

# **City of Jasper, Texas**

Annual Financial Report

For the Fiscal Year Ended September 30, 2017

**City of Jasper, Texas**  
 Annual Financial Report  
 For the Fiscal Year Ended September 30, 2017  
 Table of Contents

	<u>Page Number</u>
<b>Introductory Section</b>	
Principal Officials.....	2
<b>Financial Section</b>	
Independent Auditor's Report.....	5
Management's Discussion and Analysis.....	9
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Position.....	19
Statement of Activities .....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances -Governmental Funds .....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	25
Statement of Net Position - Proprietary Funds .....	26
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	27
Statement of Cash Flows - Proprietary Funds .....	28
Notes to Financial Statements.....	29
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund .....	56
Schedule of Funding Progress – Other Postemployment Benefits – Retiree Health Plan .....	58
Schedule of Changes in Net Pension Liability and Related Ratios – TMRS .....	59
Schedule of City Contributions – TMRS .....	60
Notes to Required Supplementary Information .....	61
<b>Supplementary Information</b>	
Individual Funds Schedules and Discretely Presented Component Unit:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund.....	64
Schedule of Operating Expenses by Department - Enterprise Funds.....	65
Statement of Net Position - Component Unit – Jasper Economic6 Development Corporation.....	66
Statement of Revenues, Expenses, and Changes in Net Position – Component Unit -Jasper Economic Development Corporation .....	67

**City of Jasper, Texas**  
Annual Financial Report  
For the Fiscal Year Ended September 30, 2017  
Table of Contents - Continued

**Overall Compliance and Internal Control Section**

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	71
Schedule of Findings and Responses.....	73
Summary Schedule of Prior Audit Findings.....	74
Corrective Action Plan.....	75

# **Introductory Section**

**City of Jasper, Texas**

Principal Officials  
September 30, 2017

Randy Sayers.....Mayor  
Rashad Lewis.....Council Member, District 1  
Tommy Schofield .....Council Member, District 2  
Hazel Johnson.....Council Member, District 3  
Raymond Hopson .....Mayor Pro-Tem/Council Member, District 4  
Mitch McMillon .....Council Member, District 5  
Denise Kelley .....City Manager/Director of Finance  
Karen Pumphrey.....City Secretary  
Robbie Peek.....Co-City Secretary

## **Financial Section**

**This Page Intentionally Left Blank**



## Independent Auditor's Report

The Honorable Mayor  
and Members of the City Council of the  
City of Jasper, Texas  
465 South Main  
Jasper, Texas 75951

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Jasper, Texas (the City), 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

The Honorable Mayor  
and Members of the City Council of the  
City of Jasper, Texas

***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 discretely presented component unit, and each major fund of the City of Jasper, Texas as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section and Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information 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, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Honorable Mayor  
and Members of the City Council of the  
City of Jasper, Texas

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2018 on our consideration of the City of Jasper's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Jasper's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Jasper's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
March 19, 2018

**This Page Intentionally Left Blank**

## Management's Discussion and Analysis

As management of the City of Jasper, Texas (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the accompanying basic financial statements (which immediately follow this discussion).

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$60,969,564 (net position). Of this amount, \$30,893,274 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position (government-wide) increased by \$4,504,852 from current activities. This is due to an increase in governmental activities of \$2,282,695 and an increase in business-type activities of \$2,222,157.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,201,537, a decrease of \$693,799 in current operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,980,591, or 43% of total General Fund expenditures.
- The City's total long-term liabilities decreased by \$2,275,563 during the fiscal year.

### Overview of the Financial Statements

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

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

The *statement of net position* presents all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cashflows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, finance, intergovernmental services, community services, community development, public safety, and interest and fees on debt. The business activities of the City include water and sewer services and light and power services. The City includes a discretely presented component unit in its report - Jasper Economic Development Corporation.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City are classified as governmental funds or proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements; it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary Funds.** The City charges customers for the services it provides, whether to outside customers or to other departments within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities, only in more detail. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses *enterprise funds* to account for its water and sewer services and for its electric distribution operation. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements are noted in the table of contents of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits and other postemployment benefits to its employees. The City also presents the budgetary comparison schedule in the section for required supplementary information.

## Government-Wide Financial Analysis

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private sector business. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Jasper, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$60,969,564 at the close of the most recent fiscal year.

**City of Jasper, Texas's Combined Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 6,217,051	\$ 7,019,003	\$ 31,736,265	\$ 28,839,829	\$ 37,953,316	\$ 35,858,832
Capital assets	12,281,672	11,376,805	19,910,342	20,653,405	32,192,014	32,030,210
Total assets	18,498,723	18,395,808	51,646,607	49,493,234	70,145,330	67,889,042
Total deferred outflows of resources	981,180	1,256,104	770,925	986,938	1,752,105	2,243,042
Long-term liabilities outstanding	6,626,808	8,942,809	1,875,072	1,834,634	8,501,880	10,777,443
Other liabilities	719,070	841,198	1,478,747	1,790,959	2,197,817	2,632,157
Total liabilities	7,345,878	9,784,007	3,353,819	3,625,593	10,699,697	13,409,600
Total deferred inflows of resources	127,777	144,352	100,397	113,420	228,174	257,772
Net position:						
Net investment in capital assets	8,301,439	5,034,938	19,910,342	20,653,405	28,211,781	25,688,343
Restricted	1,864,509	2,918,335	-	-	1,864,509	2,918,335
Unrestricted	1,840,300	1,770,280	29,052,974	26,087,754	30,893,274	27,858,034
<b>Total net position</b>	<b>\$ 12,006,248</b>	<b>\$ 9,723,553</b>	<b>\$ 48,963,316</b>	<b>\$ 46,741,159</b>	<b>\$ 60,969,564</b>	<b>\$ 56,464,712</b>

The City's total assets of \$70,145,330 are largely comprised of capital assets, net of accumulated depreciation of \$32,192,014, or 46%. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported in the government-wide statements.

Long-term liabilities of \$8,501,880 comprise the largest portion of the City's total liabilities of \$10,699,697 at 79%. Of total long-term liabilities, \$1,220,000 is due within one year, with the remainder \$7,281,880 being due over a period of time greater than one year. A more in-depth discussion of long-term debt can be found in the notes to financial statements.

By far, the largest portion of the City's net position (46%) reflects its investment in capital assets (e.g., land and improvements, construction in progress, buildings and improvements, improvements other than buildings, utility systems, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (3%) represents resources that are subject to external restrictions on how they can be used.

The remaining balance of net position (51%) represents unrestricted financial resources available for future operations.

At the end of the current fiscal year, the City is able to report a positive balance in all three total categories of net position.

***Analysis of the City's Operations.*** The following table provides a summary of the City's operations for the year ended September 30, 2017.

**City of Jasper, Texas's Change in Net Position.** Governmental and business-type activities combined to increase the City's net position by \$4,504,852 from current operations. The elements giving rise to this change may be determined from the table below.

City of Jasper, Texas's Change in Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2,032,251	\$ 1,965,324	\$ 21,512,000	\$ 24,682,562	\$ 23,544,251	\$ 26,647,886
Operating grants and contributions	387,574	329,928	-	-	387,574	329,928
Capital grants and contributions	51,595	87,205	-	19,095	51,595	106,300
General revenues:						
Taxes	4,668,591	4,795,489	-	-	4,668,591	4,795,489
Gain on sale of assets	67,500	82,108	-	-	67,500	82,108
Proceeds from insurance	28,386	73,026	-	35,484	28,386	108,510
Other revenues	37,123	25,516	-	-	37,123	25,516
Investment earnings	16,738	13,388	156,656	82,811	173,394	96,199
Total revenues	<u>7,289,758</u>	<u>7,371,984</u>	<u>21,668,656</u>	<u>24,819,952</u>	<u>28,958,414</u>	<u>32,191,936</u>
<b>Expenses:</b>						
General government	1,010,187	938,395	-	-	1,010,187	938,395
Finance	327,655	298,743	-	-	327,655	298,743
Intergovernmental service	496,079	469,922	-	-	496,079	469,922
Community services	2,011,747	1,850,835	-	-	2,011,747	1,850,835
Community development	1,647,489	1,574,439	-	-	1,647,489	1,574,439
Public safety	3,161,703	2,713,477	-	-	3,161,703	2,713,477
Interest and fees on debt	143,840	213,041	-	-	143,840	213,041
Water and sewer	-	-	3,352,497	3,460,633	3,352,497	3,460,633
Light and power	-	-	12,302,365	12,401,486	12,302,365	12,401,486
Total expenses	<u>8,798,700</u>	<u>8,058,852</u>	<u>15,654,862</u>	<u>15,862,119</u>	<u>24,453,562</u>	<u>23,920,971</u>
Increase (decrease) in net position before transfers	(1,508,942)	(686,868)	6,013,794	8,957,833	4,504,852	8,270,965
Transfers, net of governmental funds						
capital contributions	3,791,637	2,093,899	(3,791,637)	(2,093,899)	-	-
Change in net position	<u>2,282,695</u>	<u>1,407,031</u>	<u>2,222,157</u>	<u>6,863,934</u>	<u>4,504,852</u>	<u>8,270,965</u>
Net position - beginning	9,723,553	8,050,146	46,741,159	39,877,225	56,464,712	47,927,371
Prior period adjustments (a)	-	266,376	-	-	-	266,376
Net position - beginning, as restated	<u>9,723,553</u>	<u>8,316,522</u>	<u>46,741,159</u>	<u>39,877,225</u>	<u>56,464,712</u>	<u>48,193,747</u>
<b>Net position - ending</b>	<b>\$ 12,006,248</b>	<b>\$ 9,723,553</b>	<b>\$ 48,963,316</b>	<b>\$ 46,741,159</b>	<b>\$ 60,969,564</b>	<b>\$ 56,464,712</b>

(a) The restatement in the beginning net position in fiscal year 2016 was to restate beginning sales tax receivable.

**Governmental Activities.** The City's total revenues were \$7,289,758 from all governmental activities. A significant portion, \$4,668,591 or 64%, of the City's revenue comes from taxes. Charges for services revenue accounts for \$2,032,251, or 28%, of total revenue for governmental activities. There was no significant change in governmental activities revenues.

The total cost of all governmental programs and services was \$8,798,700. The public safety function accounted for \$3,161,703, or 36% of this total. The community services function accounted for \$2,011,747, or 23% of total expenditures. The most significant change in expenses was in the public safety department due to overall increases in salaries and the creation of a fire marshal's office.

Changes in net position increased \$3,791,637 from transfers in from the business-type activities.

**Business-Type Activities.** Business-type activities are financed in whole or part by fees charged to external users for goods or services (water and sewer and light and power) which are reported in the enterprise funds. Business-type activities increased the City's net position by \$2,222,157. Revenue can be reported as program revenue or general revenue-all revenues are general unless they are required to be reported as program revenues. Program revenues (charges for services) include revenues attributable to a specific program because they result from exchange-like transactions or other events, such as charges to customers. Program revenues also include operating or capital grants and contributions related to a specific program. Charges for service totaling \$21,512,000 are utilized to provide funds for program expenses of \$15,654,862.

The most significant increase affecting net position for business-type activities is a decrease in charges for services resulting from a decrease in sales of excess electrical power.

