

City of Jasper, Texas

Annual Financial Report

For the Fiscal Year Ended September 30, 2020

City of Jasper, Texas
 Annual Financial Report
 For the Fiscal Year Ended September 30, 2020
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Introductory Section

City of Jasper, Texas
Principal City Officials
September 30, 2020

Gary Gatlin.....Mayor
Anderson M. Land Jr..... Council Member, District 1
Tommy Schofield..... Council Member, District 2
DeMarcus J. Holmes..... Council Member, District 3
David Shultz..... Council Member, District 4
Laura Golden.....Mayor Pro-Tem/Council Member, District 5
Denise Kelley..... City Manager/Director of Budget and Finance
Karen Pumphrey..... City Secretary
Robbie Peek..... Finance Assistant/Co-City Secretary

Financial Section

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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 City of Jasper, Texas (the City), as of and for the fiscal year ended September 30, 2020, 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

The City's 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, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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 the 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 February 5, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
February 5, 2021

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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, 2020. 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 \$78,025,383 (net position). Of this amount, \$36,152,808 (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 \$8,044,891 from current activities. This is due to an increase in governmental activities of \$7,247,278 and an increase in business-type activities of \$797,613.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,412,398, an increase of \$1,301,580 in current operations.
- At the end of the current fiscal year, unassigned fund balance for the Capital Projects Fund was a deficit of \$415,176 mainly due to construction expenditures to be funded in the following year with transfers from the Utility Fund and JEDCO.
- The City's total long-term liabilities decreased by \$2,325,491 during the fiscal year mainly due to the decrease in net pension liability.

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 cash flows*. 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, incentive contributions to Jasper United and interest and fees on debt. The business-type activities of the City include utility fund 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 on *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 utility fund services. 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.

Required and Supplementary 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.

The financial statements for the Jasper Economic Development Corporation referred to earlier are presented in supplementary information as noted in the table of contents.

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 \$78,025,383 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	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 11,565,463	\$ 7,867,286	\$ 39,490,606	\$ 37,713,727	\$ 51,056,069	\$ 45,581,013
Capital assets	18,041,285	14,730,571	19,090,509	19,472,155	37,131,794	34,202,726
Total assets	29,606,748	22,597,857	58,581,115	57,185,882	88,187,863	79,783,739
Total deferred outflows of resources	603,077	1,081,709	470,863	842,187	1,073,940	1,923,896
Long-term liabilities outstanding	4,242,232	5,787,701	2,469,431	3,249,453	6,711,663	9,037,154
Other liabilities	1,166,771	1,008,914	2,087,093	1,604,896	3,253,864	2,613,810
Total liabilities	5,409,003	6,796,615	4,556,524	4,854,349	9,965,527	11,650,964
Total deferred inflows of resources	713,336	42,743	557,557	33,436	1,270,893	76,179
Net position:						
Net investment in capital assets	16,936,544	13,112,607	19,090,509	19,472,155	36,027,053	32,584,762
Restricted	5,845,522	2,145,427	-	-	5,845,522	2,145,427
Unrestricted	1,305,420	1,582,174	34,847,388	33,668,129	36,152,808	35,250,303
Total net position	\$ 24,087,486	\$ 16,840,208	\$ 53,937,897	\$ 53,140,284	\$ 78,025,383	\$ 69,980,492

The City's total assets of \$88,187,863 are largely comprised of capital assets, net of accumulated depreciation of \$37,131,794, or 42%. GASB Statement No. 34 requires that all capital assets, including infrastructure, be reported in the government-wide statements.

Long-term liabilities of \$6,711,663 comprise the largest portion of the City's total liabilities of \$9,965,527 at 67%. Of total long-term liabilities, \$510,000 is due within one year, with the remainder \$6,201,663 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.

A significant 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 (8%) represents resources that are subject to external restrictions on how they can be used.

The remaining balance of net position (46%) 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, 2020.

City of Jasper, Texas's Change in Net Position. Governmental and business-type activities combined to increase the City's net position by \$8,044,891 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	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 2,106,288	\$ 2,062,513	\$ 23,968,669	\$ 24,786,280	\$ 26,074,957	\$ 26,848,793
Operating grants and contributions	347,870	135,908	3,100	-	350,970	135,908
Capital grants and contributions	1,780,340	343,305	5,039	238,783	1,785,379	582,088
General revenues:						
Taxes	5,341,603	4,887,627	-	-	5,341,603	4,887,627
Proceeds from insurance	72,682	461	22,327	27,778	95,009	28,239
Other revenues	26,709	75,036	-	-	26,709	75,036
Investment earnings	74,047	54,234	361,490	504,752	435,537	558,986
Total revenues	<u>9,749,539</u>	<u>7,559,084</u>	<u>24,360,625</u>	<u>25,557,593</u>	<u>34,110,164</u>	<u>33,116,677</u>
Expenses:						
General government	1,001,153	1,018,070	-	-	1,001,153	1,018,070
Finance	347,325	353,294	-	-	347,325	353,294
Intergovernmental service	515,428	508,384	-	-	515,428	508,384
Community services	2,416,254	2,184,548	-	-	2,416,254	2,184,548
Community development	1,843,085	1,942,672	-	-	1,843,085	1,942,672
Public safety	3,269,507	3,319,327	-	-	3,269,507	3,319,327
Incentive contributions to Jasper United	84,421	-	-	-	84,421	-
Interest and fees on debt	26,530	45,325	-	-	26,530	45,325
Utility fund	-	-	16,561,570	15,958,103	16,561,570	15,958,103
Total expenses	<u>9,503,703</u>	<u>9,371,620</u>	<u>16,561,570</u>	<u>15,958,103</u>	<u>26,065,273</u>	<u>25,329,723</u>
Increase (decrease) in net position before transfers	245,836	(1,812,536)	7,799,055	9,599,490	8,044,891	7,786,954
Transfers	<u>7,001,442</u>	<u>5,101,868</u>	<u>(7,001,442)</u>	<u>(5,101,868)</u>	-	-
Change in net position	<u>7,247,278</u>	<u>3,289,332</u>	<u>797,613</u>	<u>4,497,622</u>	<u>8,044,891</u>	<u>7,786,954</u>
Net position - beginning	<u>16,840,208</u>	<u>13,550,876</u>	<u>53,140,284</u>	<u>48,642,662</u>	<u>69,980,492</u>	<u>62,193,538</u>
Net position - ending	<u>\$ 24,087,486</u>	<u>\$ 16,840,208</u>	<u>\$ 53,937,897</u>	<u>\$ 53,140,284</u>	<u>\$ 78,025,383</u>	<u>\$ 69,980,492</u>

Governmental Activities. The City's total revenues were \$9,749,539 from all governmental activities. A significant portion, \$5,341,603 or 55%, of the City's revenue comes from taxes. Charges for services revenue accounts for \$2,106,288, or 22%, of total revenue for governmental activities. Grants and contributions (operating and capital) revenue accounts for \$2,128,210, or 22% of total revenue for governmental activities. The significant increase in grants and contributions was the result of JEDCO's contribution for the Main Street project.

The total cost of all governmental programs and services was \$9,503,703. The public safety function accounted for \$3,269,507, or 34% of this total. The community services function accounted for \$2,416,254, or 25% of total expenditures. The community development function accounted for \$1,843,085, or 19% of total expenditures. There were no significant changes in expenses in the current year.

Changes in net position increased \$7,247,278 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 \$797,613. 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 \$23,968,669 are utilized to provide funds for program expenses of \$16,561,570.

The most significant increase affecting net position for business-type activities is an increase in charges for services resulting from an increase 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 \$7,412,398, which is an increase of \$1,301,580 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 \$4,680,945. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 47% of total General Fund expenditures. The fund balance of the City's general fund increased by \$550,453 during the current year from current operations. For the most part, transfers from the utility 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 \$2,210,018 all of which is restricted for the payment of debt service. The fund balance of the debt service fund increased by \$1,033,029 from current operations. The increase in fund balance was primarily the result of a decrease in debt payments.

The capital projects fund has a deficit fund balance of \$415,176. The deficit will be funded by transfers from the enterprise funds and contributions from JEDCO.

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

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 and Long-Term Liabilities

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020 amounts to \$37,131,794 (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	
	2020	2019	2020	2019	2020	2019
Land and improvements	\$ 775,888	\$ 775,888	\$ 123,132	\$ 123,132	\$ 899,020	\$ 899,020
Construction in progress	171,266	3,636,635	72,850	895,459	244,116	4,532,094
Buildings and improvements	1,092,346	1,130,899	184,414	198,939	1,276,760	1,329,838
Improvements other than buildings	5,150,737	953,495	-	-	5,150,737	953,495
Utility systems	-	-	17,359,337	17,159,285	17,359,337	17,159,285
Machinery and equipment	2,626,938	3,066,172	1,350,776	1,095,340	3,977,714	4,161,512
Infrastructure	8,224,110	5,167,482	-	-	8,224,110	5,167,482
Total	\$ 18,041,285	\$ 14,730,571	\$ 19,090,509	\$ 19,472,155	\$ 37,131,794	\$ 34,202,726

Major capital asset projects during the year included the following:

- Water and sewer system improvements
- Light and Power system improvements
- Park improvements
- 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.

