	-	-	-	-	-
Debt Share from Other Funds	-	-	-	-	-
Juvenile Case Manager	-	-	-	-	-
County EMS Subsidy	33,000	33,000	31,563	(1,437)	39,066
LEOSE	-	-	-	-	-
State Revenues	31,934	31,934	24,456	(7,478)	15,015
City Property/Bldg Rental/Land Use	-	-	108	108	11,181
Subtotal	<u>774,044</u>	<u>774,044</u>	<u>769,195</u>	<u>(4,849)</u>	<u>1,033,378</u>
Total Revenues	<u>3,126,518</u>	<u>3,126,518</u>	<u>3,155,723</u>	<u>29,205</u>	<u>3,277,308</u>
OTHER SOURCES- Operating Transfers					
Capital - related Debt Issued	-	-	-	-	747,554
Transfers In	364,235	364,235	301,938	(62,297)	217,782
Total Operating Transfers	<u>364,235</u>	<u>364,235</u>	<u>301,938</u>	<u>(62,297)</u>	<u>965,336</u>
TOTAL REVENUES AND OTHER SOURCES	<u>3,490,753</u>	<u>3,490,753</u>	<u>3,457,661</u>	<u>(33,092)</u>	<u>4,242,644</u>

CITY OF MATHIS, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2017
WITH COMPARATIVE ACTUAL AMOUNT FOR 2016

	2017			
	BUDGETED AMOUNTS		Personnel Costs	Supplies & Services
	Original	Final		
Current Expenditures				
General Administration				
Municipal Court	137,921	137,921	35,057	77,255
Administration	688,364	688,364	459,214	218,155
Total General Administration	826,285	826,285	494,271	295,410
Public Safety				
Police	847,153	847,153	723,214	127,821
Fire	75,221	75,221	241	56,707
Emergency Medical Services	734,978	734,978	538,247	189,513
Animal Control	54,422	54,422	43,414	11,064
Code Enforcement	-	-	-	-
Total Public Safety	1,711,774	1,711,774	1,305,115	385,104
Public Works				
Streets Department	500,590	500,590	306,668	132,109
Total Public Works	500,590	500,590	306,668	132,109
Sanitation				
Sanitation	331,580	331,580	-	365,836
Total Sanitation	331,580	331,580	-	365,836
Culture and Recreation				
Library	25,500	25,500	-	22,000
Parks	94,950	94,950	61,635	22,286
Total Parks and Recreation	120,450	120,450	61,635	44,286
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Debt Service	-	-	-	-
Total Current Expenditures	3,490,679	3,490,679	2,167,688	1,222,745
Transfer Out	-	-	-	-

EXHIBIT H-3

		2017		2016
Debt Service	Capital Outlay	Total Actual	Final Budget Variance	Actual
-	-	112,311	25,610	70,183
-	-	677,369	10,995	664,878
-	-	789,681	36,604	735,061
-	-	851,034	(3,881)	847,042
-	-	56,947	18,274	58,432
-	-	727,760	7,218	758,459
-	-	54,478	(56)	50,354
-	-	-	-	-
-	-	1,690,219	21,555	1,714,287
-	50,889	489,665	10,925	1,390,249
-	50,889	489,665	10,925	1,390,249
-	-	365,836	(34,256)	343,221
-	-	365,836	(34,256)	343,221
-	-	22,000	3,500	-
-	-	83,921	11,029	95,532
-	-	105,921	14,529	95,532
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	50,889	3,441,322	49,357	4,278,349
-	-	-	-	24,000

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**CITY OF MATHIS, TEXAS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2017 AND 2016**

Exhibit H-4

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Cash Equivalents	90,439	109,415
Receivables and Allowances		
Ad Valorem Taxes	263,235	231,536
Allowance for Uncollectible Taxes	(52,647)	(46,307)
Due from Other Funds	<u>61,027</u>	<u>80,960</u>
TOTAL ASSETS	<u><u>362,055</u></u>	<u><u>375,603</u></u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	0	0
Due to Other Funds	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u><u>0</u></u>	<u><u>0</u></u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Tax Revenues	<u>210,588</u>	<u>185,228</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>210,588</u></u>	<u><u>185,228</u></u>
FUND BALANCE		
Reserve for Debt Service	<u>151,467</u>	<u>190,375</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>362,055</u></u>	<u><u>375,603</u></u>