### Financial Analysis of the City's Funds

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

As the City completed the year, its governmental funds as presented in the balance sheet, reported *combined* ending fund balances of \$5,201,537, which is a decrease of \$693,799 from current operations. The General Fund is the primary operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,980,591, which represented 78% of total general fund balance. As a measure of the General Fund's liquidity, it may be useful to compare unassigned and total fund balance to total fund expenditures. Unassigned and total fund balance represents 43% and 55% of total General Fund expenditures, respectively. The fund balance of the City's general fund increased by \$372,320 during the current year from current operations. For the most part, transfers from the water and sewer fund were the primary reason for the increase in fund balance, as the total revenues did not exceed total expenditures.

The debt service fund has a total fund balance of \$1,081,525 all of which is restricted for the payment of debt service. The fund balance of the debt service fund decreased by \$1,079,530 from current operations. The decrease in fund balance was primarily the result of redemption payments of \$1,490,000 made in order to reduce long-term liabilities and increase savings in upcoming years.

The capital projects fund has a total fund balance of \$309,177, all of which is restricted for capital projects. The increase in fund balance of \$13,411 results from transfers from other funds exceeding the costs of capital projects.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund at the end of the current fiscal year amounted to \$1,190,163 and the Light and Power Fund amounted to \$27,862,811. The total decrease for the Water and Sewer Fund was \$543,770, and the total increase for the Light and Power Fund was \$2,765,927. Other factors concerning these funds have been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's financial plan is controlled at the fund and project level with management authorized to make transfers of budgeted amounts between object class levels within a fund or project, or within restrictions imposed by grantor agencies. City council approves the financial plan for revenues and expenditures in all funds. The financial plan for grants is made on a project (grant) basis, spanning more than one year. Appropriations for all projects lapse at the end of a contract period which may not coincide with the fiscal year end of the City.

Over the course of the year, the City appropriately amended its general fund budget. No significant variances between original budget and final budget were noted.

In addition, no significant variances between final budget and actual amounts were noted.

## Capital Assets Long-Term Liabilities, And Pension Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2017 amounts to \$32,192,014 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, improvements other than buildings, utility systems, machinery and equipment, and infrastructure.

**City of Jasper, Texas's Capital Assets (net of depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land and improvements	\$ 741,414	\$ 686,340	\$ 123,132	\$ 123,132	\$ 864,546	\$ 809,472
Construction in progress	277,600	174,410	-	-	277,600	174,410
Buildings and improvements	1,220,549	1,254,594	227,989	242,515	1,448,538	1,497,109
Improvements other than buildings	1,153,181	1,269,246	-	-	1,153,181	1,269,246
Utility systems	-	-	18,335,594	19,138,226	18,335,594	19,138,226
Machinery and equipment	3,549,127	2,946,536	1,223,627	1,149,532	4,772,754	4,096,068
Infrastructure	5,339,801	5,045,679	-	-	5,339,801	5,045,679
<b>Total</b>	<b>\$ 12,281,672</b>	<b>\$ 11,376,805</b>	<b>\$ 19,910,342</b>	<b>\$ 20,653,405</b>	<b>\$ 32,192,014</b>	<b>\$ 32,030,210</b>

Major capital asset purchases during the year included the following:

- \$355,541 Water and sewer machinery, equipment, and vehicles
- \$479,776 Light and power system improvements
- \$1,220,998 Machinery, equipment, and vehicles
- \$1,081,688 Street improvements

Additional information regarding the City's capital assets can be found in Note 3.E. in the notes to financial statements as indicated in the table of contents.

**Long-term Liabilities.** At year-end, the City had the following long-term liabilities:

**City of Jasper, Texas's Long-term Liabilities Outstanding**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General obligation bonds, net	\$ 1,385,000	\$ 1,625,000	\$ -	\$ -	\$ 1,385,000	\$ 1,625,000
Certificates of obligation	2,904,410	5,012,633	-	-	2,904,410	5,012,633
Compensated absences	451,930	435,657	397,143	375,224	849,073	810,881
Other postemployment benefits	346,297	297,393	268,579	224,166	614,876	521,559
Net pension liability	1,539,171	1,572,126	1,209,350	1,235,244	2,748,521	2,807,370
<b>Total</b>	<b>\$ 6,626,808</b>	<b>\$ 8,942,809</b>	<b>\$ 1,875,072</b>	<b>\$ 1,834,634</b>	<b>\$ 8,501,880</b>	<b>\$ 10,777,443</b>

The City's bonded debt and certificates of obligation decreased \$2,348,223 during the current year. The key factor in this decrease was that the City made a payment to redeem \$1,490,000 prior to scheduled maturity in order to reduce long-term liabilities and increase savings in upcoming years.

Additional information on the City's long-term liabilities can be found in Note 3.F. in the notes to financial statements as indicated in the table of contents.

Additional information on the City's net pension liability can be found in Note 4.A. in the notes to financial statements as indicated in the table of contents.

Additional information on the City's other postemployment benefits can be found in Note 4.C. in the notes to financial statements as indicated in the table of contents.

#### **Discretely Presented Component Unit**

The Jasper Economic Development Corporation (JEDCO) is legally separate from the City and is reported as a discretely presented component unit because the City appoints a majority of this organization's governing body and is able to impose its will on JEDCO or a financial benefit/burden situation exists.

Individual statements for JEDCO are included in supplementary information as noted in the table of contents.

**Construction commitments.** At the end of the current fiscal year, JEDCO's commitments with construction contractors for capital expenditures totaled \$223,132.

#### **Economic Factors and Next Year's Budget and Rates**

- The total tax rate will be \$.3182 per \$100 valuation in fiscal year 2017-2018 (\$.2157 for maintenance and operations and \$.1025 for interest and sinking).
- The unemployment rate for Jasper County, according to Texas Workforce statistics, is 7.8%, a decrease of 0.6% from last year's rate of 8.4%. The state unemployment rate, as recorded by the Bureau of Labor Statistics is 3.8%.
- The state sales tax receipts for the current fiscal year totaled \$3,061,499, a decrease of \$186,276 or (6%) from the previous year indicating a decrease in the retail economy.

All of these factors were considered in preparing the City of Jasper's budget for 2017-2018 fiscal year.

During the current fiscal year, unassigned fund balance in the General Fund increased to \$2,980,591. The City is estimating revenues of \$6,770,074 and appropriated expenditures of \$6,736,408 in the 2017-2018 fiscal year budget for the General Fund.

### **Request for Information**

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of City of Jasper, Texas' finances. If you have any questions about this report or need any additional financial information, please contact the Finance Department, City of Jasper, Texas, P.O. Box 610, Jasper, Texas 75979 or call 409-384-4651.

## **Basic Financial Statements**

**This Page Intentionally Left Blank**

**City of Jasper, Texas**  
**Statement of Net Position**  
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Jasper EDC
	\$	\$	\$	\$
<b>ASSETS</b>				
Cash and cash equivalents	4,625,340	24,314,196	28,939,536	3,687,378
Receivables (net):				
Property taxes	217,254	-	217,254	-
Sales, franchise, and other taxes	604,871	-	604,871	177,339
Accounts	163,585	1,738,663	1,902,248	-
Court fines	94,625	-	94,625	-
Accrued interest receivable	-	-	-	1,723
Other	90,531	41,319	131,850	-
Due from component unit	144,065	-	144,065	-
Internal balances	(492,522)	492,522	-	-
Inventories	35,110	429,918	465,028	-
Notes receivable	-	-	-	470,143
Prepaid items	35,780	-	35,780	-
Restricted cash:				
Cash - hotel/motel tax	223,175	-	223,175	-
Cash - grants	4,572	-	4,572	-
Cash - courts	470,665	-	470,665	-
Cash - meter deposits	-	329,290	329,290	-
Cash - construction	-	4,390,357	4,390,357	-
Capital assets not being depreciated:				
Land and improvements	741,414	123,132	864,546	110,393
Construction in progress	277,600	-	277,600	508,763
Capital assets:				
Buildings and improvements	2,521,524	606,910	3,128,434	-
Improvements other than buildings	4,910,888	-	4,910,888	-
Utility system	-	42,168,362	42,168,362	-
Machinery and equipment	10,016,291	4,757,792	14,774,083	-
Infrastructure	12,384,561	-	12,384,561	-
Industrial park	-	-	-	3,202,753
Signs	-	-	-	18,852
Office equipment	-	-	-	7,807
Accumulated depreciation	(18,570,606)	(27,745,854)	(46,316,460)	(903,316)
Total assets	18,498,723	51,646,607	70,145,330	7,281,835
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows from pension activities	772,051	606,610	1,378,661	-
Deferred outflow for pension contributions after the measurement date	209,129	164,315	373,444	-
Total deferred outflows of resources	981,180	770,925	1,752,105	-
<b>LIABILITIES</b>				
Accounts payable	503,120	1,052,062	1,555,182	65,480
Escrow liability - seizure funds	42,634	-	42,634	-
Accrued liabilities	142,574	97,395	239,969	4,692
Accrued interest payable	15,435	-	15,435	-
Due to primary government	-	-	-	144,065
Unearned revenue	15,307	-	15,307	-
Payable from restricted assets:				
Customer meter deposits	-	329,290	329,290	-
Noncurrent liabilities:				
Due within one year	1,070,000	150,000	1,220,000	6,893
Due in more than one year	4,017,637	515,722	4,533,359	-
Net pension liability - long-term	1,539,171	1,209,350	2,748,521	-
Total liabilities	7,345,878	3,353,819	10,699,697	221,130
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows from pension activities	127,777	100,397	228,174	-
Total deferred inflows of resources	127,777	100,397	228,174	-
<b>NET POSITION</b>				
Net investment in capital assets	8,301,439	19,910,342	28,211,781	2,945,252
Restricted for:				
Debt services	1,166,097	-	1,166,097	-
Hotel/motel tax	223,175	-	223,175	-
Grants and contributions	4,572	-	4,572	-
Courts	470,665	-	470,665	-
Unrestricted	1,840,300	29,052,974	30,893,274	4,115,453
<b>TOTAL NET POSITION</b>	<b>\$ 12,006,248</b>	<b>\$ 48,963,316</b>	<b>\$ 60,969,564</b>	<b>\$ 7,060,705</b>

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

# **City of Jasper, Texas**

## Statement of Activities

For the Fiscal Year Ended September 30, 2017

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>PRIMARY GOVERNMENT</b>				
Governmental activities:				
General government	\$ 1,010,187	\$ 170,858	\$ -	\$ -
Finance	327,655	-	-	-
Intergovernmental services	496,079	-	-	-
Community services	2,011,747	1,382,589	23,284	-
Community development	1,647,489	47,571	122,582	51,595
Public safety	3,161,703	431,233	241,708	-
Interest and fees on debt	143,840	-	-	-
Total governmental activities	<u>8,798,700</u>	<u>2,032,251</u>	<u>387,574</u>	<u>51,595</u>
Business-type activities:				
Water and sewer	3,352,497	3,425,350	-	-
Light and power	12,302,365	18,086,650	-	-
Total business-type activities	<u>15,654,862</u>	<u>21,512,000</u>	<u>-</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 24,453,562</u>	<u>\$ 23,544,251</u>	<u>\$ 387,574</u>	<u>\$ 51,595</u>
<b>COMPONENT UNIT:</b>				
Jasper Economic Development Corp.	\$ 643,215	\$ -	\$ -	\$ -
General revenues:				
Property taxes				
Franchise taxes				
Sales taxes				
Other taxes				
Gain on sale of assets				
Proceeds from insurance				
Other revenues				
Unrestricted investment earnings				
Transfers, net of governmental funds capital contributions				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
<b>NET POSITION - ENDING</b>				