Construction commitments. At the end of the current fiscal year, the City's commitments with construction contractors for capital expenditures totaled \$93,733. JEDCO committed to pay one-half of the City's commitment for construction.

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	
	2020	2019	2020	2019	2020	2019
Certificates of obligation	\$ 1,104,741	\$ 1,617,964	\$ -	\$ -	\$ 1,104,741	\$ 1,617,964
Compensated absences	494,229	486,988	417,681	386,308	911,910	873,296
Net pension liability	615,773	1,832,334	483,821	1,439,692	1,099,594	3,272,026
OPEB liability	2,027,489	1,850,415	1,567,929	1,423,453	3,595,418	3,273,868
Total	\$ 4,242,232	\$ 5,787,701	\$ 2,469,431	\$ 3,249,453	\$ 6,711,663	\$ 9,037,154

The City's certificates of obligation decreased \$513,223 during the current year. The key factor is debt payments.

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.B. 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. The City appoints a majority of this organization's governing body and is able to impose its will on JEDCO and the City has a financial benefit/burden with JEDCO.

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

Economic Factors and Next Year's Budget and Rates

- The total tax rate will be \$.3579 per \$100 valuation in fiscal year 2020-2021 (\$.2554 for maintenance and operations and \$.1025 for interest and sinking).
- The unemployment rate for Jasper County, according to Texas Workforce statistics, is 12.6%, an increase of 7.1% from last year's rate of 5.5%. The state unemployment rate, as recorded by the Bureau of Labor Statistics is 8.1%.
- The state sales tax receipts for the current fiscal year totaled \$3,593,101, an increase of \$335,323 or 10% from the previous year indicating a stable retail economy.

All of these factors were considered in preparing the City of Jasper's budget for 2020-2021 fiscal year.

The City is estimating revenues of \$7,485,697 and appropriated expenditures of \$7,506,583 in the 2020-2021 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.

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Basic Financial Statements

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City of Jasper, Texas
Statement of Net Position
September 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	JEDCO
ASSETS				
Cash and cash equivalents	\$ 5,798,411	\$ 34,798,124	\$ 40,596,535	\$ 2,356,890
Receivables (net):				
Property taxes	237,403	-	237,403	-
Sales, franchise, and other taxes	698,743	-	698,743	213,941
Accounts	189,311	2,217,877	2,407,188	-
Court fines	46,484	-	46,484	-
Intergovernmental	43,525	-	43,525	-
Other	89,120	67,277	156,397	3,500
Due from component unit	1,203,491	-	1,203,491	-
Internal balances	(383,277)	383,277	-	-
Inventories	49,153	387,867	437,020	-
Prepaid items	45,831	-	45,831	-
Restricted cash:				
Cash - construction	-	1,104,375	1,104,375	-
Cash - hotel/motel tax	361,268	-	361,268	-
Cash - courts	475,382	-	475,382	-
Cash - grants	4,977	-	4,977	-
Cash - meter deposits	-	531,809	531,809	-
Equity interest ownership - Jasper United	2,705,641	-	2,705,641	1,159,560
Land held for resale	-	-	-	711,332
Capital assets not being depreciated:				
Land and improvements	775,888	123,132	899,020	159,823
Construction in progress	171,266	72,850	244,116	-
Capital assets being depreciated:				
Buildings and improvements	2,542,697	606,910	3,149,607	1,209,302
Improvements other than buildings	9,393,578	-	9,393,578	-
Utility system	-	45,376,727	45,376,727	-
Machinery and equipment	11,426,482	5,682,289	17,108,771	-
Infrastructure	18,360,971	-	18,360,971	-
Industrial park	-	-	-	3,202,753
Signs	-	-	-	18,852
Office equipment	-	-	-	55,181
Accumulated depreciation	(24,629,597)	(32,771,399)	(57,400,996)	(1,155,344)
Total assets	29,606,748	58,581,115	88,187,863	7,935,790
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow for pension contributions after the measurement date	237,987	186,989	424,976	-
Deferred outflows from OPEB activities	363,435	282,724	646,159	-
Deferred outflows for OPEB contributions after the measurement date	1,655	1,150	2,805	-
Total deferred outflows of resources	603,077	470,863	1,073,940	-
LIABILITIES				
Accounts payable	876,936	1,646,242	2,523,178	19,500
Escrow liability - seizure funds	54,263	-	54,263	-
Accrued liabilities	51,557	41,846	93,403	1,890
Accrued interest payable	3,234	-	3,234	-
Due to primary government	-	-	-	1,203,491
Due to Jasper United	180,781	-	180,781	77,478
Payable from restricted assets:				
Customer meter deposits	-	399,005	399,005	-
Noncurrent liabilities:				
Due within one year	330,000	180,000	510,000	15,633
Due in more than one year	1,268,970	237,681	1,506,651	-
Net pension liability - long-term	615,773	483,821	1,099,594	-
OPEB liability - long term	2,027,489	1,567,929	3,595,418	-
Total liabilities	5,409,003	4,556,524	9,965,527	1,317,992
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activities	525,016	412,513	937,529	-
Deferred inflows for OPEB	188,320	145,044	333,364	-
Total deferred inflows of resources	713,336	557,557	1,270,893	-
NET POSITION				
Net investment in capital assets	16,936,544	19,090,509	36,027,053	3,490,567
Restricted for:				
Debt services	2,298,254	-	2,298,254	-
Equity interest ownership - Jasper United	2,705,641	-	2,705,641	1,159,560
Hotel/motel tax	361,268	-	361,268	-
Courts	475,382	-	475,382	-
Grants and contributions	4,977	-	4,977	-
Unrestricted	1,305,420	34,847,388	36,152,808	1,967,671
TOTAL NET POSITION	\$ 24,087,486	\$ 53,937,897	\$ 78,025,383	\$ 6,617,798

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, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 1,001,153	\$ 45,025	\$ -	\$ -
Finance	347,325	-	-	-
Intergovernmental services	515,428	-	-	-
Community services	2,416,254	1,614,047	26,627	-
Community development	1,843,085	209,446	185,736	1,780,340
Public safety	3,269,507	237,770	135,507	-
Incentive contributions to Jasper United	84,421	-	-	-
Interest and fees on debt	26,530	-	-	-
Total governmental activities	9,503,703	2,106,288	347,870	1,780,340
Business-type activities:				
Utility fund	16,561,570	23,968,669	3,100	5,039
Total business-type activities	16,561,570	23,968,669	3,100	5,039
TOTAL PRIMARY GOVERNMENT	\$ 26,065,273	\$ 26,074,957	\$ 350,970	\$ 1,785,379
COMPONENT UNIT:				
Jasper Economic Development Corp.	\$ 1,948,319	\$ 42,000	\$ -	\$ -
General revenues:				
Property taxes				
Franchise taxes				
Sales taxes				
Other taxes				
Proceeds from insurance				
Other revenues				
Unrestricted investment earnings				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning				
NET POSITION - ENDING				

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-type Activities	Total	JEDCO
\$ (956,128)	\$ -	\$ (956,128)	\$ -
(347,325)	-	(347,325)	-
(515,428)	-	(515,428)	-
(775,580)	-	(775,580)	-
332,437	-	332,437	-
(2,896,230)	-	(2,896,230)	-
(84,421)	-	(84,421)	-
(26,530)	-	(26,530)	-
(5,269,205)	-	(5,269,205)	-
-	7,415,238	7,415,238	-
-	7,415,238	7,415,238	-
(5,269,205)	7,415,238	2,146,033	-
			(1,906,319)
1,307,048	-	1,307,048	-
132,618	-	132,618	-
3,593,101	-	3,593,101	1,191,810
308,836	-	308,836	-
72,682	22,327	95,009	-
26,709	-	26,709	-
74,047	361,490	435,537	24,938
7,001,442	(7,001,442)	-	-
12,516,483	(6,617,625)	5,898,858	1,216,748
7,247,278	797,613	8,044,891	(689,571)
16,840,208	53,140,284	69,980,492	7,307,369
<u>\$ 24,087,486</u>	<u>\$ 53,937,897</u>	<u>\$ 78,025,383</u>	<u>\$ 6,617,798</u>