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET (GAAP BASIS) AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2017

	2017		Final		2016
	<u>BUDGETED AMOUNTS</u>		<u>Actual</u>	<u>Budget Variance</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>			
REVENUES					
Ad valorem Taxes	392,292	392,292	351,632	(40,660)	362,892
Ad valorem- Penalty & Interest	25,040	25,040	23,677	(1,363)	38,757
Total Ad valorem Taxes	417,332	417,332	375,309	(42,023)	401,648
CO 2003 MEDC Split	9,059	9,059	8,839	(220)	-
In Lieu Taxes	0	0	0	0	0
Interest	0	0	81	81	90
Total Revenues	426,391	426,391	384,230	(42,161)	401,738
EXPENDITURES					
Other Services and Charges	60	60	60	0	70
Debt Service					
Principal Retirement	331,447	331,447	331,232	215	341,358
Interest and Fiscal Charges	94,884	94,884	91,846	3,038	72,837
Total Expenditures	426,391	426,391	423,138	3,253	414,265
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	0	0	(38,908)	(38,908)	(12,527)
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 (Uses)	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES					
	0	0	(38,908)	(38,908)	(12,527)
FUND BALANCE, beginning of year	190,375	190,375	190,375	0	202,902
FUND BALANCE, end of year	190,375	190,375	151,467	(38,908)	190,375

SCHEDULES – NON-MAJOR GOVERNMENTAL FUNDS

**CITY OF MATHIS, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	<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	1,524	-	84,800	170,570
Receivables	-	-	15,927	132,026
Due from Other Governments	-	-	-	-
Due from Other Funds	-	1,817	22,464	36,374
TOTAL ASSETS	<u>1,524</u>	<u>1,817</u>	<u>123,191</u>	<u>338,970</u>
LIABILITIES AND FUND BALANCE				
Accounts Payable	-	-	-	168,400
Due to Others	-	-	-	-
Due to Other Funds	-	-	-	160,048
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>328,448</u>
FUND BALANCE				
Committed for Special Revenue	-	-	-	-
Assigned for Special Revenue	1,524	1,817	123,191	10,522
Restricted for Debt Service	-	-	-	-
TOTAL FUND BALANCE	<u>1,524</u>	<u>1,817</u>	<u>123,191</u>	<u>10,522</u>
TOTAL LIABILITIES & FUND BALANCE	<u>1,524</u>	<u>1,817</u>	<u>123,191</u>	<u>338,970</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
						2017	2016
53	43,516	-	-	-	-	300,463	150,725
-	-	-	-	-	-	147,953	15,857
-	-	-	-	-	-	-	-
-	32,000	-	-	-	-	92,655	9,451
53	75,516	-	-	-	-	541,071	176,034
-	-	-	-	-	-	168,400	586
-	-	-	-	-	-	-	-
-	-	-	-	-	-	160,048	0
-	-	-	-	-	-	328,448	586
-	-	-	-	-	-	-	-
53	75,516	-	-	-	-	212,622	175,448
-	-	-	-	-	-	-	-
53	75,516	-	-	-	-	212,622	175,448
53	75,516	-	-	-	-	541,071	176,034