Net (Expense) Revenue and Changes in Net Position			Component Unit	
Governmental Activities	Business-type Activities	Total	JEDCO	
\$ (839,329)	\$ -	\$ (839,329)	\$ -	
(327,655)	-	(327,655)	-	
(496,079)	-	(496,079)	-	
(605,874)	-	(605,874)	-	
(1,425,741)	-	(1,425,741)	-	
(2,488,762)	-	(2,488,762)	-	
(143,840)	-	(143,840)	-	
<u>(6,327,280)</u>	<u>-</u>	<u>(6,327,280)</u>	<u>-</u>	
-	72,853	72,853	-	
-	5,784,285	5,784,285	-	
<u>-</u>	<u>5,857,138</u>	<u>5,857,138</u>	<u>-</u>	
<u>(6,327,280)</u>	<u>5,857,138</u>	<u>(470,142)</u>	<u>-</u>	
		(643,215)		
1,142,497	-	1,142,497	-	
153,859	-	153,859	-	
3,061,499	-	3,061,499	1,018,957	
310,736	-	310,736	13,926	
67,500	-	67,500	-	
28,386	-	28,386	-	
37,123	-	37,123	244,651	
16,738	156,656	173,394	18,516	
<u>3,791,637</u>	<u>(3,791,637)</u>	<u>-</u>	<u>-</u>	
<u>8,609,975</u>	<u>(3,634,981)</u>	<u>4,974,994</u>	<u>1,296,050</u>	
2,282,695	2,222,157	4,504,852	652,835	
<u>9,723,553</u>	<u>46,741,159</u>	<u>56,464,712</u>	<u>6,407,870</u>	
<u>\$ 12,006,248</u>	<u>\$ 48,963,316</u>	<u>\$ 60,969,564</u>	<u>\$ 7,060,705</u>	

**City of Jasper, Texas**  
 Balance Sheet - Governmental Funds  
 September 30, 2017

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,406,121	\$ 904,954	\$ 314,265	\$ 4,625,340
Receivables (net):				
Property taxes	117,247	100,007	-	217,254
Sales, franchise, and other taxes	427,532	177,339	-	604,871
Accounts	163,585	-	-	163,585
Court fines	94,625	-	-	94,625
Other	90,531	-	-	90,531
Due from other funds	768	-	-	768
Due from component unit	144,065	-	-	144,065
Inventories	35,110	-	-	35,110
Prepaid items	35,780	-	-	35,780
Restricted cash:				
Cash - hotel/motel tax	223,175	-	-	223,175
Cash - grants	4,572	-	-	4,572
Cash - courts	470,665	-	-	470,665
<b>TOTAL ASSETS</b>	<b>\$ 5,213,776</b>	<b>\$ 1,182,300</b>	<b>\$ 314,265</b>	<b>\$ 6,710,341</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 498,032	\$ -	\$ 5,088	\$ 503,120
Escrow liability - seizure funds	42,634	-	-	42,634
Accrued liabilities	142,574	-	-	142,574
Due to other funds	492,522	768	-	493,290
Unearned revenue	15,307	-	-	15,307
Total liabilities	1,191,069	768	5,088	1,196,925
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Unavailable revenue - property taxes	117,247	100,007	-	217,254
Unavailable revenue - court fines	94,625	-	-	94,625
Total deferred inflows of resources	211,872	100,007	-	311,879
<b>FUND BALANCES</b>				
Nonspendable inventories	35,110	-	-	35,110
Nonspendable prepaid items	35,780	-	-	35,780
Restricted - debt	-	1,081,525	-	1,081,525
Restricted - capital projects	-	-	309,177	309,177
Restricted - hotel/motel tax	223,175	-	-	223,175
Restricted - grants and contributions	4,572	-	-	4,572
Restricted - courts	470,665	-	-	470,665
Assigned - purchases on order	60,942	-	-	60,942
Unassigned fund balance	2,980,591	-	-	2,980,591
Total fund balances	3,810,835	1,081,525	309,177	5,201,537
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 5,213,776</b>	<b>\$ 1,182,300</b>	<b>\$ 314,265</b>	<b>\$ 6,710,341</b>

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

## **City of Jasper, Texas**

Reconciliation of the Governmental Funds Balance Sheet

to the Statement of Net Position

September 30, 2017

### **TOTAL FUND BALANCES - BALANCE SHEET - GOVERNMENTAL FUNDS**

\$ 5,201,537

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 30,852,278
Accumulated depreciation of governmental capital assets	<u>(18,570,606)</u>
	12,281,672

Property taxes receivable, which will be collected subsequent to year-end, are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 217,254

Court fines receivable, which will be collected subsequent to year-end, are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 94,625

Long-term liabilities, including bonds and certificates of obligation payable, compensated absences, OPEB, and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Liabilities at year end related to such items consist of:

Bonds and certificates of obligation	\$ (4,240,000)
Premium on debt issues	(49,410)
Accrued interest on debt	(15,435)
Compensated absences	(451,930)
Other postemployment benefits (OPEB)	(346,297)
Net pension liability	<u>(1,539,171)</u>
	6,642,243

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then. 981,180

Deferred inflows for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (127,777)

### **NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION**

\$ 12,006,248

# **City of Jasper, Texas**

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds For the Fiscal Year Ended September 30, 2017

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 769,199	\$ 373,717	\$ -	\$ 1,142,916
Franchise taxes	153,859	-	-	153,859
Sales taxes	2,042,542	1,018,957	-	3,061,499
Other taxes	310,736	-	-	310,736
Licenses and permits	33,512	-	-	33,512
Intergovernmental	95,541	-	-	95,541
Other grants and contributions	300,178	-	-	300,178
Charges for services	1,374,296	-	-	1,374,296
Fines and forfeitures	420,092	-	-	420,092
Rents and royalties	192,539	-	-	192,539
Investment earnings	14,964	906	868	16,738
Capital contributions from JEDCO	51,595	-	-	51,595
Other revenues	37,123	-	-	37,123
Total revenues	<u>5,796,176</u>	<u>1,393,580</u>	<u>868</u>	<u>7,190,624</u>
<b>EXPENDITURES</b>				
Current:				
General government	987,895	-	-	987,895
Finance	308,485	-	-	308,485
Intergovernmental services	396,081	-	-	396,081
Community services	1,554,865	-	-	1,554,865
Community development	703,948	-	-	703,948
Public safety	2,841,297	-	-	2,841,297
Debt service:				
Principal	-	2,345,000	-	2,345,000
Interest and fees	-	157,790	-	157,790
Capital outlay:				
Governmental activities	181,899	-	2,294,686	2,476,585
Water and sewer	-	-	16,214	16,214
Total expenditures	<u>6,974,470</u>	<u>2,502,790</u>	<u>2,310,900</u>	<u>11,788,160</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(1,178,294)	(1,109,210)	(2,310,032)	(4,597,536)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	67,500	-	-	67,500
Proceeds from insurance	28,386	-	-	28,386
Transfers in (out)	1,454,728	29,680	2,323,443	3,807,851
Total other financing sources (uses)	<u>1,550,614</u>	<u>29,680</u>	<u>2,323,443</u>	<u>3,903,737</u>
Net change in fund balances	372,320	(1,079,530)	13,411	(693,799)
Fund balances, beginning of year	<u>3,438,515</u>	<u>2,161,055</u>	<u>295,766</u>	<u>5,895,336</u>
<b>FUND BALANCES, END OF YEAR</b>				
	<u>\$ 3,810,835</u>	<u>\$ 1,081,525</u>	<u>\$ 309,177</u>	<u>\$ 5,201,537</u>

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

## **City of Jasper, Texas**

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended September 30, 2017

### **NET CHANGE IN FUND BALANCES -**

#### **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

\$ (693,799)

Some property taxes will not be collected for several months after the City's fiscal year end and are not considered "available" revenues and, therefore, are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. (419)

Some court revenue will not be collected for several months after the City's fiscal year end and are not considered "available" revenues and, therefore, are deferred in the governmental funds. Deferred court revenues increased (decreased) by this amount this year. 3,667

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 2,476,585	
Depreciation expense	<u>(1,571,718)</u>	904,867

Repayment of bond and certificates of obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 2,345,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The (increase) decrease in interest expense reported in the statement of activities consist of the following:

Accrued interest on bonds payable decreased (increased)	\$ 10,727	
Amortization of bond premium	<u>3,223</u>	13,950

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences liability decreased (increased)	\$ (16,273)	
Payables for postemployment benefits decreased (increased)	<u>(48,904)</u>	(65,177)

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ (274,924)	
Deferred inflows (increased) decreased	16,575	
Net pension liability (increased) decreased	<u>32,955</u>	(225,394)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES** \$ 2,282,695

**City of Jasper, Texas**  
 Statement of Net Position  
 Proprietary Funds  
 September 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Light and Power Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,746,118	\$ 22,568,078	\$ 24,314,196
Restricted cash - customer meter deposits	-	329,290	329,290
Restricted cash - construction	-	4,390,357	4,390,357
Receivables (net)			
Accounts	489,641	1,249,022	1,738,663
Other	5,102	36,217	41,319
Due from other funds	-	862,567	862,567
Inventories	-	429,918	429,918
Total current assets	<u>2,240,861</u>	<u>29,865,449</u>	<u>32,106,310</u>
Noncurrent assets			
Capital assets			
Land and improvements	68,382	54,750	123,132
Buildings and improvements	281,889	325,021	606,910
Utility systems	30,245,831	11,922,531	42,168,362
Machinery and equipment	2,180,156	2,577,636	4,757,792
Accumulated depreciation	(17,243,941)	(10,501,913)	(27,745,854)
Total noncurrent assets	<u>15,532,317</u>	<u>4,378,025</u>	<u>19,910,342</u>
Total assets	<u>17,773,178</u>	<u>34,243,474</u>	<u>52,016,652</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension activities	248,158	358,452	606,610
Deferred outflow for pension contribution after the measurement date	67,220	97,095	164,315
Total deferred outflows of resources	<u>315,378</u>	<u>455,547</u>	<u>770,925</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	100,643	951,419	1,052,062
Accrued liabilities	43,960	53,435	97,395
Due to other funds	370,045	-	370,045
Customer meter deposits	-	329,290	329,290
Accrued compensated absences - current	75,000	75,000	150,000
Total current liabilities	<u>589,648</u>	<u>1,409,144</u>	<u>1,998,792</u>
Noncurrent liabilities			
Accrued compensated absences - long term	116,663	130,480	247,143
Other postemployment benefits - long term	123,960	144,619	268,579
Net pension liability - long term	494,734	714,616	1,209,350
Total noncurrent liabilities	<u>735,357</u>	<u>989,715</u>	<u>1,725,072</u>
Total liabilities	<u>1,325,005</u>	<u>2,398,859</u>	<u>3,723,864</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows for pensions	41,071	59,326	100,397
Total deferred inflows of resources	<u>41,071</u>	<u>59,326</u>	<u>100,397</u>
<b>NET POSITION</b>			
Net investment in capital assets	15,532,317	4,378,025	19,910,342
Unrestricted	<u>1,190,163</u>	<u>27,862,811</u>	<u>29,052,974</u>
<b>TOTAL NET POSITION</b>	<b>\$ 16,722,480</b>	<b>\$ 32,240,836</b>	<b>\$ 48,963,316</b>

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

# **City of Jasper, Texas**

## Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds For the Fiscal Year Ended September 30, 2017