City of Jasper, Texas

Balance Sheet - Governmental Funds

September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,725,141	\$ 1,996,845	\$ 76,425	\$ 5,798,411
Receivables (net):				
Property taxes	145,933	91,470	-	237,403
Sales, franchise, and other taxes	484,802	213,941	-	698,743
Accounts	189,311	-	-	189,311
Court fines	46,484	-	-	46,484
Intergovernmental	43,525	-	-	43,525
Other	89,120	-	-	89,120
Due from other funds	768	-	-	768
Due from component unit	1,203,491	-	-	1,203,491
Inventories	49,153	-	-	49,153
Prepaid items	45,831	-	-	45,831
Restricted cash:				
Cash - hotel/motel tax	361,268	-	-	361,268
Cash - courts	475,382	-	-	475,382
Cash - grants	4,977	-	-	4,977
TOTAL ASSETS	\$ 6,865,186	\$ 2,302,256	\$ 76,425	\$ 9,243,867
LIABILITIES				
Accounts payable	\$ 385,335	\$ -	\$ 491,601	\$ 876,936
Escrow liability - seizure funds	54,263	-	-	54,263
Accrued liabilities	51,557	-	-	51,557
Due to other funds	383,277	768	-	384,045
Due to Jasper United	180,781	-	-	180,781
Total liabilities	1,055,213	768	491,601	1,547,582
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	145,933	91,470	-	237,403
Unavailable revenue - court fines	46,484	-	-	46,484
Total deferred inflows of resources	192,417	91,470	-	283,887
FUND BALANCES				
Nonspendable inventories	49,153	-	-	49,153
Nonspendable prepaid items	45,831	-	-	45,831
Restricted - debt	-	2,210,018	-	2,210,018
Restricted - hotel/motel tax	361,268	-	-	361,268
Restricted - courts	475,382	-	-	475,382
Restricted - grants and contributions	4,977	-	-	4,977
Unassigned	4,680,945	-	(415,176)	4,265,769
Total fund balances	5,617,556	2,210,018	(415,176)	7,412,398
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 6,865,186	\$ 2,302,256	\$ 76,425	\$ 9,243,867

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, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 7,412,398

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	\$ 42,670,882	
Accumulated depreciation of governmental capital assets	<u>(24,629,597)</u>	18,041,285

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.	237,403
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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.	46,484
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Investment in joint venture is not considered to represent a financial resource and, therefore is not reported in the funds.	2,705,641
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Long-term liabilities, including certificates of obligation, compensated absences, OPEB, and net pension 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:

Certificates of obligation	\$ (1,065,000)	
Premium on debt issues	(39,741)	
Accrued interest on debt	(3,234)	
Compensated absences	(494,229)	
Net pension liability	(615,773)	
OPEB liability	<u>(2,027,489)</u>	(4,245,466)

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.	237,987
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Deferred inflows of resources 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.	(525,016)
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Deferred outflows of resources for OPEB 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.	365,090
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Deferred inflows of resources for OPEB 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.	<u>(188,320)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 24,087,486

City of Jasper, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds For the Fiscal Year Ended September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Property taxes	\$ 922,307	\$ 374,509	\$ -	\$ 1,296,816
Franchise taxes	132,618	-	-	132,618
Sales taxes	2,401,291	1,191,810	-	3,593,101
Other taxes	308,836	-	-	308,836
Licenses and permits	173,936	-	-	173,936
Intergovernmental	683,874	-	-	683,874
Other grants and contributions	73,028	-	-	73,028
Charges for services	1,608,653	-	-	1,608,653
Fines and forfeitures	242,211	-	-	242,211
Rents and royalties	80,535	-	-	80,535
Investment earnings	66,094	7,759	194	74,047
Capital contributions from JEDCO	1,374,577	-	-	1,374,577
Other revenues	26,709	-	-	26,709
	<u>8,094,669</u>	<u>1,574,078</u>	<u>194</u>	<u>9,668,941</u>
EXPENDITURES				
Current:				
General government	938,188	-	-	938,188
Finance	338,420	-	-	338,420
Intergovernmental services	439,420	-	-	439,420
Community services	1,810,479	-	-	1,810,479
Community development	677,946	-	-	677,946
Public safety	2,987,139	-	-	2,987,139
Incentive contributions to Jasper United	84,421	-	-	84,421
Debt service:				
Principal	-	510,000	-	510,000
Interest and fees	-	31,049	-	31,049
Capital outlay:				
Governmental activities	2,473,756	-	2,921,139	5,394,895
Capital contributions to Jasper United	2,229,528	-	-	2,229,528
	<u>11,979,297</u>	<u>541,049</u>	<u>2,921,139</u>	<u>15,441,485</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,884,628)</u>	<u>1,033,029</u>	<u>(2,920,945)</u>	<u>(5,772,544)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance	72,682	-	-	72,682
Transfers in (out), net	4,362,399	-	2,639,043	7,001,442
	<u>4,435,081</u>	<u>-</u>	<u>2,639,043</u>	<u>7,074,124</u>
Net change in fund balances	550,453	1,033,029	(281,902)	1,301,580
Fund balances, beginning of year	5,067,103	1,176,989	(133,274)	6,110,818
FUND BALANCES, END OF YEAR	<u>\$ 5,617,556</u>	<u>\$ 2,210,018</u>	<u>\$ (415,176)</u>	<u>\$ 7,412,398</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, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		\$ 1,301,580
<p>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.</p>		
		10,232
<p>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.</p>		
		(2,316)
<p>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.</p>		
Capital outlay	\$ 5,394,895	
Depreciation expense	<u>(2,084,181)</u>	3,310,714
<p>Repayment of certificates of obligation principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		510,000
<p>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:</p>		
Accrued interest on bonds payable decreased (increased)	\$ 1,296	
Amortization of bond premium	<u>3,223</u>	4,519
<p>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:</p>		
Compensated absences liability decreased (increased)		(7,241)
<p>The investment in the joint venture results in a use of current resources (an expenditure) in the governmental funds and an asset in the statement of net position.</p>		
		2,229,528
<p>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:</p>		
Deferred outflows increased (decreased)	\$ (700,541)	
Deferred inflows (increased) decreased	(485,241)	
Net pension liability (increased) decreased	<u>1,216,561</u>	30,779
<p>The net change in OPEB 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:</p>		
Deferred outflows increased (decreased)	\$ 221,909	
Deferred inflows (increased) decreased	(185,352)	
OPEB liability (increased) decreased	<u>(177,074)</u>	(140,517)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 7,247,278</u>

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

City of Jasper, Texas
 Statement of Net Position
 Proprietary Funds
 September 30, 2020

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 34,798,124
Restricted cash - construction	1,104,375
Restricted cash - customer meter deposits	531,809
Receivables (net)	
Accounts	2,217,877
Other	67,277
Due from other funds	383,277
Inventories	<u>387,867</u>
Total current assets	39,490,606
Noncurrent assets	
Capital assets	
Land and improvements	123,132
Construction in progress	72,850
Buildings and improvements	606,910
Utility systems	45,376,727
Machinery and equipment	5,682,289
Accumulated depreciation	<u>(32,771,399)</u>
Total noncurrent assets	<u>19,090,509</u>
Total assets	58,581,115
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow for pension contribution after the measurement date	186,989
Deferred outflows from OPEB / TMRS activities	282,724
Deferred outflow for OPEB / TMRS contribution after the measurement date	<u>1,150</u>
Total deferred outflows of resources	470,863
LIABILITIES	
Current liabilities	
Accounts payable	1,646,242
Accrued liabilities	41,846
Customer meter deposits	399,005
Accrued compensated absences - current	<u>180,000</u>
Total current liabilities	2,267,093
Noncurrent liabilities	
Accrued compensated absences - long term	237,681
Net pension liability - long term	483,821
OPEB liability / retiree health - long term	1,375,840
OPEB liability / TMRS - long term	<u>192,089</u>
Total noncurrent liabilities	<u>2,289,431</u>
Total liabilities	4,556,524
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows for pensions	412,513
Deferred inflows for OPEB / retiree health	<u>145,044</u>
Total deferred inflows of resources	557,557
NET POSITION	
Net investment in capital assets	19,090,509
Unrestricted	<u>34,847,388</u>
TOTAL NET POSITION	<u>\$ 53,937,897</u>