**CITY OF MATHIS, TEXAS
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2017
WITH COMPARATIVE TOTALS FOR 2016**

	<u>Court Technology Fund</u>	<u>Court Security Fund</u>	<u>Street Improvements Fund</u>	<u>CDBG Grant Fund</u>
REVENUE				
Taxes	-	-	-	-
Intergovernmental	-	905	67,497	-
Interest	10	-	151	-
Other	1,358	-	-	255,145
TOTAL REVENUES	<u>1,369</u>	<u>905</u>	<u>67,648</u>	<u>255,145</u>
EXPENDITURES				
Current				
Personnel Costs	-	-	-	-
Supplies	-	-	-	-
Other Services and Charges	1,646	-	98	252,875
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	<u>1,646</u>	<u>-</u>	<u>98</u>	<u>252,875</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(277)	905	67,550	2,270
OTHER FINANCE SOURCES (USES)				
OTHER FINANCING - Bonds	-	-	-	-
Transfer In from Other Funds	-	-	-	-
Transfer (Out) to Other Funds	-	-	(45,000)	-
TOTAL OTHER FINANCE SOURCES(USES)	<u>-</u>	<u>-</u>	<u>(45,000)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REV. AND OTHER SOURCES OVER EXPENDITURES & OTHER USES	(277)	905	22,550	2,270
FUND BALANCE, beginning of year	1,801	913	100,641	8,252
Prior Period Adjustment	-	-	-	-
FUND BALANCE, end of year	<u>1,524</u>	<u>1,817</u>	<u>123,191</u>	<u>10,522</u>

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	
						2017	2016
-	105,496	-	-	-	-	105,496	86,870
-	-	-	-	-	-	68,402	68,691
-	327	-	-	-	-	488	236
-	-	-	-	-	-	256,503	42,694
-	105,823	-	-	-	-	430,889	198,492
-	-	-	-	-	-	-	0
-	-	-	-	-	-	-	0
-	11,669	-	-	-	-	266,288	50,806
-	-	-	-	-	-	-	0
-	11,669	-	-	-	-	266,288	50,806
-	94,154	-	-	-	-	164,601	147,685
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(82,427)	-	-	-	-	(127,427)	(123,375)
-	(82,427)	-	-	-	-	(127,427)	(123,375)
-	11,727	-	-	-	-	37,174.5	24,310
53	63,789	-	-	-	-	175,448	151,138
-	-	-	-	-	-	-	-
53	75,516	-	-	-	-	212,622	175,448

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ENTERPRISE FUNDS

**CITY OF MATHIS, TEXAS
COMPARATIVE STATEMENTS OF NET POSITION
UTILITY FUND
SEPTEMBER 30, 2017 AND 2016**

EXHIBIT I-1
Page 1 of 2

	2017	2016
ASSETS		
Current Assets:		
Cash and Cash Equivalents	67,308	46,580
Receivables and Allowances		
Accounts		
Water and Wastewater Billings	350,923	331,624
Assessments	0	0
Other	0	0
Allowance for Uncollectible Accounts	0	0
Due from Other Funds	87,290	0
Bond Issue Cost (Net)	0	0
Prepaid Items	3,515	2,000
Inventory	0	0
	509,036	380,204
Total Current Assets		
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents		
Meter Deposit Funds	39,594	56,323
Revenue Bond Reserve	14,827	54,453
Sinking Fund- Bonds	0	0
	54,421	110,776
Total Restricted Assets		
Net Pension Asset (liability)	80,216	79,594
Capital Assets:		
Land	12,412	12,412
Construction in Progress	0	0
Buildings	222,445	222,445
Water System	7,383,959	7,383,959
Sewer System	3,786,564	3,786,564
Infrastructure	0	0
Vehicles	0	0
Furniture and Equipment	167,594	125,681
	11,572,975	11,531,062
Total Capital Assets		
Less Accumulated Depreciation	(4,236,725)	(4,082,844)
Net Capital Assets	7,336,249	7,448,217
TOTAL ASSETS	7,979,922	8,018,792
Deferred Resource Outflows	52,154	67,712