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Light and Power Fund</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Electrical services (less bad debt of \$53,704)	\$ -	\$ 11,848,966	\$ 11,848,966
Sale of excess electrical power	-	6,215,375	6,215,375
Water sales (less bad debt of \$9,398)	1,955,770	-	1,955,770
Sewer services	1,403,545	-	1,403,545
Tapping fees	38,385	-	38,385
Cut-in fees	15,180	18,920	34,100
Miscellaneous income	12,470	3,389	15,859
Total operating revenues	<u>3,425,350</u>	<u>18,086,650</u>	<u>21,512,000</u>
<b>OPERATING EXPENSES</b>			
Water production	408,630	-	408,630
Water distribution	437,970	-	437,970
Sewer collection	425,544	-	425,544
Sewer treatment	619,043	-	619,043
Public works	288,347	-	288,347
Power production	-	10,670,154	10,670,154
Right of way	-	395,108	395,108
Inspection	-	218,810	218,810
Customer service	-	517,840	517,840
Nondepartmental:			
Depreciation	<u>1,172,963</u>	<u>500,453</u>	<u>1,673,416</u>
Total operating expenses	<u>3,352,497</u>	<u>12,302,365</u>	<u>15,654,862</u>
Operating income (loss)	<u>72,853</u>	<u>5,784,285</u>	<u>5,857,138</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	<u>3,567</u>	<u>153,089</u>	<u>156,656</u>
Total nonoperating revenues (expenses)	<u>3,567</u>	<u>153,089</u>	<u>156,656</u>
Income before contributions and transfers	76,420	5,937,374	6,013,794
Capital contribution - capital projects fund	16,214	-	16,214
Transfers in (out)	(636,404)	(3,171,447)	(3,807,851)
Change in net position	(543,770)	2,765,927	2,222,157
Net position, beginning of year	<u>17,266,250</u>	<u>29,474,909</u>	<u>46,741,159</u>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 16,722,480</b>	<b>\$ 32,240,836</b>	<b>\$ 48,963,316</b>

**City of Jasper, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended September 30, 2017

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received for account services  
Cash payments for operating expenses  
Cash payments to employees for services  
Net cash provided by operating activities

<b>Business-Type Activities - Enterprise Funds</b>		
<b>Water and Sewer Fund</b>	<b>Light and Power Fund</b>	<b>Totals</b>
\$ 3,415,737	\$ 18,333,866	\$ 21,749,603
(796,252)	(9,986,998)	(10,783,250)
(1,344,733)	(1,630,773)	(2,975,506)
<u>1,274,752</u>	<u>6,716,095</u>	<u>7,990,847</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers to other funds  
Net cash used for noncapital financing activities

(636,404)	(3,171,447)	(3,807,851)
<u>(636,404)</u>	<u>(3,171,447)</u>	<u>(3,807,851)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of capital assets  
Net cash used for capital & related financing activities

(434,363)	(479,776)	(914,139)
<u>(434,363)</u>	<u>(479,776)</u>	<u>(914,139)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Earnings on investments  
Net cash provided by investing activities

3,567	153,089	156,656
<u>3,567</u>	<u>153,089</u>	<u>156,656</u>

Net increase in cash and cash equivalents

Cash and cash equivalents, beginning of year, including restricted cash

**CASH AND CASH EQUIVALENTS, END OF YEAR, INCLUDING RESTRICTED CASH**

207,552	3,217,961	3,425,513
1,538,566	24,069,764	25,608,330
<u>\$ 1,746,118</u>	<u>\$ 27,287,725</u>	<u>\$ 29,033,843</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 72,853	\$ 5,784,285	\$ 5,857,138
Adjustments to reconcile operating income to cash provided by operating activities:			
Depreciation and amortization	1,172,963	500,453	1,673,416
(Increase) decrease in receivables	(9,613)	228,675	219,062
(Increase) decrease in due from other funds	-	237,275	237,275
(Increase) decrease in inventories	-	49,353	49,353
(Increase) decrease in deferred outflows	88,369	127,644	216,013
Increase (decrease) in accounts payable	(90,603)	(252,100)	(342,703)
Increase (decrease) in accrued liabilities	5,159	6,791	11,950
Increase (decrease) in due to other funds	23,387	-	23,387
Increase (decrease) in customer meter deposits	-	18,541	18,541
Increase (decrease) in accrued compensated absences	3,346	18,573	21,919
Increase (decrease) in other postemployment benefits	24,812	19,601	44,413
Increase (decrease) in net pension liability	(10,593)	(15,301)	(25,894)
Increase (decrease) in deferred inflows	(5,328)	(7,695)	(13,023)
Total adjustments	<u>1,201,899</u>	<u>931,810</u>	<u>2,133,709</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES**

\$ 1,274,752	\$ 6,716,095	\$ 7,990,847
<u>\$ 1,274,752</u>	<u>\$ 6,716,095</u>	<u>\$ 7,990,847</u>

**SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES**

Contributions of capital assets from governmental funds

\$ 16,214	\$ -	\$ 16,214
<u>\$ 16,214</u>	<u>\$ -</u>	<u>\$ 16,214</u>

## **City of Jasper, Texas**

Notes to the Financial Statements

### **Note 1. Summary of Significant Accounting Policies**

#### **A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

#### **B. Reporting Entity**

The City of Jasper, Texas (City) is a political subdivision governed by an elected mayor and five-member governing council (Council). The accompanying financial statements present the City and its component unit, for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

##### **Discretely Presented Component Unit**

Jasper Economic Development Corporation (JEDCO) – Established in 1992, JEDCO is a nonprofit industrial development corporation specifically governed by Section 4A of the Development Corporation Act. The purpose of JEDCO is to promote, assist, and enhance economic development in the Jasper area. JEDCO is governed by a board of directors appointed by the City Council. The economic development efforts of JEDCO have the potential for financial benefit for the City. Complete financial statements of JEDCO may be obtained from: Jasper Economic Development Corporation, 246 E. Milam, Jasper, Texas 75951.

#### **C. Basis of Presentation – Government-wide Financial Statements**

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As discussed earlier, the City has a discretely presented component unit which is shown in a separate column in the government-wide financial statements.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Direct expenses are not eliminated from the various functional categories. Interfund services that are provided and used are not eliminated in the process of consolidation.

#### **D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

## **City of Jasper, Texas**

### Notes to the Financial Statements

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the City's major capital facilities, other than those financed by proprietary funds.

The government reports the following major enterprise funds:

The *water and sewer fund* accounts for the provision of water and sewer services to the residents of the City, and some residents of Jasper County. All activities necessary to provide such services are accounted for in the fund, including, but not limited to, production, maintenance, financing and related debt service, and billings and collections.

The *light and power fund* accounts for the provision of electricity to the residents of the City and some residents of Jasper County. All activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, financing and related debt services, and billings and collections.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services that are provided and used are not eliminated in the process of consolidation.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

## **City of Jasper, Texas**

Notes to the Financial Statements

### **E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using 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 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Receivables for solid waste services, sales taxes, franchise and similar taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

#### **1. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, and cash on deposit (including restricted cash).

#### **2. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

## **City of Jasper, Texas**

### Notes to the Financial Statements

#### **3. Capital Assets**

Capital assets, which include land and improvements, buildings and improvements, improvements other than buildings, machinery and equipment, infrastructure (e.g. roads, bridges, sidewalks, and similar items), and utility systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Component unit capital assets include industrial park, office equipment, and signs. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of two years.

As the City constructs or acquires additional capital assets each period, including infrastructure, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their acquisition value at the date of donation.

Interest is capitalized on proprietary fund assets or component unit assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Land and improvements and construction in progress are not depreciated. The buildings and improvements, improvements other than buildings, machinery and equipment, infrastructure, and utility systems of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Primary Government	
Buildings and Improvements	5-50
Improvements other than Buildings	3-30
Machinery and Equipment	2-50
Infrastructure	3-25
Utility Systems	3-50
Component Unit:	
Industrial Park	50
Signs	10
Office Equipment	5-10

#### **4. Deferred Outflows/Inflows of Resources**

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- City contributions after the measurement date are recognized in the subsequent year.
- Property taxes are recognized in the period the amount becomes available.

## **City of Jasper, Texas**

### Notes to the Financial Statements

#### **5. Net Position Flow Assumption**

Sometimes the City will fund outlays for a particular purpose for which both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources are available. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### **6. Fund Balance Flow Assumptions**

Sometimes the City will fund outlays for a particular purpose for which both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance) are available. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **7. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council (Council) is the highest level of decision-making authority for the City that can, by Council action or adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by Council action or the ordinance remains in place until a similar action is taken (Council action or the adoption of another ordinance) to remove or revise the limitation.

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 committed. Council has by policy authorized the City Manager to assign fund balance. Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

#### **8. 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.

## **City of Jasper, Texas**

### Notes to the Financial Statements

#### **G. Revenues and Expenditures/Expenses**

##### **1. Program Revenues**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

##### **2. Property Taxes**

Property values are determined by the County Central Appraisal District as of July 31 of each year. Prior to October 1 of each year, the City sets its tax rate thus creating the tax levy. The taxes are levied and payable October 1 on property values assessed as of January 1. Taxes may be paid without penalty before February 1 of the following year and create a tax lien as of July 1 of each year. The tax assessor/collector for Jasper County bills and collects the property taxes for the City. City property tax revenues are recognized when levied to the extent that they result in current receivables. The combined current tax rate to finance general governmental services and payment of principal and interest on long-term debt for the fiscal year ended September 30, 2017 was \$0.3182 per \$100, allocated \$0.2157 for the General Fund and \$0.1025 for the Debt Service Fund.

##### **3. Compensated Absences**

The City and JEDCO employees are paid for absence due to vacation or sickness according to a prescribed policy. Employees can carry forward up to 160 hours of vacation. Payment for unused vacation is made upon termination of employment with more than 6 months service. Employees are also allowed to carry forward up to 840 or 720 hours of sick leave depending on the employee's hire date. Also, upon retirement or resignation in good standing the City will pay 100% or 33% of unused sick leave depending on the employee's hire date. Accordingly, these financial statements reflect the accrual of vacation and unused sick leave at September 30, 2017. Compensated absences are liquidated by the General Fund, proprietary funds and the component unit JEDCO.

##### **4. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and light and power fund are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the operating cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

##### **5. Use of Estimates**

The presentation of financial statements, in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

## **City of Jasper, Texas**

Notes to the Financial Statements

### **Note 2. Stewardship, Compliance and Accountability**

#### **A. Budgetary Information**

The City follows these procedures (as outlined in the City Charter, Sections 9.02 through 9.15) in establishing the budgetary data reflected in the financial statements:

1. Between 60 and 90 days prior to the end of each fiscal year, the City Manager submits to the Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain citizen comments.
3. Prior to September 15, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to allocate contingent appropriations which must be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, debt service fund, and the proprietary funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for the proprietary fund.

City management can amend the approved budget within the scope or available monies within the various funds. Unrestricted appropriations are budgeted in each fund to cover over expenditures in original appropriations with the City Council's approval. Under the City Charter, total expenditures cannot exceed total appropriations for any fund. Appropriations which are not expended at the end of the year must be rejustified and rebudgeted in the succeeding year.

#### **B. Encumbrances**

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

At September 30, 2017, certain amounts which were previously restricted or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in	
	Restricted Fund Balance	Assigned Fund Balance
Capital projects fund	\$ 226,670	\$ -
General fund	-	60,942
<b>Total</b>	<b>\$ 226,670</b>	<b>\$ 60,942</b>

# **City of Jasper, Texas**

Notes to the Financial Statements

## **Note 3. Detailed Notes on All Funds**

### **A. Cash and Investments**

#### **Primary Government**

At September 30, 2017, the carrying amount of the City's deposits (cash, certificates of deposit and interest-bearing savings accounts), was \$34,357,595 and the bank balance was \$34,925,140. At September 30, 2017, all bank balances were insured or collateralized with securities held by the custodian in the City's name. The City's cash equivalents consisted of certificates of deposits at fiscal year end.