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, 2020

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
OPERATING REVENUES	
Electrical services	\$ 11,947,318
Sale of excess electrical power	8,394,509
Water sales	2,062,044
Sewer services	1,494,151
Tapping fees	23,343
Cut-in fees	31,156
Miscellaneous income	16,148
	<hr/>
Total operating revenues	23,968,669
OPERATING EXPENSES	
Water production	392,187
Water distribution	572,363
Sewer collection	547,298
Sewer treatment	688,865
Public works	350,920
Power production	11,016,717
Right of way	505,170
Inspection	230,061
Customer service	447,340
Nondepartmental:	
Depreciation	1,810,649
	<hr/>
Total operating expenses	16,561,570
	<hr/>
Operating income	7,407,099
NONOPERATING REVENUES	
Intergovernmental	3,100
Proceeds from insurance	22,327
Investment earnings	361,490
	<hr/>
Total nonoperating revenues	386,917
	<hr/>
Income before capital contributions and transfers	7,794,016
	<hr/>
Capital contribution - grants	5,039
Transfers in (out), net	(7,001,442)
	<hr/>
Total capital contributions and transfers	(6,996,403)
	<hr/>
Change in net position	797,613
	<hr/>
Net position, beginning of year	53,140,284
	<hr/>
NET POSITION, END OF YEAR	\$ 53,937,897

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

City of Jasper, Texas
 Statement of Cash Flows
 Proprietary Funds
 For the Fiscal Year Ended September 30, 2020

	<u>Enterprise Fund</u> <u>Utility</u> <u>Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received for account services	\$ 23,697,193
Cash payments for operating expenses	(10,491,218)
Cash payments to employees for services	(3,699,094)
	<hr/>
Net cash provided by operating activities	9,506,881
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers, net	(7,001,442)
Intergovernmental	3,100
Insurance proceeds	22,327
	<hr/>
Net cash used for noncapital financing activities	(6,976,015)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Grant contributions	30,790
Purchase of capital assets	(1,429,003)
	<hr/>
Net cash used for capital and related financing activities	(1,398,213)
CASH FLOWS FROM INVESTING ACTIVITIES	
Earnings on investments	361,490
	<hr/>
Net cash provided by investing activities	361,490
Net increase (decrease) in cash and cash equivalents	1,494,143
Cash and cash equivalents, beginning of year, including restricted cash	34,940,165
	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR, INCLUDING RESTRICTED CASH	\$ 36,434,308
	<hr/>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 7,407,099
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation and amortization	1,810,649
(Increase) decrease in receivables	(300,833)
(Increase) decrease in due from other funds	18,726
(Increase) decrease in inventories	25,678
(Increase) decrease in deferred outflows for pensions	550,425
(Increase) decrease in deferred outflows for OPEB	(179,101)
Increase (decrease) in accounts payable	517,564
Increase (decrease) in accrued liabilities	(64,724)
Increase (decrease) in due to other funds	(52,058)
Increase (decrease) in customer meter deposits	29,357
Increase (decrease) in accrued compensated absences	31,373
Increase (decrease) in other postemployment benefits	144,476
Increase (decrease) in net pension liability	(955,871)
Increase (decrease) in deferred inflows for pensions	381,261
Increase (decrease) in deferred inflows for OPEB	142,860
	<hr/>
Total adjustments	2,099,782
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 9,506,881
	<hr/>

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

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 unit. *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, 500 South Wheeler Street, 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 fund. Separate financial statements are provided for governmental funds and the proprietary fund.

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 the enterprise fund, 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 fund:

The *utility fund* accounts for the provision of water, sewer and electricity 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, administration, production, 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 fund) 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.

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.

City of Jasper, Texas

Notes to the Financial Statements

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 120 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 120 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 120 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 fund is 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, cash on deposit (including restricted cash) and certificates of deposit.

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.

3. Land held for resale

Land held for resale consists of acquisition and improvements to real property that is purchased with the intent to sell to private-sector purchasers and currently recorded in the City's discretely presented component unit, JEDCO. The land held for resale is reported at cost. The land held for resale consists of an airport hangar and office buildings at the JEDCO industrial park location.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, 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 land, buildings and improvements, 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.

City of Jasper, Texas

Notes to the Financial Statements

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.

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:	
Building and Improvements	5-50
Improvements other than buildings	3-30
Machinery and equipment	2-50
Infrastructure	3-25
Utility systems	3-50
Component Unit:	
Building and Improvements	35-50
Industrial park	50
Signs	10
Office Equipment	5-20

5. Long-Term Obligations

The government-wide financial statements and proprietary fund type fund financial statements report long-term debt and other long-term obligations as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premiums or discounts.

The fund financial statements report bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources at par. Premiums (discounts) associated with the debt are reported as other financing uses.

6. 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, 2020. Compensated absences are liquidated by the General Fund, the proprietary fund and the component unit JEDCO.

City of Jasper, Texas

Notes to the Financial Statements

7. 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.

Information regarding the City's net pension liability is obtained from TMRS through reports prepared for the City by the TMRS consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

8. Other Post-Employment Benefits

The City offers two OPEB plans, a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF") administered by the Texas Municipal Retirement System (TMRS) and a single-employer defined benefit other post-employment benefits ("OPEB") plan, known as the Retiree Health Plan (the "Plan") administered by the City. Total OPEB liability, deferred outflows of resources and deferred inflows of resources related to total OPEB liability, and total OPEB expense have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms.

Information regarding the City's total OPEB liability for Retiree Health is obtained through reports prepared for the City by a consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Information regarding the City's total OPEB liability for Supplemental Death Benefit Fund (SDBF) is obtained from TMRS through reports prepared for the City by the TMRS consulting actuary, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

9. 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 and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plans, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- City contributions to the pension and OPEB plans after the measurement date are recognized in the subsequent year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes and court fines are recognized in the period the amount becomes available.

City of Jasper, Texas

Notes to the Financial Statements

10. 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.

11. 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.

12. 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.

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.

City of Jasper, Texas

Notes to the Financial Statements

2. Property Taxes

Property values are determined by the County 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, 2020 was \$0.3579 per \$100, allocated \$0.2554 for the General Fund and \$0.1025 for the Debt Service Fund.

3. 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 utility fund are charges to customers for sales and services. The utility 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 proprietary fund 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.

H. 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.

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 fund.
6. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), except for the proprietary fund.

City of Jasper, Texas

Notes to the Financial Statements

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 justified and budgeted 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 appropriated and honored during the subsequent year. The City had \$93,733 of outstanding encumbrances in the capital projects fund at September 30, 2020 that will be funded one-half by transfers from the utility fund and one-half by JEDCO.

Note 3. Detailed Notes on All Funds

A. Cash and Investments

Primary Government

At September 30, 2020, the carrying amount of the City's deposits included cash, certificates of deposit and interest-bearing accounts.

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.

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.

City of Jasper, Texas

Notes to the Financial Statements

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. At September 30, 2020, the City's deposits were held at various depository banks. Deposit balances held at the depository banks were insured and collateralized with securities held by the City's or the bank's agent in the City's name.

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 as the cash equivalents and 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 (cash, certificates of deposit and interest-bearing savings accounts) at national banks and credit unions. At September 30, 2020, JEDCO's deposits at the local bank were insured and collateralized with securities held by the JEDCO's or the bank's agent and in JEDCO's name.

B. Restricted Assets

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

	<u>General Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Construction	\$ -	\$ 1,104,375	\$ 1,104,375
Hotel/motel tax	361,268	-	361,268
Courts	475,382	-	475,382
Grants and contributions	4,977	-	4,977
Customer meter deposits	-	531,809	531,809
Total restricted assets	<u>\$ 841,627</u>	<u>\$ 1,636,184</u>	<u>\$ 2,477,811</u>

C. Receivables

Tax revenues of the general and debt service fund are reported net of the change in estimated uncollectible amounts. Revenues of the utility fund are reported net of the change in estimated uncollectible amounts.

Total change in uncollectible amounts related to property tax, court fine and utility revenues of the current period increased (decreased) revenues as follows:

Change in uncollectibles related to general fund property taxes	\$ (1,000)
Change in uncollectibles related to general fund sanitation	1,963
Change in uncollectibles related to general fund court fines	43,985
Change in uncollectibles related to utility fund utilities	<u>30,748</u>
Total change in uncollectibles of the current fiscal year increased (decreased) revenues	<u>\$ 75,696</u>

City of Jasper, Texas

Notes to the Financial Statements

Allowances for uncollectibles at September 30, 2020 for the City's individual major governmental and proprietary funds are as follows:

	General Fund	Debt Service Fund	Utility Fund	Total
Property taxes	\$ (8,000)	\$ (5,000)	\$ -	\$ (13,000)
Accounts	(83,967)	-	(1,315,481)	(1,399,448)
Court fines	(883,205)	-	-	(883,205)

Approximately 82% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

D. Interfund Balances and Activity

Primary Government:

1. Interfund Receivables and Payables

Interfund receivables and payables of the various funds at September 30, 2020 were as follows:

	Interfund Receivables	Interfund Payables
General	\$ 768	\$ 383,277
Debt service	-	768
Utility	383,277	-
Totals	\$ 384,045	\$ 384,045

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.

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, 2020.