**CITY OF MATHIS, TEXAS
 COMPARATIVE STATEMENTS OF NET POSITION
 UTILITY FUND
 SEPTEMBER 30, 2017 AND 2016**

EXHIBIT I-1
 Page 2 of 2

	<u>2017</u>	<u>2016</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	101,080	0
Accrued Liabilities	67,021	42,042
Compensated Absences	7,523	12,377
Due to Other Funds	0	0
Capital Leases Payable	0	172,925
Current Portion of Revenue Bonds Payable	14,000	13,000
Customer Meter Deposits	<u>0</u>	<u>0</u>
Total Current Liabilities	<u>189,624</u>	<u>240,345</u>
Long-Term Liabilities		
Capital Leases Payable	0	0
Revenue Bonds Payable	<u>846,000</u>	<u>860,000</u>
Total Long-Term Liabilities	<u>846,000</u>	<u>860,000</u>
Total Liabilities	<u>1,035,624</u>	<u>1,100,345</u>
Deferred Resource Inflows	16,820	2,055
NET POSITION		
Invested in Capital Assets	6,530,670	6,513,068
Restricted for:		
Revenue Bond Retirement/Other	14,827	54,453
Unrestricted	<u>434,135</u>	<u>416,583</u>
Net Position	<u><u>6,979,632</u></u>	<u><u>6,984,104</u></u>

**CITY OF MATHIS, TEXAS
 COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 UTILITY FUND
 YEAR ENDED SEPTEMBER 30, 2017 AND 2016**

EXHIBIT I-2

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Charges for Services		
Water Sales	898,110	870,425
Sewer Sales	513,759	518,100
Service Charges/Tampering Fees	19,770	17,288
Other Fees and Charges	<u>171,828</u>	<u>140,322</u>
Total Operating Revenues	<u>1,603,466</u>	<u>1,546,135</u>
OPERATING EXPENSES		
Personnel Costs	521,962	511,690
Contracted Services	-	-
Supplies	-	-
Maintenance	-	-
Other Operating Expenses	520,972	673,833
Water Purchased	228,339	193,163
Depreciation	153,881	147,418
Amortization	-	-
Total Operating Expenses	<u>1,425,153</u>	<u>1,526,104</u>
Net Operating Income	<u>178,313</u>	<u>20,031</u>
NON-OPERATING REVENUES (EXPENSES)		
Refunding Bonds Issued	-	-
Payments to Escrow Agents	-	-
Grant Income	-	-
Interest Income	1,154	471
Interest and Fiscal Charges	<u>(9,429)</u>	<u>(100,106)</u>
Net Non-Operating Revenues (Expenses)	<u>(8,275)</u>	<u>(99,635)</u>
Income Before Transfers	<u>170,039</u>	<u>(79,604)</u>
Transfers in	-	77,331
Transfers out	<u>(174,511)</u>	<u>(147,738)</u>
Change in Net Position	<u>(4,472)</u>	<u>(150,011)</u>
Prior Period Adjustment	-	-
NET POSITION BEGINNING OF YEAR	<u>6,984,105</u>	<u>7,134,115</u>
NET POSITION END OF YEAR	<u><u>6,979,632</u></u>	<u><u>6,984,104</u></u>