The City's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and City policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act; 8) Commercial paper is an authorized investment if it has a stated maturity of 270 days or fewer from the date of its issuance; and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies; or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 9) Securities lending program as permitted by Government Code.

#### *Interest rate risk*

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The City monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the City reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to interest-bearing accounts and certificates of deposit with bank depository.

#### *Credit risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For fiscal year 2017, the City is not exposed to credit risk as all cash equivalents are certificates of deposit with bank depository, which are insured or collateralized.

#### *Concentration of credit risk*

The risk is the risk of loss attributed to the magnitude of a City's investment in a single issuer. The City's investment policy does not limit an investment in any one issuer.

#### *Custodial credit risk – deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2017, the City's deposits at the local bank were insured and collateralized with securities held by the City's agent and in the City's name.

## **City of Jasper, Texas**

### Notes to the Financial Statements

#### *Custodial credit risk – investments*

For an investment, this 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 is not exposed to custodial risk due to the cash equivalents, certificates of deposit at bank depository, are insured or registered in the City's name or the investments are held by the City or its agent.

#### **Component Unit - JEDCO**

JEDCO maintains deposits at a national bank and a credit union. At September 30, 2017, the carrying amount of JEDCO's deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$3,687,378 and the depositories balances totaled \$3,689,124.

At September 30, 2017, bank balances of \$3,239,260 held at First National Bank were covered by federal deposit insurance or pledged collateral held by the custodian in JEDCO's name. Deposit balances of \$449,864 held at DuGood Federal Credit Union were covered by \$250,000 National Credit Union Insurance Fund and \$199,864 was unsecured and uninsured.

#### **B. Restricted Assets**

The restricted assets consist of cash and cash equivalents and are limited to the donor restricted contributions, legislative restrictions and contracts (meter deposits) as follows:

	General Fund	Light and Power Fund	Total
Hotel/motel tax	\$ 223,175	\$ -	\$ 223,175
Grants and contributions	4,572	-	4,572
Courts	470,665	-	470,665
Meter deposits	-	329,290	329,290
Construction	-	4,390,357	4,390,357
<b>Total restricted assets</b>	<b>\$ 698,412</b>	<b>\$ 4,719,647</b>	<b>\$ 5,418,059</b>

#### **C. Receivables**

##### **Primary Government**

Property tax receivable of the general and debt service fund are reported net of the estimated uncollectible amounts. Accounts receivable (court and solid waste) in the general fund are reported net of the estimated uncollectible amounts. Accounts receivable of the Water and Sewer Fund and the Light and Power Fund are reported net of the estimated uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Change in Uncollectibles related to general fund court service	\$ (33,001)
Change in Uncollectibles related to general fund sanitation	(4,028)
Change in Uncollectibles related to debt service property taxes	1,000
Change in Uncollectibles related to water and sewer fund utilities	(53,704)
Change in Uncollectibles related to light and power fund utilities	(9,398)
<b>Total change in uncollectibles of the current fiscal year increased (decreased) revenues</b>	<b>\$ (99,131)</b>

## **City of Jasper, Texas**

### Notes to the Financial Statements

Allowances for uncollectibles at September 30, 2017 for the City's individual major governmental and proprietary funds are as follows:

	General Fund	Debt Service Fund	Water and Sewer Fund	Light and Power Fund	Total
Property taxes	\$ (6,000)	\$ (5,000)	\$ -	\$ -	\$ (11,000)
Accounts	(78,558)	-	(183,301)	(1,047,434)	(1,309,293)
Court fines	(851,624)	-	-	-	(851,624)

Approximately 76% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

### **Component Unit - JEDCO**

JEDCO's notes receivables were as follows as of September 30, 2017.

Note receivable from 700 Air Park Investments, LLC of \$600,000, issued February 20, 2007, secured by real estate, interest at 5.00% due in monthly installments of \$3,508 with remaining principal due upon maturity, matures in 2019.	\$ 445,143
Note receivable from 700 Air Park Investments, LLC of \$25,000, issued February 20, 2007, secured by real estate, interest at 0.00%, due at maturity, matures in 2019.	25,000
<b>Total notes receivable</b>	<b>\$ 470,143</b>

## **D. Interfund Balances and Activity**

### **Primary Government:**

#### **1. *Interfund Receivables and Payables***

Interfund receivables and payables of the various funds at September 30, 2017 were as follows:

	Interfund Receivables	Interfund Payables
General	\$ 768	\$ 492,522
Debt service	-	768
Water and sewer fund	-	370,045
Light and power fund	862,567	-
<b>Totals</b>	<b>\$ 863,335</b>	<b>\$ 863,335</b>

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from expenditures that are paid by one fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more governmental funds.

## **City of Jasper, Texas**

### Notes to the Financial Statements

#### **2. Transfers To and From Other Funds**

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." Transfers are funds collected in one fund and are transferred to finance various programs accounted for in other funds. The following is a summary of the City's transfers for the year ended September 30, 2017.

Transfers out	Transfer in General Fund	Transfer in Debt Service Fund	Transfer in Capital Projects Fund	Transfer in Water and Sewer Fund	Total
General	\$ -	\$ -	\$ 51,693	\$ -	\$ 51,693
Capital projects	-	-	-	94,392	94,392
Water and sewer	701,116	29,680	-	-	730,796
Light and power	805,305	-	2,366,142	-	3,171,447
<b>Totals</b>	<b>\$ 1,506,421</b>	<b>\$ 29,680</b>	<b>\$ 2,417,835</b>	<b>\$ 94,392</b>	<b>\$ 4,048,328</b>

Transfers from the General Fund were utilized to pay budgeted expenditures of the Capital Projects Fund. Transfers from the Capital Projects Fund were utilized to pay budgeted expenditures of the Water and Sewer Fund. Transfers from the Water and Sewer Fund and the Light and Power Fund were utilized to pay budgeted expenditures of the General Fund, Debt Service Fund, and the Capital Projects Fund.

#### **3. Component Unit - JEDCO**

Amounts receivable and payable between the City and its component unit at September 30, 2017 were as follows:

Primary Government/Component Unit	Receivables	Payables
City - General Fund	\$ 144,065	\$ -
Component unit - JEDCO	-	144,065
<b>Totals</b>	<b>\$ 144,065</b>	<b>\$ 144,065</b>

The receivable and payable between the City and its component unit consist of payroll administration expenditures of \$5,265 and expenditures of \$138,800 for JEDCO portion of Main Street construction project in progress.

**City of Jasper, Texas**  
 Notes to the Financial Statements

**E. Capital Assets**

**Primary Government**

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

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 686,340	\$ 55,074	\$ -	\$ -	\$ 741,414
Construction in progress	174,410	103,190	-	-	277,600
Total capital assets, not being depreciated	<u>860,750</u>	<u>158,264</u>	<u>-</u>	<u>-</u>	<u>1,019,014</u>
Depreciable assets:					
Buildings and improvements	2,505,889	15,635	-	-	2,521,524
Improvements other than buildings	4,910,888	-	-	-	4,910,888
Machinery and equipment	8,795,293	1,237,212	-	(16,214)	10,016,291
Infrastructure	11,302,873	1,081,688	-	-	12,384,561
Total depreciable assets	<u>27,514,943</u>	<u>2,334,535</u>	<u>-</u>	<u>(16,214)</u>	<u>29,833,264</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,251,295)	(49,680)	-	-	(1,300,975)
Improvements other than buildings	(3,641,642)	(116,065)	-	-	(3,757,707)
Machinery and equipment	(5,848,757)	(618,407)	-	-	(6,467,164)
Infrastructure	(6,257,194)	(787,566)	-	-	(7,044,760)
Total accumulated depreciation	<u>(16,998,888)</u>	<u>(1,571,718)</u>	<u>-</u>	<u>-</u>	<u>(18,570,606)</u>
Total depreciable assets, net	<u>10,516,055</u>	<u>762,817</u>	<u>-</u>	<u>(16,214)</u>	<u>11,262,658</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 11,376,805</u></b>	<b><u>\$ 921,081</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (16,214)</u></b>	<b><u>\$ 12,281,672</u></b>

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

Governmental activities:	
General government	\$ 12,457
Finance	5,834
Intergovernmental services	65,796
Community services	389,941
Community development	911,154
Public safety	186,536
<b>Total</b>	<b><u>\$ 1,571,718</u></b>

## City of Jasper, Texas

### Notes to the Financial Statements

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land and improvements	\$ 123,132	\$ -	\$ -	\$ -	\$ 123,132
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	<u>123,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123,132</u>
Depreciable assets:					
Buildings and improvements	606,910	-	-	-	606,910
Utility systems	41,593,550	574,812	-	-	42,168,362
Machinery and equipment	4,402,251	355,541	-	-	4,757,792
Total depreciable assets	<u>46,602,711</u>	<u>930,353</u>	<u>-</u>	<u>-</u>	<u>47,533,064</u>
Less accumulated depreciation for:					
Buildings and improvements	(364,395)	(14,526)	-	-	(378,921)
Utility systems	(22,455,324)	(1,377,444)	-	-	(23,832,768)
Machinery and equipment	(3,252,719)	(281,446)	-	-	(3,534,165)
Total accumulated depreciation	<u>(26,072,438)</u>	<u>(1,673,416)</u>	<u>-</u>	<u>-</u>	<u>(27,745,854)</u>
Total depreciable assets, net	<u>20,530,273</u>	<u>(743,063)</u>	<u>-</u>	<u>-</u>	<u>19,787,210</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 20,653,405</u></b>	<b><u>\$ (743,063)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 19,910,342</u></b>

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

Business-type activities:	
Water and sewer	\$ 1,172,963
Light and power	500,453
<b>Total business-type activities</b>	<b><u>\$ 1,673,416</u></b>

## **City of Jasper, Texas**

### Notes to the Financial Statements

#### **Component Unit - JEDCO**

Activity for the component unit for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Component unit:</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 110,393	\$ -	\$ -	\$ 110,393
Construction in progress	-	508,763	-	508,763
Total capital assets, not being depreciated	<u>110,393</u>	<u>508,763</u>	<u>-</u>	<u>619,156</u>
Depreciable assets:				
Industrial park	3,202,753	-	-	3,202,753
Signs	18,852	-	-	18,852
Office equipment	7,807	-	-	7,807
Total depreciable assets	<u>3,229,412</u>	<u>-</u>	<u>-</u>	<u>3,229,412</u>
Less accumulated depreciation for:				
Industrial park	(816,730)	(64,055)	-	(880,785)
Signs	(13,003)	(1,721)	-	(14,724)
Office equipment	(7,807)	-	-	(7,807)
Total accumulated depreciation	<u>(837,540)</u>	<u>(65,776)</u>	<u>-</u>	<u>(903,316)</u>
Total depreciable assets, net	2,391,872	(65,776)	-	2,326,096
<b>Component unit capital assets, net</b>	<u>\$ 2,502,265</u>	<u>\$ 442,987</u>	<u>\$ -</u>	<u>\$ 2,945,252</u>

#### **F. Long-term Liabilities**

##### **Primary Government and Discretely Presented Component Unit (JEDCO):**

Long-term obligations include general obligation bonds, certificates of obligation, compensated absences, other postemployment benefits, and net pension liability. The requirements for the general obligation bonds and certificates of obligation principal and interest payments are accounted for in the Debt Service Fund. Compensated absences, other postemployment benefits, and net pension liability are generally liquidated by the General Fund, Water and Sewer Fund, and Light and Power Fund.