Transfers out	Transfer in General Fund	Transfer in Capital Projects Fund	Total
Utility	\$ 4,362,399	\$ 2,639,043	\$ 7,001,442
Totals	\$ 4,362,399	\$ 2,639,043	\$ 7,001,442

Transfers from the Utility Fund were utilized to pay budgeted capital expenditures of the General Fund and the Capital Projects Fund.

City of Jasper, Texas
Notes to the Financial Statements

3. Component Unit - JEDCO

Amounts receivable and payable between the City and its component unit at September 30, 2020 were as follows:

<u>Primary Government/Component Unit</u>	<u>Receivables</u>	<u>Payables</u>
City - General fund	\$ 1,203,491	\$ -
Component unit - JEDCO	-	1,203,491
Totals	\$ 1,203,491	\$ 1,203,491

The receivable and payable between the City and its component unit consist of payroll administration expenditures of \$6,166, expenditures of \$92,014 for JEDCO portion of Jasper United joint venture and expenditures of \$1,105,311 for JEDCO portion of Main Street construction project in progress.

E. Capital Assets

Primary Government

Capital asset activity for the year ended September 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments and Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 775,888	\$ -	\$ -	\$ -	\$ 775,888
Construction in progress	3,636,635	4,735,005	-	(8,200,374)	171,266
Total capital assets, not being depreciated	4,412,523	4,735,005	-	(8,200,374)	947,154
Depreciable assets:					
Buildings and improvements	2,531,612	11,085	-	-	2,542,697
Improvements other than buildings	4,936,309	37,235	-	4,420,034	9,393,578
Machinery and equipment	11,084,798	341,684	-	-	11,426,482
Infrastructure	14,310,745	269,886	-	3,780,340	18,360,971
Total depreciable assets	32,863,464	659,890	-	8,200,374	41,723,728
Less accumulated depreciation for:					
Buildings and improvements	(1,400,713)	(49,638)	-	-	(1,450,351)
Improvements other than buildings	(3,982,814)	(260,027)	-	-	(4,242,841)
Machinery and equipment	(8,018,626)	(780,918)	-	-	(8,799,544)
Infrastructure	(9,143,263)	(993,598)	-	-	(10,136,861)
Total accumulated depreciation	(22,545,416)	(2,084,181)	-	-	(24,629,597)
Total depreciable assets, net	10,318,048	(1,424,291)	-	8,200,374	17,094,131
Governmental activities capital assets, net	\$ 14,730,571	\$ 3,310,714	\$ -	\$ -	\$ 18,041,285

City of Jasper, Texas
Notes to the Financial Statements

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

Governmental activities:	
General government	\$ 53,677
Finance	3,970
Intergovernmental services	64,922
Community services	582,579
Community development	1,149,528
Public safety	229,505
Total	<u>\$ 2,084,181</u>

	Beginning Balance	Increases	Decreases	Adjustments and Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land and improvements	\$ 123,132	\$ -	\$ -	\$ -	\$ 123,132
Construction in progress	895,459	72,850	-	(895,459)	72,850
Total capital assets, not being depreciated	1,018,591	72,850	-	(895,459)	195,982
Depreciable assets:					
Buildings and improvements	606,910	-	-	-	606,910
Utility systems	43,647,521	833,747	-	895,459	45,376,727
Machinery and equipment	5,159,883	522,406	-	-	5,682,289
Total depreciable assets	49,414,314	1,356,153	-	895,459	51,665,926
Less accumulated depreciation for:					
Buildings and improvements	(407,971)	(14,525)	-	-	(422,496)
Utility systems	(26,488,236)	(1,529,154)	-	-	(28,017,390)
Machinery and equipment	(4,064,543)	(266,970)	-	-	(4,331,513)
Total accumulated depreciation	(30,960,750)	(1,810,649)	-	-	(32,771,399)
Total depreciable assets, net	18,453,564	(454,496)	-	895,459	18,894,527
Business-type activities capital assets, net	<u>\$ 19,472,155</u>	<u>\$ (381,646)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,090,509</u>

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

Business-type activities:	
Water and sewer	\$ 1,270,511
Light and power	540,138
Total business-type activities	<u>\$ 1,810,649</u>

City of Jasper, Texas

Notes to the Financial Statements

Construction Commitments

The City and JEDCO have an active construction project as of September 30, 2020. The project is for Street Improvements. At year end, the commitments with contractors are as follows:

<u>City Project</u>	<u>Remaining Commitment</u>
Main St. & Water St. Improvements	\$ 93,733
Totals	\$ 93,733

The commitments for construction for street improvements are being financed one half by the Utility Fund and one half by JEDCO.

Component Unit - JEDCO

Activity for the component unit for the year ended September 30, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>and Transfers</u>	<u>Ending Balance</u>
Component unit:					
Capital assets, not being depreciated:					
Land and improvements	\$ 159,823	\$ -	\$ -	\$ -	\$ 159,823
Total capital assets, not being depreciated	159,823	-	-	-	159,823
Depreciable assets:					
Buildings and improvements	1,209,302	-	-	-	1,209,302
Industrial park	3,202,753	-	-	-	3,202,753
Signs	18,852	-	-	-	18,852
Office equipment	55,181	-	-	-	55,181
Total depreciable assets	4,486,088	-	-	-	4,486,088
Less accumulated depreciation for:					
Buildings and improvements	(19,245)	(27,856)	-	-	(47,101)
Industrial park	(1,008,895)	(64,055)	-	-	(1,072,950)
Signs	(16,525)	(901)	-	-	(17,426)
Office equipment	(14,315)	(3,552)	-	-	(17,867)
Total accumulated depreciation	(1,058,980)	(96,364)	-	-	(1,155,344)
Total depreciable assets, net	3,427,108	(96,364)	-	-	3,330,744
Component unit capital assets, net	\$ 3,586,931	\$ (96,364)	\$ -	\$ -	\$ 3,490,567

F. Long-term Liabilities

Primary Government and Discretely Presented Component Unit (JEDCO):

Long-term obligations include certificates of obligation, compensated absences, net pension liability, and other postemployment benefits. The requirements for the 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 and the Utility 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, 2020, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Certificates of obligation	\$ 1,575,000	\$ -	\$ (510,000)	\$ 1,065,000	\$ 70,000
Deferred amounts:					
For issuance premiums	42,964	-	(3,223)	39,741	-
Total bonds payable, net	1,617,964	-	(513,223)	1,104,741	70,000
Compensated absences	486,988	264,030	(256,789)	494,229	260,000
Net pension liability	1,832,334	2,267,448	(3,484,009)	615,773	-
OPEB liability / retiree health	1,515,132	446,100	(210,163)	1,751,069	-
OPEB liability / TMRS	335,283	62,874	(121,737)	276,420	-
Total governmental activities long-term liabilities	\$ 5,787,701	\$ 3,040,452	\$ (4,585,921)	\$ 4,242,232	\$ 330,000
Business-type activities:					
Compensated absences	\$ 386,308	\$ 194,078	\$ (162,705)	\$ 417,681	\$ 180,000
Net pension liability	1,439,692	1,781,567	(2,737,438)	483,821	-
OPEB liability / retiree health	1,190,460	350,507	(165,127)	1,375,840	-
OPEB liability / TMRS	232,993	43,692	(84,596)	192,089	-
Total business-type activities long-term liabilities	\$ 3,249,453	\$ 2,369,844	\$ (3,149,866)	\$ 2,469,431	\$ 180,000
Component Unit - JEDCO					
Compensated absences	\$ 6,675	\$ 12,003	\$ (3,045)	\$ 15,633	\$ 15,633
Total	\$ 6,675	\$ 12,003	\$ (3,045)	\$ 15,633	\$ 15,633

Primary Government:

Certificates of Obligation

Governmental activities:

\$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.

\$ 1,065,000

\$ 1,065,000

City of Jasper, Texas
Notes to the Financial Statements

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

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
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
Totals	\$ 1,065,000	\$ 191,500	\$ 1,256,500

Note 4. Other Information

A. Pension Information

Plan Description

The City of Jasper participates in one of 888 nontraditional, joint contributory, hybrid defined benefit pension plans 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.tmr.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.

City of Jasper, Texas

Notes to the Financial Statements

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

	Plan Year 2019	Plan Year 2018
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	0%	0%
Annuity increase (to retirees)	0% of CPI	0% of CPI
Supplemental death benefit to active employees	Yes	Yes
Supplemental death benefit to retirees	Yes	Yes

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	78
Inactive employees entitled to but not yet receiving benefits	53
Active employees	122
	<hr/>
	253

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 9.09% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$577,094, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

City of Jasper, Texas

Notes to the Financial Statements

Actuarial assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% 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 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the City, rates are multiplied by an additional factor of 100%. For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

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 2020 are summarized in the following table:

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
Total	100%	

City of Jasper, Texas

Notes to the Financial Statements

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.