CITY OF MATHIS, TEXAS
UTILITY FUND
SCHEDULE OF OPERATING REVENUES AND EXPENSES- BY FUND
YEAR ENDED SEPTEMBER 30, 2017

EXHIBIT I-3

	Utility-Water Fund 80	Utility-Wastewater Fund	Customer Service 90	Meter Deposit	Total
OPERATING REVENUES					
Charges for Services					
Water Sales	873,060	-	-	-	873,060
Sewer Sales	511,946	-	-	-	511,946
Meter Tap/Reconnect Fees	19,770	-	-	-	19,770
Water Taps	25,050	-	-	-	25,050
Sewer Taps	1,813	-	-	-	1,813
Total Charges for Services	<u>1,431,639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,431,639</u>
Other Fees and Charges					
Delinquent Account Penalties	17,459	-	-	-	17,459
Reimbursement	-	-	-	-	-
Other	154,369	-	-	-	154,369
Total Other Fees and Charges	<u>171,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,828</u>
Total Operating Revenues	<u>1,603,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,603,466</u>
OPERATING EXPENSES					
Personnel Costs - Water	402,643	-	-	-	402,643
Personnel Costs- Waste Water	119,319	-	-	-	119,319
Contracted Services	-	-	-	-	-
Supplies	-	-	-	-	-
Maintenance	-	-	-	-	-
Other Operating Expenses - Water	357,199	-	-	-	357,199
Other Operating Expenses- Waste Water	163,773	-	-	-	163,773
SUBTOTAL	<u>1,042,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,042,933</u>
Water Purchased	228,339	-	-	-	228,339
Depreciation	153,881	-	-	-	153,881
Amortization	-	-	-	-	-
Total Operating Expenses	<u>1,425,153</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,425,153</u>
NET OPERATING INCOME	<u>178,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,313</u>
NON-OPERATING REVENUES (EXPENSES)					
Refunding Bonds Issued	-	-	-	-	-
Payments to Escrow Agents	-	-	-	-	-
Grant Income	-	-	-	-	-
Interest Income	1,154	-	-	-	1,154
Interest and Fiscal Charges	(9,429)	-	-	-	(9,429)
Net Non-Operating Revenues (Expenses)	<u>(8,275)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,275)</u>
Income Before Transfers	170,039	-	-	-	170,039
Transfers in	-	-	-	-	-
Transfers (out)	(174,511)	-	-	-	(174,511)
Change in Net Position	<u>(4,472)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,472)</u>
Prior Period Adjustment	-	-	-	-	-
NET POSITION BEG. OF YEAR	<u>6,984,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,984,105</u>
NET POSITION END OF YEAR	<u>6,979,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,979,632</u>

**CITY OF MATHIS, TEXAS
COMPARATIVE STATEMENTS OF CASH FLOWS
UTILITY FUND
YEAR ENDED SEPTEMBER 30, 2017 AND 2016**

EXHIBIT I-4

	<u>2017</u>	<u>2016</u>
Cash flow from operating activities:		
Cash received from customers	1,495,363	1,487,610
Cash payments to suppliers for goods and services	(796,177)	(848,590)
Cash payments to employees for services	(526,816)	(520,426)
Net cash provided by operating activities	<u>172,370</u>	<u>118,594</u>
Cash flows from noncapital financing activities:		
Net transfers to funds	(174,511)	(70,407)
Net Cash flows from non-capital financing activities	<u>(174,511)</u>	<u>(70,407)</u>
Cash Flows from Capital and Related Financing Activities:		
Net Refunds bonds/costs	-	-
Grant Proceeds	-	-
Principal Payment on bonds	(13,000)	(13,000)
Interest and Fiscal Charges Paid	(9,429)	(100,106)
Purchase of Fixed Assets/Bond Costs	(41,913)	0
Other adjustments	29,702	(159,798)
Net Cash Used for Capital and Related Financing Activities	<u>(34,640)</u>	<u>(272,904)</u>
Cash Flows from Investing Activities- Interest Income	<u>1,154</u>	<u>471</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(35,627)	(224,245)
Cash and Cash Equivalents at Beginning of Year	157,356	381,601
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>121,729</u></u>	<u><u>157,356</u></u>
Reconciliation of Operating Income to Net Cash Provided by		
Operating Activities		
Operating Income	178,313	20,031
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation	153,881	147,418
Amortization	0	0
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable (Net)	(19,299)	(56,524)
(Increase) Decrease in Due from Other Funds	(87,290)	0
(Increase) Decrease in Due from Other Governments	0	0
(Increase) Decrease in Prepaid Items	(1,515)	(2,000)
(Increase) Decrease in Inventory	0	0
Increase (Decrease) in Accounts Payable	101,080	(9,022)
Increase (Decrease) in Accrued Liabilities	24,979	42,042
Increase (Decrease) in Due to Other Funds	0	(12)
Increase (Decrease) in Capital Leases Payable	(172,925)	(403)
Increase (Decrease) in Compensated Absences	(4,854)	(8,736)
Increase (Decrease) in Customer Deposits	0	(14,200)
Net Cash Provided by Operating Activities	<u><u>172,370</u></u>	<u><u>118,594</u></u>

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