# City of Jasper, Texas

## Notes to the Financial Statements

### Changes in Long-term Liabilities

Changes in long-term obligations for the period ended September 30, 2017, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 1,625,000	\$ -	\$ (240,000)	\$ 1,385,000	\$ 250,000
Certificates of obligation	4,960,000	-	(2,105,000)	2,855,000	630,000
Deferred amounts:					
For issuance premiums	52,633	-	(3,223)	49,410	-
Total bonds payable, net	6,637,633	-	(2,348,223)	4,289,410	880,000
Compensated absences	435,657	222,543	(206,270)	451,930	190,000
Other postemployment benefits	297,393	127,343	(78,439)	346,297	-
Net pension liability	1,572,126	1,246,181	(1,279,136)	1,539,171	-
<b>Total governmental activities</b>	<b>\$ 8,942,809</b>	<b>\$ 1,596,067</b>	<b>\$ (3,912,068)</b>	<b>\$ 6,626,808</b>	<b>\$ 1,070,000</b>
<b>Long-term liabilities</b>					
Business-type activities:					
Compensated absences	\$ 375,224	\$ 181,705	\$ (159,786)	\$ 397,143	\$ 150,000
Other post-employment benefits	224,166	78,847	(34,434)	268,579	-
Net pension liability	1,235,244	979,142	(1,005,036)	1,209,350	-
<b>Total business-type activities</b>	<b>\$ 1,834,634</b>	<b>\$ 1,239,694</b>	<b>\$ (1,199,256)</b>	<b>\$ 1,875,072</b>	<b>\$ 150,000</b>
<b>Long-term liabilities</b>					
<b>Component Unit - JEDCO</b>					
Compensated absences	\$ 6,893	\$ 4,815	\$ (4,815)	\$ 6,893	\$ 6,893
<b>Total</b>	<b>\$ 6,893</b>	<b>\$ 4,815</b>	<b>\$ (4,815)</b>	<b>\$ 6,893</b>	<b>\$ 6,893</b>

### Primary Government:

#### *General Obligation Bonds Payable*

##### Governmental activities:

\$4,190,000 2003 General Obligation Bonds due in annual installments of \$205,000 to \$305,000 through February 15, 2022, interest ranging from 3.40% to 4.25%.

**Total general obligation bonds payable**

\$ 1,385,000
<b>\$ 1,385,000</b>

The principal and interest requirements for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 250,000	\$ 49,610	\$ 299,610
2019	265,000	39,692	304,692
2020	275,000	29,163	304,163
2021	290,000	18,000	308,000
2022	305,000	6,100	311,100
<b>Totals</b>	<b>\$ 1,385,000</b>	<b>\$ 142,565</b>	<b>\$ 1,527,565</b>

**City of Jasper, Texas**  
 Notes to the Financial Statements

***Certificates of Obligation***

Governmental activities:

\$2,930,000 2006 Combination Tax and Revenue certificates of obligation due in annual installments of \$90,000 to \$155,000 through February 15, 2019, interest ranging from 3.90% to 5.00% secured by ad valorem taxes and a subordinate pledge of surplus revenues of water and sewer funds. \$ 300,000

\$4,400,000 2012 Combination Tax and Revenue certificates of obligation due in annual installments of \$70,000 to \$510,000 through February 15, 2033, interest ranging from 2.00% to 3.00% secured by ad valorem taxes and a subordinate pledge of surplus revenues of water and sewer funds.

2,555,000

\$ 2,855,000

The principal and interest requirements for certificates of obligation are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 630,000	\$ 59,428	\$ 689,428
2019	650,000	43,700	693,700
2020	510,000	30,550	540,550
2021	70,000	24,750	94,750
2022	70,000	23,350	93,350
2023	70,000	21,950	91,950
2024	75,000	20,500	95,500
2025	75,000	19,000	94,000
2026	80,000	17,450	97,450
2027	80,000	15,850	95,850
2028	85,000	13,988	98,988
2029	85,000	11,862	96,862
2030	90,000	9,675	99,675
2031	90,000	7,200	97,200
2032	95,000	4,425	99,425
2033	100,000	1,500	101,500
<b>Totals</b>	<b>\$ 2,855,000</b>	<b>\$ 325,178</b>	<b>\$ 3,180,178</b>

In December 2016, the City called for redemption of \$1,490,000 of the 2006 certificates of obligation. The redemption resulted in a debt service net savings of \$413,244.

# **City of Jasper, Texas**

## Notes to the Financial Statements

### **Note 4. Other Information**

#### **A. Pension Information**

##### **Plan Description**

The City of Jasper participates as one of 872 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](http://www.tmrs.com).

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

##### **Benefits Provided**

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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.

##### **Plan Provisions**

Plan provisions for the City were as follows:

	<u>Plan Year 2016</u>	<u>Plan Year 2015</u>
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%
Annuity increase (to retirees)	70% of CPI	70% of CPI
Supplemental death benefit to active employees	Yes	Yes
Supplemental death benefit to retirees	Yes	Yes

## **City of Jasper, Texas**

### Notes to the Financial Statements

#### **Employees Covered by Benefit Terms**

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	73
Inactive employees entitled to but not yet receiving benefits	50
Active employees	114
	<hr/>
	237

#### **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 Jasper were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Jasper were 8.94% and 9.59% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017, were \$499,517, and were equal to the required contributions.

#### **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	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 100%. 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

## **City of Jasper, Texas**

### Notes to the Financial Statements

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 December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, Gabriel Roeder Smith & Company (GRS) focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic equity	17.5%	4.55%
International equity	17.5%	6.35%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	4.15%
Real return	10.0%	4.15%
Real estate	10.0%	4.75%
Absolute return	10.0%	4.00%
Private equity	5.0%	7.75%
<b>Total</b>	<b>100%</b>	

#### **Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. 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 Jasper, Texas**  
 Notes to the Financial Statements

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2015	\$ 23,801,076	\$ 20,993,706	\$ 2,807,370
<b>Changes for the year</b>			
Service cost	622,813	-	622,813
Interest	1,585,624	-	1,585,624
Difference between expected and actual experience	(69,536)	-	(69,536)
Changes of assumptions	-	-	-
Contributions - employer	-	447,224	(447,224)
Contributions - employee	-	350,176	(350,176)
Net investment income	-	1,417,236	(1,417,236)
Benefit payments, including refunds of employee contributions	(1,243,527)	(1,243,527)	-
Administrative expense	-	(16,023)	16,023
Other changes	-	(863)	863
Net changes	<u>895,374</u>	<u>954,223</u>	<u>(58,849)</u>
<b>Balance at December 31, 2016</b>	<b><u>\$ 24,696,450</u></b>	<b><u>\$ 21,947,929</u></b>	<b><u>\$ 2,748,521</u></b>

**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%)
Net pension liability	\$ 5,757,531	\$ 2,748,521	\$ 231,673

**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](http://www.tmrs.com).

## **City of Jasper, Texas**

### Notes to the Financial Statements

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

For the year ended September 30, 2017, the City recognized pension expense of \$902,005.

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	\$ 43,788	\$ (228,174)
Changes in actuarial assumptions	345,498	-
Difference between projected and actual investment earnings	989,375	-
Contributions subsequent to the measurement date	373,444	-
<b>Totals</b>	<b>\$ 1,752,105</b>	<b>\$ (228,174)</b>

\$373,444 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,

2018	\$ 443,933
2019	416,678
2020	289,909
2021	(33)
<b>Totals</b>	<b>\$ 1,150,487</b>

#### **B. Postemployment Benefits-Supplemental Death Benefits Plan**

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

##### **Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.23% for 2017, 0.23% for 2016, and 0.22% for 2015, of which 0.06% for 2017, 0.07% for 2016, and 0.07% for 2015 represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. As an employer, the City's contributions to the SDBF for the fiscal years ended 2017, 2016, and 2015 were \$3,183, \$3,467, and \$2,963, respectively, which equaled the required contributions.

## **City of Jasper, Texas**

### Notes to the Financial Statements

#### **C. Other Postemployment Benefits**

The City of Jasper provides other postemployment benefits (OPEB), a single-employer defined benefit health care plan, as per the requirements of a local policy adopted by City Council. Retired City employees hired prior to March 22, 2002, who attain the age of 60 with a minimum of 10 years of service to the City or employees who have a minimum of 20 years continuous employment will receive medical insurance coverage until age 65 or attainment of Medicare eligibility, whichever is later. This benefit is limited to coverage for the employee only. Retirees may include their dependents on the group health coverage for a period of time to coincide with the retired employee's eligibility. The premium costs associated with dependent coverage will be the responsibility of the retiree. Employees hired on or after March 22, 2002, are not eligible to receive group medical insurance coverage after retirement. A separate financial statement is not issued for the plan. For the year ended September 30, 2017, the City contributed \$112,872 for these benefits. At September 30, 2017, the City reports a postemployment benefit liability of \$614,874 in the governmental activities and business-type activities.

#### **Funding Policy**

The City of Jasper's postretirement benefit liability is recorded on a full accrual basis in the government-wide statements. An actuarial study was performed as of October 1, 2016 to prepare for disclosure of this liability in accordance with GASB 45. The projected liability accrual for fiscal year 2017 has been recorded net of premium contributions received from retired employees as required in the plan.

The contributions requirement for plan members and the City are established and may be amended by City Council. In fiscal year 2016-2017, a premium of approximately \$10,000 each month is contributed to the plan on behalf of all retirees. This amount is subject to review during the annual budget process. Sample contribution rates for retirees and their dependents are shown below.

Medical Plan		
Employee	\$	947
Spouse		1,513
Child		735
Family		2,317

  

Basic Life		
Life	\$	0.19 per \$1000

Contributions to the plan are designed to fund the plan 100% by the City on a pay as you go basis. The City is responsible for 100% of the retirement coverage. The retirees are responsible for their dependent coverage.

## City of Jasper, Texas

### Notes to the Financial Statements

#### Annual OPEB Cost and Net OPEB Obligation:

The employer has elected to calculate the annual required contribution of the employer (ARC) and related information using the Alternative Measurement Method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The Employer's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

	Other Postemployment Benefits (OPEB) Obligation		
	2017	2016	2015
Annual OPEB cost			
Annual required contribution	\$ 218,127	\$ 218,127	\$ 238,786
Interest adjustment to net OPEB obligation	20,862	17,578	13,463
Adjustment to ARC	(32,892)	(27,714)	(19,818)
Annual OPEB cost	206,097	207,991	232,431
Net employer contributions	(112,872)	(125,884)	(129,551)
Increase in OPEB obligation	93,225	82,107	102,880
Net OPEB obligation - beginning of year	521,559	439,452	336,572
Net OPEB obligation - end of year	<u>\$ 614,784</u>	<u>\$ 521,559</u>	<u>\$ 439,452</u>
Percentage of annual OPEB cost contributed	54.77%	60.52%	55.74%

The Employer's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

#### Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2017	\$ 206,087	\$ 112,872	54.77%	\$ 614,784
9/30/2016	\$ 207,991	\$ 125,884	60.52%	\$ 521,559
9/30/2015	\$ 232,431	\$ 129,551	55.74%	\$ 439,452

#### Funding Status and Funding Progress:

The funded status of the City's retiree health care plan, under GASB Statement No. 45 as of September 30, 2017 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio %	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(a/b)	(b-a)	(c)	((b-a)/c)
10/1/2015	\$ -	\$ 2,495,610	0.0%	\$ 2,495,610	\$ 5,304,307	47.0%

## **City of Jasper, Texas**

### Notes to the Financial Statements

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The discount rate used is 4.0%. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### **Actuarial Methods and Assumptions:**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include the techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Methods and Assumptions	
Actuarial valuation date	October 1, 2015
Actuarial cost method	Projected unit credit cost method
Amortization method	Level as a percentage of projected payroll (closed)
Remaining amortization period	24 years
Investment rate of return	4.0%, net of expenses
Payroll growth	N/A
Rate of inflation	2.5% per annum, compounded annually
Health care cost trend rate	4.3% initially, declining to an ultimate rate of 4% for 2099+

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Active Member Marital status – Assumption of marital status for active employees has been incorporated in the acceptance probability for spousal coverage. For active employees, spouses' genders were assumed to be opposite to the members' genders and females were assumed 3 years younger than their spouses. Spouses are required to pay the full cost of coverage.