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, 2018	\$ 26,735,471	\$ 23,463,445	\$ 3,272,026
Changes for the year			
Service cost	724,337	-	724,337
Interest	1,777,589	-	1,777,589
Difference between expected and actual	(91,534)	-	(91,534)
Changes of assumptions	(43,810)	-	(43,810)
Contributions - employer	-	526,898	(526,898)
Contributions - employee	-	412,560	(412,560)
Net investment income	-	3,620,669	(3,620,669)
Benefit payments, including refunds of employee contributions	(1,525,976)	(1,525,976)	-
Administrative expense	-	(20,496)	20,496
Other changes	-	(617)	617
Net changes	<u>840,606</u>	<u>3,013,038</u>	<u>(2,172,432)</u>
Balance at December 31, 2019	<u>\$ 27,576,077</u>	<u>\$ 26,476,483</u>	<u>\$ 1,099,594</u>

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	\$ 4,335,565	\$ 1,099,594	\$ (1,619,057)

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.tmr.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, 2020, the City recognized pension expense of \$522,128.

At September 30, 2020, 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	\$ -	\$ 89,394
Changes in actuarial assumptions	-	32,431
Difference between projected and actual investment earnings	-	815,704
Contributions subsequent to the measurement date	424,976	-
Totals	\$ 424,976	\$ 937,529

\$424,976 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, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,	
2021	\$ (294,509)
2022	(277,072)
2023	41,431
2024	(407,379)
Totals	\$ (937,529)

B. Other Postemployment Benefits

Plan Descriptions

Texas Municipal Retirement System (TMRS) - Supplemental Death Benefits Plan

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

City of Jasper, Texas

Notes to the Financial Statements

Retiree Health Plan

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.

Benefits Provided

TMRS

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit ("OPEB") and is a fixed amount of \$7,500.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>122</u>
	<u><u>199</u></u>

Retiree Health

An employee is eligible to elect medical coverage upon retiring or disability. Eligibility is based on 20 years of service with the City of Jasper. Spouses of retiring members are also eligible for health and life benefits under the plan, however they are responsible for full cost of coverage. The City pays \$572 in premiums per month per retiree. The benefit terms provide the eligible employee with payment of 60-80% of annual health care expenses. The City of Jasper provides a life insurance benefit based on salary at a rate of \$0.413 per unit of insurance.

At the October 1, 2019 valuation date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	8
Active employees	<u>17</u>
	<u><u>25</u></u>

City of Jasper, Texas
Notes to the Financial Statements

Contributions

TMRS

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

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of contribution rates to the SDBF for the City was 0.05% and 0.06% in calendar years **2019** and 2020, respectively. The City's contributions to the SDBF for the year ended September 30, 2020 were \$3,656, and were equal to the required contributions.

Retiree Health

The contributions requirement for plan members and the City are established and may be amended by City Council. In fiscal year 2020, a premium of approximately \$4,500 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	\$ 572
Spouse	1,161
Child	1,007
Family	1,687
Basic Life	
Life	\$ 0.19 per \$1,000

The employer does not pre-fund benefits. 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.

Total OPEB Liability

TMRS

The City's Total OPEB Liability (TOL) was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Retiree Health

The City's Total OPEB Liability (TOL) was measured as of September 30, 2020 and was determined by an actuarial valuation as of October 1, 2019.

City of Jasper, Texas
Notes to the Financial Statements

Actuarial Assumptions

TMRS

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.75%
Retiree's share of benefit-related costs	\$0

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the City, rates are multiplied by an additional factor of 100%. For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

The discount rate used to measure the Total OPEB Liability was 2.75% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Retiree Health

The Total OPEB Liability in the September 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	October 1, 2019
Measurement date	September 30, 2020
Actuarial cost method	Entry age normal
Inflation	2.20% per annum, compounded annually
Salary increases	3.00% including inflation
Discount rate	2.21% per annum, compounded annually

Mortality rates were based on PUB-2010 General Employees Amount-Weighted Table with Mortality Improvement Scale MP-2020 on a generational basis with healthy annuitant rates after benefit commencement.

The discount rate used to measure the Total OPEB Liability was 2.21% and was based on the Bond Buyer General Obligation 20-Bond Municipal Index rate as of October 1, 2019.

City of Jasper, Texas
Notes to the Financial Statements

Changes in Total OPEB Liability

TMRS

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at December 31, 2018	\$ 568,276
Changes for the year:	
Service cost	14,734
Interest on Total OPEB Liability	21,302
Difference between expected and actual experience	(203,386)
Changes of assumptions or other inputs	70,530
Benefit payments	<u>(2,947)</u>
Net changes	<u>(99,767)</u>
Balance at December 31, 2019	<u>\$ 468,509</u>

Retiree Health

	Increase (Decrease)
	<u>Total OPEB Liability</u>
Balance at September 30, 2019	\$ 2,705,592
Changes for the year:	
Service cost	67,274
Interest on Total OPEB Liability	73,030
Effect of economic/demographic gains or losses	(320,216)
Change in assumptions or other inputs	656,303
Benefit payments	<u>(55,074)</u>
Net changes	<u>421,317</u>
Balance at September 30, 2020	<u>\$ 3,126,909</u>

City of Jasper, Texas

Notes to the Financial Statements

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

TMRS

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.75%) or 1 percentage-point higher (3.75%) than the current rate:

	<u>1% Decrease in Discount Rate (1.75%)</u>	<u>Discount Rate (2.75%)</u>	<u>1% Increase in Discount Rate (3.75%)</u>
Total OPEB liability	\$ 560,032	\$ 468,509	\$ 396,477

Retiree Health

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.21%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (1.21%) or 1 percentage-point higher (3.21%) than the current rate:

	<u>1% Decrease in Discount Rate (1.21%)</u>	<u>Discount Rate (2.21%)</u>	<u>1% Increase in Discount Rate (3.21%)</u>
Total OPEB liability	\$ 3,284,439	\$ 3,126,909	\$ 2,972,537

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

Retiree Health

The following presents the total OPEB liability of the City, calculated using the current healthcare rates, as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is 1 percentage-point lower or 1 percentage-point higher than the current trend rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 2,921,212	\$ 3,126,909	\$ 3,358,483

City of Jasper, Texas

Notes to the Financial Statements

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

TMRS

For the year ended September 30, 2020, the City recognized OPEB expense of \$44,179. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 54,520
Changes in actuarial assumptions and other inputs	52,849	-
Contributions subsequent to the measurement date	2,805	-
Totals	\$ 55,654	\$ 54,520

\$2,805 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will reduce the Total OPEB liability during the year ending September 30, 2021. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30:	
2021	\$ 8,143
2022	8,143
2023	3,270
2024	(21,227)
Totals	\$ (1,671)

Retiree Health

For the year ended September 30, 2020, the City recognized OPEB expense of \$263,302. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 221,612
Changes in actuarial assumptions and other inputs	593,310	57,232
Totals	\$ 593,310	\$ 278,844

City of Jasper, Texas
Notes to the Financial Statements

The amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30:</u>	
2021	\$ 122,998
2022	137,670
2023	<u>53,798</u>
Totals	<u>\$ 314,466</u>

C. 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.

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.

D. 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 October 1, 2021.

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.

City of Jasper, Texas

Notes to the Financial Statements

E. 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 \$1,000,000. 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.

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.

F. 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.

G. Joint Venture

In 2019, the City of Jasper and JEDCO entered into a joint venture agreement to create Jasper United. The purpose of Jasper United is to purchase and renovate a building to be used in an economic development agreement. The City and JEDCO share equally in managing the joint venture while their financial contributions are 70% and 30%, respectively.

During the fiscal year ended September 30, 2020, the City and JEDCO have provided capital contributions of \$2,225,904 and \$953,959, respectively, and incentive contributions of \$84,421 and \$36,180, respectively to the joint venture. The joint venture is in the process of renovating the building purchased as agreed to in the economic development agreement.

H. Subsequent Event

COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District's operations and financial results at this time.

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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, 2020

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 858,757	\$ 922,307	\$ 922,307	\$ -
Franchise taxes	165,000	132,618	132,618	-
Sales taxes	2,154,500	2,401,291	2,401,291	-
Motel occupancy	275,000	297,150	297,150	-
Mixed beverage	12,530	11,675	11,675	-
Other taxes	1,500	11	11	-
Licenses and permits	28,500	173,936	173,936	-
Intergovernmental:				
Intergovernmental	-	490,078	490,078	-
CLEOSE grant	-	4,770	4,770	-
CDBG	-	185,736	185,736	-
Municipal court technology	8,075	3,290	3,290	-
Other grants and contributions	102,500	73,028	73,028	-
Charges for services:				
Sanitation collection fees	1,353,000	1,399,244	1,399,244	-
Landfill transfer fee	92,000	203,349	203,349	-
Animal shelter	-	6,060	6,060	-
Fines and forfeitures	476,610	242,211	242,211	-
Rents and royalties	137,510	80,535	80,535	-
Investment earnings	8,000	66,094	66,094	-
Capital contributions from JEDCO	-	1,374,577	1,374,577	-
Other revenues	17,500	26,709	26,709	-
Total revenues	5,690,982	8,094,669	8,094,669	-
EXPENDITURES				
General government:				
Legislative	641,435	632,221	632,221	-
Administrative	141,241	141,321	141,321	-
Human resources	113,917	130,284	130,284	-
City secretary	55,900	34,362	34,362	-
Total general government	952,493	938,188	938,188	-
Finance:				
Budget and finance	323,222	338,420	338,420	-
Total finance	323,222	338,420	338,420	-
Intergovernmental services:				
Municipal shop	317,718	317,904	317,904	-
Custodial services	106,892	121,516	121,516	-
Total intergovernmental services	424,610	439,420	439,420	-
Community services:				
Library	314,563	281,083	281,083	-
Solid waste	888,719	1,039,938	1,039,938	-
Parks	41,700	69,389	69,389	-
Community services	279,153	286,687	286,687	-
Animal shelter	110,818	133,382	133,382	-
Total community services	1,634,953	1,810,479	1,810,479	-

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, 2020

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
Community development:				
Streets and drainage	723,830	677,946	677,946	-
Total community development	723,830	677,946	677,946	-
Public safety:				
Police	2,330,426	2,425,933	2,425,933	-
Municipal court	387,814	309,284	309,284	-
Fire	305,384	251,922	251,922	-
Total public safety	3,023,624	2,987,139	2,987,139	-
Incentive contributions:				
Incentive contributions to Jasper United	-	84,421	84,421	-
Total incentive contributions	-	84,421	84,421	-
Capital outlay:				
Governmental activities	-	2,473,756	2,473,756	-
Capital contributions to Jasper United	-	2,229,528	2,229,528	-
Total capital outlay	-	4,703,284	4,703,284	-
Total expenditures	7,082,732	11,979,297	11,979,297	-
Excess (deficiency) of revenues over expenditures	(1,391,750)	(3,884,628)	(3,884,628)	-
OTHER FINANCING SOURCES (USES)				
Proceeds from insurance	-	72,682	72,682	-
Transfers in (out), net	1,557,828	4,362,399	4,362,399	-
Total other financing sources (uses)	1,557,828	4,435,081	4,435,081	-
Net change in fund balance	166,078	550,453	550,453	-
Fund balance, beginning of year	5,067,103	5,067,103	5,067,103	-
FUND BALANCE, END OF YEAR	\$ 5,233,181	\$ 5,617,556	\$ 5,617,556	\$ -

City of Jasper, Texas

Schedule of Changes in the City's Net Pension Liability and Related Ratios - Texas Municipal Retirement System Last Six Fiscal Years*

	<u>2020</u>
TOTAL PENSION LIABILITY	
Service cost	\$ 724,337
Interest	1,777,589
Differences between expected and actual experience	(91,534)
Changes of assumptions	(43,810)
Benefit payments, including refunds of employee contributions	<u>(1,525,976)</u>
Net change in total pension liability	840,606
Total pension liability - beginning	<u>26,735,471</u>
TOTAL PENSION LIABILITY - ENDING (a)	<u><u>\$ 27,576,077</u></u>
PLAN FIDUCIARY NET POSITION	
Contributions - employer	\$ 526,898
Contributions - employee	412,560
Net investment income	3,620,669
Benefits payments, including refunds of employee contributions	(1,525,976)
Administrative expense	(20,496)
Other	<u>(617)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	3,013,038
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>23,463,445</u>
PLAN FIDUCIARY NET POSITION - ENDING (b)	<u><u>\$ 26,476,483</u></u>
NET PENSION LIABILITY - ENDING (a)-(b)	<u><u>\$ 1,099,594</u></u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	96.01%
COVERED PAYROLL	\$ 5,893,711
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	18.66%

*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 compiled, the City will present information for those years for which information is available.

2019	2018	2017	2016	2015
\$ 684,753	\$ 666,063	\$ 622,813	\$ 588,614	\$ 527,036
1,710,044	1,645,742	1,585,624	1,558,567	1,496,058
(4,726)	(74,197)	(69,536)	(339,348)	150,354
-	-	-	665,404	-
(1,292,416)	(1,296,242)	(1,243,527)	(1,286,185)	(1,336,328)
1,097,655	941,366	895,374	1,187,052	837,120
25,637,816	24,696,450	23,801,076	22,614,024	21,776,904
<u>\$ 26,735,471</u>	<u>\$ 25,637,816</u>	<u>\$ 24,696,450</u>	<u>\$ 23,801,076</u>	<u>\$ 22,614,024</u>
\$ 535,648	\$ 522,285	\$ 447,224	\$ 449,296	\$ 444,943
393,860	381,230	350,176	348,292	346,452
(734,900)	3,037,584	1,417,236	31,669	1,191,798
(1,292,416)	(1,296,242)	(1,243,527)	(1,286,185)	(1,336,328)
(14,228)	(15,764)	(16,023)	(19,297)	(12,445)
(743)	(798)	(863)	(954)	(1,023)
(1,112,779)	2,628,295	954,223	(477,179)	633,397
24,576,224	21,947,929	20,993,706	21,470,885	20,837,488
<u>\$ 23,463,445</u>	<u>\$ 24,576,224</u>	<u>\$ 21,947,929</u>	<u>\$ 20,993,706</u>	<u>\$ 21,470,885</u>
<u>\$ 3,272,026</u>	<u>\$ 1,061,592</u>	<u>\$ 2,748,521</u>	<u>\$ 2,807,370</u>	<u>\$ 1,143,139</u>
87.76%	95.86%	88.87%	88.20%	94.94%
\$ 5,626,569	\$ 5,446,143	\$ 5,002,511	\$ 4,975,602	\$ 4,949,317
58.15%	19.49%	54.94%	56.42%	23.10%

City of Jasper, Texas

Schedule of the City Contributions - Texas Municipal Retirement System Last Six Fiscal Years *

	<u>2020</u>
Actuarially determined contribution	\$ 577,094
Contributions in relation to the actuarially determined contribution	<u>(577,094)</u>
CONTRIBUTIONS DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>
Covered payroll	\$ 6,376,747
Contributions as a percentage of covered payroll	9.05%

*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
compiled, the City will present information for those years for which information is available.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 528,426	\$ 530,845	\$ 499,517	\$ 443,977	\$ 445,462
<u>(528,426)</u>	<u>(530,845)</u>	<u>(499,517)</u>	<u>(443,977)</u>	<u>(445,462)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,806,097	\$ 5,564,688	\$ 5,304,307	\$ 4,952,492	\$ 4,938,995
9.10%	9.54%	9.42%	8.96%	9.02%

City of Jasper, Texas

Schedule of Changes in the City's OPEB Liability and Related Ratios Texas Municipal Retirement System Last Three Fiscal Years *

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:			
Service cost	\$ 14,734	\$ 15,192	\$ 13,071
Interest on total OPEB liability	21,302	13,213	13,031
Difference between expected and actual experience	(203,386)	176,181	-
Changes of assumptions or other inputs	70,530	(26,504)	30,341
Benefit payments	<u>(2,947)</u>	<u>(2,813)</u>	<u>(3,268)</u>
Net change in total OPEB liability	(99,767)	175,269	53,175
Total OPEB liability - beginning	<u>568,276</u>	<u>393,007</u>	<u>339,832</u>
TOTAL OPEB LIABILITY - ENDING	<u>\$ 468,509</u>	<u>\$ 568,276</u>	<u>\$ 393,007</u>
Covered payroll	\$ 5,893,711	\$ 5,626,569	\$ 5,446,143
OPEB liability as a percentage of covered payroll	7.95%	10.10%	7.22%

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

GASB Statement No. 75 requires 10 fiscal years of data to be provided in this schedule. The employer will be required to build this schedule over the next 10-year period, as only one year of data is available.

The TMRS Supplementary Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

City of Jasper, Texas
 Schedule of City OPEB Contributions
 Texas Municipal Retirement System
 Last Three Fiscal Years *

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 3,656	\$ 2,903	\$ 2,938
Contributions in relation to the actuarially determined contribution	<u>(3,656)</u>	<u>(2,903)</u>	<u>(2,938)</u>
CONTRIBUTIONS DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered payroll	\$ 6,376,747	\$ 5,806,097	\$ 5,564,688
Contributions as a percentage of covered payroll	0.06%	0.05%	0.05%

*The amounts presented for the fiscal year were determined as of the City's fiscal year end September 30. GASB Statement No. 75 requires 10 fiscal years of data to be provided in this schedule. GASB Statement No. 75 was implemented at the beginning of fiscal year 2018 and the City will be required to build this schedule over the next 10-year period.