Mortality – Life expectancies were based on the RP2000 Combined Healthy Male and Female mortality tables.

Health insurance premiums – Health insurance premiums for retirees in effect on the fiscal year ending date were used as the basis for calculating the present value of total benefits to be paid.

Coverage – 100% of employees who elect coverage while in active employment and who are eligible for retiree medical benefits are assumed to elect continued medical coverage in retirement.

#### **D. Federal and State Awards**

Federal and state grant funds are considered to be earned to the extent of expenditures made per the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

## **City of Jasper, Texas**

### Notes to the Financial Statements

The City has received several federal and state grant awards. These awards are subject to financial and compliance audits by the grantors or their representatives and regulatory authorities. The purpose of the audits is to ensure compliance with conditions relating to the granting of funds and other reimbursement regulations. The City's management believes that any liability for reimbursement which may arise as the result of these audits would not be material to the financial position of the City.

#### **E. Energy and Power Purchase Commitments**

The City entered into a contract with the Sam Rayburn Municipal Power Agency (Agency) on May 1, 1981, which was amended and restated on July 1, 2002, for the purchases of power and energy. The contract became effective upon the delivery to the Agency of the proceeds from the sale of the initial series of bonds. The contract will remain in force until all the bonds shall have been paid or provision for such payment shall have been made therefore pursuant to the indenture, i.e., all contractual obligations entered into by the Agency for the generation, purchase, transmission or transformation of power and energy have been terminated and provision has been made for the payment of any residual costs thereof and thereafter as permitted by law until the expiration of three years after notice of termination of the contract shall have been given by either the Agency or the City to the other party hereon, but in no event shall the term expire before December 31, 2020.

Under the terms of the contract, the Agency shall sell and deliver to the City and the City shall purchase and take from the Agency all power and energy required by the City for the operation of its electrical system provided, however, that the maximum amount of Power and Energy required to be sold and delivered by the Agency, and purchased and taken by the City hereunder shall not exceed the owned or contracted power supply resources available to the Agency and shall not include off-system sales by the City. The Agency, as part of its Annual System Budget, will provide the City with its projection for the monthly usage of Power and Energy over the succeeding Contract Year. Whenever the City anticipates a significant change in monthly Power and Energy usage versus the Agency's projections, the City shall notify the Agency prior to the event triggering this change in order for the Agency to assess power supply resources and budgetary impacts. The Agency shall use its best efforts to acquire by purchase or otherwise, and to deliver or cause to be delivered to the Points of Delivery, Power and Energy in the manner determined by the Agency to be the most economical, dependable and otherwise feasible.

#### **F. Operating Leases**

The City leased the building at 210 Premier Dr. in Jasper from McWhorter Properties under an operating lease agreement and in turn sublet the building to the Deep East Texas Council of Governments. Rent income and rent expense for the year ended September 30, 2017 was \$170,858 and \$170,858, respectively.

#### **G. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases workers' compensation insurance coverage from Deep East Texas Self Insurance Fund, a public entity risk pool, which is self-sustaining through member premiums. The Fund reinsures through commercial companies for claims in excess of \$1,100,000. The City pays an annual premium to the Fund for its workers' compensation insurance coverage. By participating in the pool, the City is not responsible for its own paid claims; consequently, risks associated with workers' compensation are passed to the pool. However, members would be contingently liable for their share of liabilities in the event that the assets of the Fund were exhausted. Settled claims did not exceed the coverage during each of the past three fiscal years and there has not been any reduction in insurance coverages.

## **City of Jasper, Texas**

### Notes to the Financial Statements

The City maintains insurance coverage covering liability and property risks of loss with Texas Municipal League Intergovernmental Risk Pool, a self-insurance pool created by its members to provide various coverages to participating members. Excess insurance is purchased to provide additional financial stability to the Pool. Catastrophic losses that exceed the Pool's self-insured retention are secured by excess insurance. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed the coverage during each of the past three fiscal years and there has not been any reduction in insurance coverages.

#### **H. Pending Litigation**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

#### **I. Commitments**

The Jasper Economic Development Corporation has an active construction project as of September 30, 2017 with an outstanding commitment totaling \$223,132 for the construction and improvement of the Jasper Welcome Center.

## **Required Supplementary Information**

## City of Jasper, Texas

Schedule of Revenues, Expenditures, and Changes

in Fund Balance – Budget and Actual

General Fund

For the Fiscal Year Ended September 30, 2017

	Budget			Variance	
	Original	Final	Actual	Positive	(Negative)
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 682,976	\$ 769,199	\$ 769,199	\$ -	-
Franchise taxes	190,000	153,859	153,859	-	-
Sales taxes	2,054,000	2,042,542	2,042,542	-	-
Motel occupancy	273,398	303,087	303,087	-	-
Mixed beverage	7,500	7,649	7,649	-	-
Licenses and permits	35,000	33,512	33,512	-	-
Intergovernmental:					
CLEOSE grant	-	3,721	3,721	-	-
Tobacco grant - police department	2,100	2,625	2,625	-	-
DARE	25,000	25,000	25,000	-	-
CDBG	-	55,749	55,749	-	-
Municipal court technology	-	8,446	8,446	-	-
Other grants and contributions	55,500	300,178	300,178	-	-
Charges for services:					
Sanitation collection fees	1,282,800	1,308,191	1,308,191	-	-
Landfill transfer fee	61,500	64,040	64,040	-	-
Animal shelter	-	2,065	2,065	-	-
Fines and forfeitures	466,011	420,092	420,092	-	-
Rents and royalties	207,379	192,539	192,539	-	-
Investment earnings	4,000	14,964	14,964	-	-
Capital contributions from JEDCO	-	51,595	51,595	-	-
Other revenues	21,100	37,123	37,123	-	-
Total revenues	<u>5,368,264</u>	<u>5,796,176</u>	<u>5,796,176</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>					
General government:					
Legislative	632,525	692,965	692,965	-	-
Administrative	137,639	136,056	136,056	-	-
Human resources	114,880	111,929	111,929	-	-
City secretary	48,737	46,945	46,945	-	-
Total general government	<u>933,781</u>	<u>987,895</u>	<u>987,895</u>	<u>-</u>	<u>-</u>
Finance:					
Budget and finance	300,273	308,485	308,485	-	-
Total finance	<u>300,273</u>	<u>308,485</u>	<u>308,485</u>	<u>-</u>	<u>-</u>
Intergovernmental services:					
Municipal shop	304,629	294,218	294,218	-	-
Custodial services	104,067	101,863	101,863	-	-
Total intergovernmental services	<u>408,696</u>	<u>396,081</u>	<u>396,081</u>	<u>-</u>	<u>-</u>
Community services:					
Library	350,176	305,908	305,908	-	-
Solid waste	839,051	836,129	836,129	-	-
Parks	66,200	33,272	33,272	-	-
Community services	281,398	271,571	271,571	-	-
Animal shelter	99,944	107,985	107,985	-	-
Total community services	<u>1,636,769</u>	<u>1,554,865</u>	<u>1,554,865</u>	<u>-</u>	<u>-</u>

The Notes to Required Supplementary Information are an integral part of this schedule.

## City of Jasper, Texas

Schedule of Revenues, Expenditures, and Changes  
in Fund Balance – Budget and Actual - Continued  
General Fund  
For the Fiscal Year Ended September 30, 2017

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
Community development:				
Streets and drainage	578,606	703,948	703,948	-
Total community development	578,606	703,948	703,948	-
Public safety:				
Police	2,320,769	2,322,714	2,322,714	-
Municipal court	399,614	317,756	317,756	-
Fire	157,900	200,827	200,827	-
Total public safety	2,878,283	2,841,297	2,841,297	-
Capital outlay:				
Governmental activities	-	181,899	181,899	-
Total capital outlay	-	181,899	181,899	-
Total expenditures	6,736,408	6,974,470	6,974,470	-
Excess (deficiency) of revenues over expenditures	(1,368,144)	(1,178,294)	(1,178,294)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	67,500	67,500	-
Proceeds from insurance	-	28,386	28,386	-
Transfers in (out)	1,401,810	1,454,728	1,454,728	-
Total other financing sources (uses)	1,401,810	1,550,614	1,550,614	-
Net change in fund balance	33,666	372,320	372,320	-
Fund balance, beginning of year	3,438,515	3,438,515	3,438,515	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 3,472,181</b>	<b>\$ 3,810,835</b>	<b>\$ 3,810,835</b>	<b>\$ -</b>

## **City of Jasper, Texas**

### Schedule of Funding Progress

#### Other Postemployment Benefits – Retiree Health Plan

Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2009	\$ -	\$ 2,699,455	\$ 2,699,455	0%	\$ 4,938,995	54.7%
10/1/2012	-	2,495,610	2,495,610	0%	4,952,492	50.4%
10/1/2015	-	2,495,610	2,495,610	0%	5,304,307	47.0%

The Notes to Required Supplementary Information are an integral part of this schedule.

## **City of Jasper, Texas**

Schedule of Changes in Net Pension Liability  
and Related Ratios -  
Texas Municipal Retirement System  
Last Three Fiscal Years\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 622,813	\$ 588,614	\$ 527,036
Interest	1,585,624	1,558,567	1,496,058
Differences between expected and actual experience	(69,536)	(339,348)	150,354
Changes of assumptions	-	665,404	-
Benefit payments, including refunds of employee contributions	(1,243,527)	(1,286,185)	(1,336,328)
Net change in total pension liability	895,374	1,187,052	837,120
Total pension liability - beginning	23,801,076	22,614,024	21,776,904
<b>TOTAL PENSION LIABILITY - ENDING (a)</b>	<u>\$ 24,696,450</u>	<u>\$ 23,801,076</u>	<u>\$ 22,614,024</u>
<b>PLAN FIDUCIARY NET POSITION</b>			
Contributions - employer	\$ 447,224	\$ 449,296	\$ 444,943
Contributions - employee	350,176	348,292	346,452
Net investment income	1,417,236	31,669	1,191,798
Benefits payments, including refunds of employee contributions	(1,243,527)	(1,286,185)	(1,336,328)
Administrative expense	(16,023)	(19,297)	(12,445)
Other	(863)	(954)	(1,023)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	954,223	(477,179)	633,397
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	20,993,706	21,470,885	20,837,488
<b>PLAN FIDUCIARY NET POSITION - ENDING (b)</b>	<u>\$ 21,947,929</u>	<u>\$ 20,993,706</u>	<u>\$ 21,470,885</u>
<b>NET PENSION LIABILITY - ENDING (a)-(b)</b>	<u>\$ 2,748,521</u>	<u>\$ 2,807,370</u>	<u>\$ 1,143,139</u>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY</b>	88.87%	88.20%	94.94%
<b>COVERED PAYROLL</b>	\$ 5,002,511	\$ 4,975,602	\$ 4,949,317
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	54.94%	56.42%	23.10%

\*The amounts presented for the fiscal year were determined as of the Plan's fiscal year end December 31.