City of Jasper, Texas

Schedule of Changes in the City's OPEB Liability and Related Ratios Retiree Health Plan Last Three Fiscal Years *

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:			
Service cost	\$ 67,274	\$ 55,843	\$ 63,546
Interest on total OPEB liability	73,030	100,673	92,441
Effect of economic/demographic gains or losses	(320,216)	-	(4,206)
Change in assumptions or other inputs	656,303	251,412	(164,542)
Benefit payments	<u>(55,074)</u>	<u>(108,782)</u>	<u>(112,623)</u>
Net change in total OPEB liability	421,317	299,146	(125,384)
Total OPEB liability - beginning	<u>2,705,592</u>	<u>2,406,446</u>	<u>2,531,830</u>
TOTAL OPEB LIABILITY - ENDING	<u>\$ 3,126,909</u>	<u>\$ 2,705,592</u>	<u>\$ 2,406,446</u>
Covered payroll	\$ 6,192,443	\$ 5,832,145	\$ 5,131,927
OPEB liability as a percentage of covered payroll	50.50%	46.39%	46.89%

*The amounts presented for the fiscal year were determined as of the plan year end September 30. GASB Statement No. 75 requires 10 fiscal years of data to be provided in this schedule. The employer will be required to build this schedule over the next 10-year period, as only one year of data is available.

The Health Care Plan is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

City of Jasper, Texas
 Schedule of City OPEB Contributions
 Retiree Health Plan
 Last Three Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 55,074	\$ 108,782	\$ 112,623
Contributions in relation to the actuarially determined contribution	<u>(55,074)</u>	<u>(108,782)</u>	<u>(112,623)</u>
CONTRIBUTIONS DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,192,413	\$ 5,832,145	\$ 5,131,927
Contributions as a percentage of covered payroll	0.89%	1.87%	2.19%

*The amounts presented for the fiscal year were determined as of the City's fiscal year end September 30. GASB Statement No. 75 requires 10 fiscal years of data to be provided in this schedule. GASB Statement No. 75 was implemented at the beginning of fiscal year 2018 and the City will be required to build this schedule over the next 10-year period.

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 expenditures in excess of 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.

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, 2020

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 330,198	\$ 374,509	\$ 374,509	\$ -
Sales taxes	1,000,000	1,191,810	1,191,810	-
Investment earnings	6,000	7,759	7,759	-
Total revenues	1,336,198	1,574,078	1,574,078	-
EXPENDITURES				
Debt service:				
Principal	785,000	510,000	510,000	-
Interest and fees	59,713	31,049	31,049	-
Total expenditures	844,713	541,049	541,049	-
Net change in fund balance	491,485	1,033,029	1,033,029	-
Fund balance, beginning of year	1,176,989	1,176,989	1,176,989	-
FUND BALANCE, END OF YEAR	\$ 1,668,474	\$ 2,210,018	\$ 2,210,018	\$ -

City of Jasper, Texas
Schedule of Operating Expenses
by Department - Enterprise Funds
For the Fiscal Year Ended September 30, 2020

	Utility Fund			Total
	Water Utility	Sewer Utility	Light and Power Utility	
Water production:				
Personnel expenses	\$ 186,294	\$ -	\$ -	\$ 186,294
Maintenance and supplies	53,604	-	-	53,604
Contracted services	149,744	-	-	149,744
Other sundry expenses	2,545	-	-	2,545
Total water production	392,187	-	-	392,187
Water distribution:				
Personnel expenses	515,525	-	-	515,525
Maintenance and supplies	48,029	-	-	48,029
Contracted services	5,850	-	-	5,850
Other sundry expenses	2,959	-	-	2,959
Total water distribution	572,363	-	-	572,363
Sewer collection:				
Personnel expenses	-	389,705	-	389,705
Maintenance and supplies	-	71,543	-	71,543
Contracted services	-	78,413	-	78,413
Other sundry expenses	-	7,637	-	7,637
Total sewer collection	-	547,298	-	547,298
Sewer treatment:				
Personnel expenses	-	376,234	-	376,234
Maintenance and supplies	-	94,013	-	94,013
Contracted services	-	215,220	-	215,220
Other sundry expenses	-	3,398	-	3,398
Total sewer treatment	-	688,865	-	688,865
Public works:				
Personnel expenses	323,039	-	-	323,039
Maintenance and supplies	11,511	-	-	11,511
Contracted services	13,914	-	-	13,914
Other sundry expenses	2,456	-	-	2,456
Total public works	350,920	-	-	350,920
Power production:				
Purchased power	-	-	9,942,396	9,942,396
Personnel expenses	-	-	971,418	971,418
Maintenance and supplies	-	-	66,956	66,956
Contracted services	-	-	25,049	25,049
Other sundry expenses	-	-	10,898	10,898
Total power production	-	-	11,016,717	11,016,717
Right of way:				
Personnel expenses	-	-	457,540	457,540
Maintenance and supplies	-	-	43,993	43,993
Contracted services	-	-	2,687	2,687
Other sundry expenses	-	-	950	950
Total right of way	-	-	505,170	505,170
Inspection:				
Personnel expenses	-	-	213,299	213,299
Maintenance and supplies	-	-	10,987	10,987
Contracted services	-	-	2,772	2,772
Other sundry expenses	-	-	3,003	3,003
Total inspection	-	-	230,061	230,061
Customer service:				
Personnel expenses	-	-	316,739	316,739
Maintenance and supplies	-	-	37,452	37,452
Contracted services	-	-	70,402	70,402
Other sundry expenses	-	-	22,747	22,747
Total customer service	-	-	447,340	447,340
Nondepartmental:				
Depreciation	635,255	635,256	540,138	1,810,649
Total nondepartmental expenses	635,255	635,256	540,138	1,810,649
TOTAL OPERATING EXPENSES	\$ 1,950,725	\$ 1,871,419	\$ 12,739,426	\$ 16,561,570

City of Jasper, Texas

Statement of Net Position - Component Unit
Jasper Economic Development Corporation
September 30, 2020

	<u>Component Unit</u>
	<u>JEDCO</u>
ASSETS	
Cash and cash equivalents	\$ 2,356,890
Receivables	
Sales taxes	213,941
Other	3,500
Equity interest ownership - Jasper United	1,159,560
Land held for resale	711,332
Capital assets:	
Land	159,823
Buildings and improvements	1,209,302
Industrial park	3,202,753
Signs	18,852
Office equipment	55,181
Accumulated depreciation	<u>(1,155,344)</u>
Total assets	7,935,790
LIABILITIES	
Current liabilities:	
Accounts payable	19,500
Accrued liabilities	1,890
Due to primary government	1,203,491
Due to Jasper United	77,478
Accrued compensated absences	<u>15,633</u>
Total liabilities	1,317,992
NET POSITION	
Net investment in capital assets	3,490,567
Restricted for:	
Equity interest ownership - Jasper United	1,159,560
Unrestricted	<u>1,967,671</u>
TOTAL NET POSITION	<u><u>\$ 6,617,798</u></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, 2020

	<u>Component Unit</u>
	<u>JEDCO</u>
OPERATING REVENUES	
Taxes:	
Sales taxes	\$ 1,191,810
Rental revenues	42,000
	<hr/>
Total revenues	1,233,810
OPERATING EXPENSES	
Economic development:	
Administration	292,814
Industry development	138,000
Contributions to the City	1,374,577
Incentive contributions to Jasper United	36,180
Marketing and promotion	10,384
Depreciation	96,364
	<hr/>
Total expenses	1,948,319
	<hr/>
Operating income	(714,509)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	24,938
	<hr/>
Total nonoperating revenues (expenses)	24,938
	<hr/>
Change in net position	(689,571)
Net position - beginning	7,307,369
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NET POSITION - ENDING	<u>\$ 6,617,798</u>

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Overall Compliance and Internal Control Section

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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 aggregate discretely presented component unit, and each major fund of City of Jasper, Texas (the City) as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 5, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 entity'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
February 5, 2021

City of Jasper, Texas

Schedule of Findings and Responses
For the Fiscal Year Ended September 30, 2020

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

None reported

City of Jasper, Texas

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended September 30, 2020

Prior Year Finding Related to Internal Control over Financial Reporting

**Finding: 2019-001 Preparation of Financial Statements
Significant Deficiency in Control**

Status: Resolved

Prior Year Finding Related to Compliance with Laws and Regulations

Status: Resolved