GASB 68 requires 10 fiscal years of data to be provided in this schedule. Until a full 10-year trend is complied, the City will present information for those years for which information is available.

## **City of Jasper, Texas**

Schedule of City Contributions -  
Texas Municipal Retirement System  
Last Three Fiscal Years \*

	2017	2016	2015
Actuarially determined contribution	\$ 499,517	\$ 443,977	\$ 445,462
Contributions in relation to the actuarially determined contribution	(499,517)	(443,977)	(445,462)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,304,307	\$ 4,952,492	\$ 4,938,995
Contributions as a percentage of covered payroll	9.42%	8.96%	9.02%

\*The amounts presented for the fiscal year were determined as of the City's fiscal year end September 30.

GASB 68 requires 10 fiscal years of data to be provided in this schedule. Until a full 10-year trend is complied, the City will present information for those years for which information is available.

## **City of Jasper, Texas**

### Notes to Required Supplementary Information

#### **Note 1. Budget**

##### **A. Budgetary Information**

The City follows these procedures (as outlined in the City Charter, Sections 9.02 through 9.15) in establishing the budgetary data reflected in the financial statements:

1. Between 60 and 90 days prior to the end of each fiscal year, the City Manager submits to the Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held to obtain citizen comments.
3. Prior to September 15, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to allocate contingent appropriations which must be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, debt service fund, and the proprietary funds.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for the proprietary funds.

City management can amend the approved budget within the scope or available monies within the various funds. Unrestricted appropriations are budgeted in each fund to cover over expenditures in original appropriations with the City Council's approval. Under the City Charter, total expenditures cannot exceed total appropriations for any fund. Appropriations which are not expended at the end of the year must be rejustified and rebudgeted in the succeeding year.

#### **Note 2. OPEB**

Actuarial Assumptions – The Required Supplementary Schedules for Other Postemployment Benefits on the previous pages were prepared using the actuarial valuations for determining the actuarially determined contributions rates as of October 1, 2016. The only change in the actuarial methods and assumptions was a decrease in the remaining amortization period from 30 years to 24 years.

## **City of Jasper, Texas**

### Notes to Required Supplementary Information

#### **Note 3. Pension**

##### **TMRS**

The Schedule of Changes in the City's Net Pension Liability and Related Ratios shows the changes in total pension liability less the changes in fiduciary net position, resulting in the net pension liability calculation for the City for the Plan's fiscal year-end December 31. Note that this is a 10-year schedule, to be created by the City prospectively, over the next 10-year period. This schedule is provided by the actuary, GRS, for the current period.

The Schedule of Employer Contributions shows the City's required annual contributions from the actuarial valuation, compared with the actual contributions remitted. This schedule is based on the City's respective fiscal year-end, and is created by the City, and built prospectively over the next 10-year period. The methods and assumptions used to determine the contribution rates and information about benefit changes during the year are as follows:

#### ***Actuarial Assumptions***

##### **Valuation date**

Notes	Actuarially determined contribution rates are calculated as of December 31, 2016 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% off corridor
Inflation	2.50%
Salary increases	3.50% to 10.5%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

##### **Other information**

Notes	There were no benefit changes during the year
-------	---

## **Supplementary Information**

## **City of Jasper, Texas**

Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
Debt Service Fund  
For the Fiscal Year Ended September 30, 2017

	<b>Budget</b>			<b>Variance Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Property taxes	\$ 322,558	\$ 373,717	\$ 373,717	\$ -
Sales taxes	1,000,000	1,018,957	1,018,957	-
Investment earnings	1,600	906	906	-
Total revenues	<u>1,324,158</u>	<u>1,393,580</u>	<u>1,393,580</u>	<u>-</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	855,000	2,345,000	2,345,000	-
Interest and fees	193,960	157,790	157,790	-
Total expenditures	<u>1,048,960</u>	<u>2,502,790</u>	<u>2,502,790</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>275,198</u>	<u>(1,109,210)</u>	<u>(1,109,210)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	-	29,680	29,680	-
Total other financing sources (uses)	<u>-</u>	<u>29,680</u>	<u>29,680</u>	<u>-</u>
Net change in fund balance	<u>275,198</u>	<u>(1,079,530)</u>	<u>(1,079,530)</u>	<u>-</u>
Fund balance, beginning of year	<u>2,161,055</u>	<u>2,161,055</u>	<u>2,161,055</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 2,436,253</b>	<b>\$ 1,081,525</b>	<b>\$ 1,081,525</b>	<b>\$ -</b>

**City of Jasper, Texas**  
**Schedule of Operating Expenses**  
**by Department - Enterprise Funds**  
**For the Fiscal Year Ended September 30, 2017**

	Water and Sewer Fund		Light and Power Fund		<b>Total</b>
	Water Utility	Sewer Utility	Light and Power Utility		
Water production:					
Personnel expenses	\$ 190,546	\$ -	\$ -	\$ 190,546	
Maintenance and supplies	49,189	-	-	49,189	
Contracted services	165,421	-	-	165,421	
Other sundry expenses	3,474	-	-	3,474	
Total water production	<b>408,630</b>	<b>-</b>	<b>-</b>	<b>408,630</b>	
Water distribution:					
Personnel expenses	376,470	-	-	376,470	
Maintenance and supplies	49,650	-	-	49,650	
Contracted services	6,945	-	-	6,945	
Other sundry expenses	4,905	-	-	4,905	
Total water distribution	<b>437,970</b>	<b>-</b>	<b>-</b>	<b>437,970</b>	
Sewer collection:					
Personnel expenses	-	281,168	-	281,168	
Maintenance and supplies	-	92,642	-	92,642	
Contracted services	-	46,926	-	46,926	
Other sundry expenses	-	4,808	-	4,808	
Total sewer collection	<b>-</b>	<b>425,544</b>	<b>-</b>	<b>425,544</b>	
Sewer treatment:					
Personnel expenses	-	329,788	-	329,788	
Maintenance and supplies	-	56,620	-	56,620	
Contracted services	-	229,609	-	229,609	
Other sundry expenses	-	3,026	-	3,026	
Total sewer treatment	<b>-</b>	<b>619,043</b>	<b>-</b>	<b>619,043</b>	
Public works:					
Personnel expenses	272,526	-	-	272,526	
Maintenance and supplies	4,148	-	-	4,148	
Contracted services	7,859	-	-	7,859	
Other sundry expenses	3,814	-	-	3,814	
Total public works	<b>288,347</b>	<b>-</b>	<b>-</b>	<b>288,347</b>	
Power production:					
Purchased power	-	-	9,696,245	9,696,245	
Personnel expenses	-	-	875,237	875,237	
Maintenance and supplies	-	-	70,890	70,890	
Contracted services	-	-	18,358	18,358	
Other sundry expenses	-	-	9,424	9,424	
Total power production	<b>-</b>	<b>-</b>	<b>10,670,154</b>	<b>10,670,154</b>	
Right of way:					
Personnel expenses	-	-	354,034	354,034	
Maintenance and supplies	-	-	38,243	38,243	
Contracted services	-	-	2,586	2,586	
Other sundry expenses	-	-	245	245	
Total right of way	<b>-</b>	<b>-</b>	<b>395,108</b>	<b>395,108</b>	
Inspection:					
Personnel expenses	-	-	191,322	191,322	
Maintenance and supplies	-	-	8,997	8,997	
Contracted services	-	-	4,962	4,962	
Other sundry expenses	-	-	13,529	13,529	
Total inspection	<b>-</b>	<b>-</b>	<b>218,810</b>	<b>218,810</b>	
Customer service:					
Personnel expenses	-	-	359,793	359,793	
Maintenance and supplies	-	-	40,586	40,586	
Contracted services	-	-	103,224	103,224	
Other sundry expenses	-	-	14,237	14,237	
Total customer service	<b>-</b>	<b>-</b>	<b>517,840</b>	<b>517,840</b>	
Nondepartmental:					
Grants expense	-	-	-	-	
Depreciation	586,482	586,481	500,453	1,673,416	
Total nondepartmental expenses	<b>586,482</b>	<b>586,481</b>	<b>500,453</b>	<b>1,673,416</b>	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,721,429</b>	<b>\$ 1,631,068</b>	<b>\$ 12,302,365</b>	<b>\$ 15,654,862</b>	

## **City of Jasper, Texas**

Statement of Net Position - Component Unit  
Jasper Economic Development Corporation  
September 30, 2017

	<b>Component Unit</b>
	<b>JEDCO</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,687,378
Receivables (net):	
Sales tax	177,339
Accrued interest receivable	1,723
Notes receivable	470,143
Capital assets:	
Land	110,393
Construction in progress	508,763
Industrial park	3,202,753
Signs	18,852
Office equipment	7,807
Accumulated depreciation	<u>(903,316)</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,281,835</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 65,480
Accrued liabilities	4,692
Due to primary government	144,065
Accrued compensated absences - current	6,893
Total Liabilities	<u>221,130</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,945,252
Unrestricted	<u>4,115,453</u>
Total Net Position	<u>7,060,705</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 7,281,835</u>

## **City of Jasper, Texas**

Statement of Revenues, Expenses, and Changes  
in Net Position - Component Unit  
Jasper Economic Development Corporation  
For the Fiscal Year Ended September 30, 2017

	<b>Component Unit</b>
	<b>JEDCO</b>
<b>OPERATING REVENUES</b>	
Taxes:	
Sales taxes	\$ 1,018,957
Other taxes	13,926
Other revenues	244,651
Total revenues	<u>1,277,534</u>
<b>OPERATING EXPENSES</b>	
Economic development:	
Administration	333,278
Industry development	190,802
Contributions to City	51,595
Marketing and promotion	1,764
Depreciation	65,776
Total expenses	<u>643,215</u>
Operating income	<u>634,319</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment earnings	<u>18,516</u>
Total nonoperating revenues (expenses)	<u>18,516</u>
Change in net position	652,835
Net position - beginning	<u>6,407,870</u>
<b>NET POSITION - ENDING</b>	<u>\$ 7,060,705</u>

**This Page Intentionally Left Blank**

## **Overall Compliance and Internal Control Section**

**This Page Intentionally Left Blank**



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor  
and Members of the City Council of the  
City of Jasper, Texas  
465 South Main  
Jasper, Texas 75951

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of the City of Jasper, Texas (the City) 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, and have issued our report thereon dated March 19, 2018.

***Internal Control over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable Mayor  
and Members of the City Council of the  
City of Jasper, Texas

***Compliance and Other Matters***

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

**Purpose of this Report**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
March 19, 2018

## **City of Jasper, Texas**

Schedule of Findings and Responses  
Year Ended September 30, 2017

### **Section 1. Summary of Auditor's Results**

#### **Financial Statements**

- |  |               |
|--|---------------|
| 1. Type of auditor's report issued   | Unmodified    |
| 2. Internal control over financial reporting:  |               |
| a. Material weakness(es) identified?   | No            |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to the financial statements noted?                                 | No            |

### **Section 2. Findings Related to Financial Statements**

#### **1. Findings Related to Internal Control over Financial Reporting**

None reported

#### **2. Findings Related to Compliance with Laws and Regulations**

None reported

**City of Jasper, Texas**  
Summary Schedule of Prior Audit Findings  
Year Ended September 30, 2017

**Prior Year Findings**

None reported

**City of Jasper, Texas**  
Corrective Action Plan  
Year Ended September 30, 2017

**Current Year Findings**

None reported